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SEPTEMBER 2009 **£3.20**

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A split mortgage solves the tracker or fixed debate

For those who are about to take out a new mortgage deal, you will probably be deciding between a fixed rate or a tracker deal. The safe option in the long term is to go for a fixed rate, but staying with the currently much cheaper variable rates is tempting, because many believe interest rates will take well over a year to rise again.

With many brokers saying that fixed rates will also start to rise, however, you could miss out on securing a long-term deal now. The solution could be to go for a split mortgage that combines both sorts of deal. Splitting a mortgage gives you the option of playing it safe with half your loan at a fixed rate while still benefitting on the other half from the low variable rates currently available.

Ian Gray from brokers www.largemortgageloans.com points out that the majority of high-street and private banks offer split mortgages. He advises that to split their mortgage deal, borrowers must take out two mortgages with the same lender, but with only one arrangement fee being paid. For example, Abbey currently offers a five-year fixed deal at 5.09 per cent with a £995 fee. It also offers a two-year tracker at 3.29 per cent with the same fee amount. Under a split deal, these deals could be combined but with only the one fee being paid.

As an idea of your monthly payments: if you divided a £200,000 mortgage between these two Abbey deals, you would pay £424 a month on the fixed and £274 on the tracker, a total of £698 compared with £848 if you had the entire sum on the fixed deal. The best of both worlds.