The fixed interest rate and the time period it applies to *must* be stipulated in the contract. Generally you will not be able to make more than the agreed-upon repayments (i.e. pay the loan off more quickly). Check the loan contract for any conditions that apply.

A variable or floating interest rate: The interest charged on the outstanding loan balance increases or decreases based on changes to the market interest rate, which is usually set to a benchmark (such as the federal funds rate).

Variable interest rates can be beneficial when the market rate is low, and harmful when the rate is high. When the market interest rate declines, a variable interest rate will decline as well, reducing your loan payment. However, when the market interest rates rise, the interest on your loan will also increase and you'll have to pay more.[84]

A split interest rate: You may be able to choose to split the type of interest rate that applies to a loan. This occurs in two ways:

1. A fixed interest rate applies for a set amount of time. When that time elapses, the rate can be changed to a variable interest rate
2. Part of the amount borrowed has a fixed interest rate applied and the remaining amount has a variable interest rate applied.

The total amount you pay to the lender will depend on the amount you borrow, the interest rate charged, and the length of time that you borrow the money for (the term of the loan). Lenders will usually calculate interest charges on a daily basis. These interest charges are usually added to your loan account each month.

[84] Matt Lee. "Fixed and Variable Rate Loans: Which is Better?" *Investopedia,* April 23, 2021. https://www.investopedia.com/ask/answers/07/fixed-variable.asp