7 ways to save BIG **on your home loan.**

Your **10-minute guide** to becoming a mortgage maven.

Loan Market™

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There's no questioning the property and home loan environment has been tumultuous. Here's a quick look at what has been happening and how it could be impacting you:

- The national median dwelling costs a record 8.5 times the median annual household income.
- In March 2022, the portion of household income required to service new mortgage repayments sat at 41.4% nationally. With a number of cash rate hikes since then, this number is likely higher now.
- Looking at one snapshot of rate rises this year: from May until September, homeowners on variable-rate loans could have seen interest rate hikes of around 2.25 percentage points, depending on their loan. If you had a $500,000 loan with monthly principal and interest repayments over a 30-year term and your interest rate increased from 3% p.a. to 5.25% p.a., your repayments would have increased from $2,108 to $2,761 - an increase of $653. If that loan was $1 million, repayments would have increased from $4,216 to $5,522 - an increase of $1,306.

But the good news is there are steps you could take to bring down your repayments, or at least slip into a loan that's a little more comfortable. Grab a coffee and read on.

Seriously helpful.

So how can you reduce the amount you pay for your loan over the long term?

Be a mortgage maven: your *checklist*

01 Negotiate a better interest rate

02 Shift from monthly to fortnightly payments

03 Small sacrifices now = big wins later

04 Take advantage of an offset account or redraw facility

05 Be smart with equity

06 Reconsider your package

07 Get the data you need, when you need it

01

Negotiate a better interest *rate.*

Studies have shown the majority of mortgage holders don't know what their current interest rate is. And yet, the repayments take up on average over 40% of your income. Knowing your interest rate puts you on the front foot in understanding whether your loan is still competitive. If it isn't, negotiating even a small decrease to the interest rate could make a huge difference to your repayments,potentially leaving more breathing space in your budget.

For example, for every $100,000 you borrow, a 0.1% decrease could save you around $100 a year in interest. On the surface that doesn't sound like a lot, but consider this...

Let's say you have a $500,000 loan with a 25-year term with fortnightly repayments. If your interest rate dropped by 0.5%, say from 5%p.a. to 4.5% p.a., you could save $66 a fortnight, which is $1,716 a year and $42,900 over the life of the loan. There's a fair bit you could do with an extra $42,900 in your pocket.

Something to keep in mind is that if you move to another lender, you may need to pay charges. Your broker will work with you to calculate whether this could make interest rate savings redundant and make sure your decision is the right one for you.

How:

Speak with your local mortgage broker about your current home loan to find out whether you could be on a better deal. Your broker can negotiate with your current lender on your behalf, or see if you could be better off somewhere else. They'll do the legwork for you.

02

Shift from monthly to fortnightly *payments.*

If you have opted to repay your mortgage monthly, you will make 12 repayments a year. If you can shift to fortnightly, you will make 26 in a year. This means you are making one extra 'monthly' repayment a year (12 compared to 13) and can actually make a big difference over the life of the loan.

Let's look at an example. If your monthly mortgage payment is $2,500, over 12 months you would be paying $30,000. Alternatively, you could be paying $1,250 per fortnight over 26 fortnights to a total of $32,500 a year. It does mean you are a little more out of pocket over the year, however, the cool part is that you are actually paying off the principal amount faster, which is what your interest rate is calculated on. The faster you pay off the principal, the less interest you pay.

For example, if you had a $500,000 with a 5% p.a. interest rate over a 25-year term, paying principal and interest, you would save around $60,869 in interest over the length of the loan if you opt for fortnightly over monthly repayments.

How:

Your broker can help you with the calculation to understand how much you could be saving long term by switching to fortnightly repayments. If you would like to change, they can arrange the switch with your lender.

03

Small sacrifices now = big wins *later.*

When you take out your home loan, you are told how much your repayments are (or approximately, if you have a variable rate or split loan) and your direct debit will likely be set up. It is easy to simply let it keep rolling without putting much further thought to it. However, choosing to increase your repayment amount can actually make a huge difference.

Think about it this way. Every cent you put toward your loan above and beyond your scheduled amount goes toward knocking down that principal amount, which in turn reduces the overall interest you will pay.

Let's have a look at the previous home loan example, a $500,000 loan with a 5% p.a. interest rate over a 25-year term. If you could pay an extra $50 a week (or $100 a fortnight), you could save over $54,000 over the life of the loan.

Keep in mind some loans have a limit to the amount of additional repayments you can make or may charge a fee. Your broker will consider this and let you know whether you can make additional repayments and the amount you could save in doing so.

How:

Your broker will look at your personal circumstances to understand whether your loan will allow additional repayments, and with the green light can handle the paperwork for you to make it happen.

04

Take *advantage* of an offset account or redraw facility.

Two terms that are regularly discussed when it comes to home loans are “offset account” and “redraw facility”. But what are they?

An offset account is a separate savings account that is attached to your loan account. It works in tandem with your home loan with its balance being subtracted from the principal when your interest charges are calculated. You can still access this money whenever you want and often it comes with its own debit card you can use for everyday transactions. Often this type of package comes with a fee attached.

A redraw facility is more of a feature where a lender will allow you to make additional repayments above what is scheduled, and then withdraw that money from the loan total if you need to access it. Because you will usually need to transfer the money, it generally takes longer to access your money than if it is in an offset account. A redraw facility may be available on more basic home loan products than an offset account, which could mean you won’t face as high annual fees, however there may be a charge when you redraw money.

Having either an offset account or redraw facility means you can make additional repayments toward your loan and save in interest, but still access that money if you need to.

It is important to consider any additional fees this type of facility or feature may carry or if the interest rate offered is still the same. Your broker will do this on your behalf.

How:

Your broker can help you to understand how this process works if you currently have an offset account or redraw facility. If you don’t, they can negotiate with your lender or compare your current loan with others that do.

05

Be smart with your *equity.*

If you have had your home loan for a while, your equity would likely have increased. This means you own more of the property than when you first purchased it thanks to paying off the principal and property prices increasing (which the property now being worth more than when you bought it).

If this is the case, you may be able to negotiate a better rate on your home loan as you are seen as a more secure borrower.

If you have grown equity, you may also be able to consolidate other debts, such as credit cards and personal loans, with your home loan. This can be beneficial as the interest rate on your home loan is likely lower than other debts meaning you could pay less in interest. It also consolidates repayments to make it simpler.

How:

Your broker can help you calculate the equity you have in your home and whether you could get a better rate. They can also run the calculations for you to determine whether debt consolidation would save you money.

06

Reconsider your package.

Once you have had your home loan for a little while, you have a better understanding of which features you make good use of, or even if you need more flexibility.

The fees charged for a loan that is part of a package, such as with an offset account or credit card, are often higher than a more basic deal. Because of this, it is a good idea to evaluate how much use you are making of the attached features and products, and whether it makes sense financially to keep them. If you don't use them, you could consider switching to a more basic loan with lower fees. Some basic loans now do offer features such as redraw facilities and offset accounts, so you could still find a better deal without giving up features you do use.

Similarly, if you find yourself with additional money you want to put toward your loan, or your circumstances have changed and you feel bundling more products together, such as a credit card, could be useful, it is worth looking into your options.

How?

Fees vary greatly between lenders and loan products. It could pay to talk to a broker about features and products you do and do not use or want so they can see if you could be on a deal that works harder for you. Whether this means saving money with fees or interest rate or moving to something more functional for your personal circumstances, your broker can help you identify the pros and cons anddo the legwork for you.

07

Getting the data you need, when you *need it.*

Information is power. Being able to easily access accurate and up-to-date information about your home loan whenever you want can empower you to make good financial decisions. Being able to see your interest rate and total loan balance can mean you can more easily see whether your loan is still competitive, how much your equity has grown and how any additional repayments you choose to make (if applicable) could be helping you.

It can also be useful and timesaving to be able to make changes online or through a mobile app.

Not all lenders are equal in this space. If this is important to you, it is a good idea to factor in the availability and user experience of a lender's online portal or app.

How:

A broker works with a wide range of lenders and knows which offer better digital interfaces or customer service. Speak to them to find out which could suit your needs.

Your *next step.*

Now you can see that not all loans are equal, and there are many considerations when it comes to comparing your current one to others on the market. Not only could you potentially save money by being proactive with your current lender or refinancing, but you could also find a loan that better suits your needs.

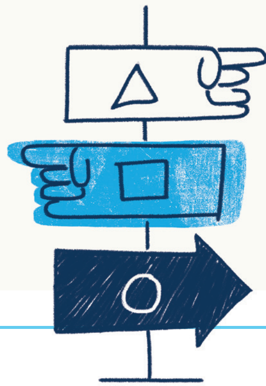
Whether interest rates are rising, dropping or staying level, remember lenders want your business and there could be attractive options available. If you don't ask, you don't get.

A broker can do the legwork for you. All it takes is a quick chat and your broker will do the rest.

Your broker will look at:

- Your financial goals
- Whether you could be on a more competitive deal
- If your loan structure suits your needs
- Any discounts or cash back deals you may be eligible for
- Ways you could save money on your home loan

Reach out for a chat to start the conversation and get your home loan reviewed by an expert.



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