



Taking out mortgages correctly

Despite uncertain interest rate trends



Just a year ago, it was practically impossible to go wrong when taking out a new mortgage or renewing an existing one. Interest rates for 10-year fixed-rate mortgages, for example, were at a level of 1 percent. Now the tide has turned and anyone faced with the decision of taking out a new mortgage or renewing a fixed-rate mortgage is faced with the question of which mortgage financing is right for them.

Factors influencing the mortgage interest rate

Various factors play a role in the mortgage interest rate. The most important of these are listed below:

- The national and international economy - in particular the current and expected interest rate level
- The mortgage model chosen and the term (fixed-rate mortgage, variable-rate mortgage or Saron mortgage)
- The provider with whom the mortgage is taken out (bank or insurance company)
- The borrower's income and assets (creditworthiness)
- The value of the property

The current development

Rising inflation worldwide has not spared Switzerland. The increase in mortgage interest rates is also increasing monthly housing costs for homeowners. How the situation develops for mortgage borrowers in the future depends heavily on how high inflation and how the SNB combats it with higher key interest rates. In the last 20 years, fixed-rate mortgages have almost always been more expensive than Libor mortgages (now Saron). With a low risk capacity, staggered fixed-rate mortgages are a means of minimizing interest rate risks over different terms.

After the USA raised its key interest rate by another 50 basis points in December 2022, the SNB also raised its key interest rate by another 50 basis points to 1%. This increase will have a direct impact on the interest rate for Saron mortgages. However, following a slight decline in inflation, the interest rate situation, including fixed mortgage rates, can be expected to stabilize in the course of 2023 - although unexpected fluctuations due to the global political situation cannot be ruled out.

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Gzim Hasani, CEO of smzh, advises: «My recommendation for taking out or renewing your mortgage is made up of four main components: Check several providers, rely on the right advisors, carry out an analysis of your current life situation and have the property value checked. Of course, the mortgage interest rate is very important, but the level of amortization and financial flexibility should also be taken into account.»

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