Newbridge
HOME LOANS

7 Reasons why your mortgage sucks.

(and what you can do about it)

The checklist for taking years off your mortgage and having extra cash to spend each year.

Why your mortgage **sucks.**

(and what you can do about it)

There's a very good chance your mortgage sucks.

And here's why...

- Australia has the third most expensive housing market[1] in the world
- As many as 83%[2] of people are paying too much on their mortgages (with more than 3 million[3] mortgages in Australia, that's roughly 2.5 million mortgages that, well... suck)
- Even though interest rates are the lowest they've been in more than 50 years, a whopping 39% of mortgage holders[4] have not switched lenders in more than a decade
- Research shows that more than one quarter of all mortgage holders are experiencing mortgage stress[5]

Surely there's some GOOD news?

The short answer is **YES.**

There are some straightforward steps you can take to turn the tables, save thousands and take years off your loan.

And that's what this is. The turn the tables on your mortgage checklist is all about – making your life easier, and your loan suck less.

So check out the seven ways you can turn the tables on your mortgage... saving $33,222* in the process.

* Calculation based on $400,000 mortgage over 25 year term at 3.8% interest per annum on a variable rate, P&I. This calculation is not an offer of credit and does not take into account your personal circumstances. It is intended for use as a guide only. It is not intended to be relied on for the purpose of making a decision whether to apply for finance. It provides an estimate of the repayment amount based on the proposed borrowed amount. Other fees and charges may apply.

1. http://www.demographia.com/dhi.pdf
2. https://www.bestlenders.com.au/blog/complacent-aussies-paying-too-much-on-their-mortgage-23
3. https://en.wikipedia.org/wiki/Home_ownership_in_Australia
4. https://www.finder.com.au/press-release-refinancing-not-priority-for-australians
5. http://www.news.com.au/finance/money/costs/almost-1-million-households-are-under-mortgage-stress/news-story/12a23a14fd0377546b6d876127275103

Turn the tables on your mortgage checklist.

01 Negotiate a better interest rate

02 Shift from monthly to fortnightly payments

03 Small sacrifices now = big wins later

04 Get a mortgage offset account

05 Be smart with your equity

06 Watch out for hidden fees & negotiate

07 Get the data you need, when you need it

01

Negotiate a better **interest rate.**

Studies show that 85% of people don't know their current interest rate.[6] And yet, with your mortgage likely taking up at least one-quarter of your monthly income[7] even the smallest change in your rate could make a huge difference to how much income you have left over for the fun stuff in life.

For example, for every $100,000 you borrow, even a 0.1% discount will save you roughly $100 per annum in interest. Maybe that doesn't sound like much, but let's take a look at the maths...

Let's say you have a $400,000 loan with a repayment term of 25 years. And let's say you can save 0.5% on your interest rate, going from 4.3% to 3.8%... that means you would save **$33,222** over the life of your loan.

What could you do with $33,222 back in your pocket over the course of your loan? That's family holidays, a new car, helping the kids out, maybe putting in that pool you've dreamed of. And it's definitely enough to take the pressure down.

Even if you have to pay charges to leave your current loan, you will more than likely still be in front.

How:

Talk to a qualified mortgage broker about your options to refinance or negotiate your loan terms. They can often help you find the most cost-effective option suited to your lifestyle and goals AND potentially get you a lower interest rate.

Just a 0.5% reduction in your interest rate could mean you save $33,222 over the life of your loan.

(Based on a $400,000 loan over 25 years at 3.8% p.a interest rate.)

6 https://www.finder.com.au/85-of-australians-dont-know-their-home-loan-interest-rate
7 https://www.businessinsider.com.au/here-are-the-average-amounts-australian-households-are-paying-on-servicing-their-mortgage-2017-6

02

Shift from monthly to **fortnightly payments.**

Many people pay their mortgage monthly – so that's 12 payments a year. But if you can shift from 12 monthly payments to 26 fortnightly (which really means you make 13 payments instead of 12 in a year), you can make BIG savings over the life of your loan.

Here's why… let's say your monthly mortgage payment is $2,500. Over 12 months that's $30,000.

Now let's look at what that looks like if you paid half your monthly payment every 2 weeks instead. That means you would pay $1,250 over 26 fortnights or $32,500.

That's finding a way to get $2,500 more off your loan each year and because you are spreading it out over the year, you don't notice it as much (equates to an extra $48 a week).

BUT the very cool thing this does to your mortgage is that every cent you pay above and beyond your set repayments goes directly to paying off your principal loan amount – and that's the amount your interest is calculated on. So, the sooner you reduce your principal, the sooner your interest payments come down… and the sooner you get your mortgage paid off!

In fact, simply by shifting from monthly to fortnightly you could take 3 years and 1 month off your mortgage and put a whopping $30,160 back in your pocket in saved interest payments.*

Paying fortnightly instead of monthly could take 3 years & 1 month off your mortgage and save you $30,160.

(Based on a $400,000 loan over 25 years at 3.8% p.a interest rate.)

How:

Talk to your mortgage broker about teeing this up for you. Just a short phone call could be all that's standing in the way of you potentially saving $30,160* and getting your mortgage paid off sooner. And the best part is, you can get an experienced mortgage broker to do the legwork for you.

*Repayment calculation based on 50% of monthly payments

03

Small sacrifices now = **big wins later.**

Here's the deal... when you first get your mortgage, those payments can look pretty intimidating. But then, after a couple of years, maybe you've had a pay rise or two, or your business has grown. Perhaps you got that promotion you were after, or you landed your dream job with the nice bonus package you always wanted.

While it's great to enjoy those perks and the extra cash they put in your pocket, making even a small increase to your mortgage payments at those milestone moments can have a HUGE impact and really turn the tables on your mortgage.

Like we said earlier, every cent you pay above and beyond your scheduled mortgage payment goes towards knocking down that principal amount.

So, if you could find even another $100 a fortnight (that's $50 a week) you could take another 3 years and 7 months off your mortgage AND save another $36,036.

How:

You guessed it... give your mortgage broker a call, tell them what you want to do and get them to handle all the paperwork for you (and this process often takes less time than you might think!).

Finding another $50 a week could take 3 years & 7 months off your mortgage and save you $36,036.

(Based on a $400,000 loan over 25 years at 3.8% p.a interest rate.)

04

Get a mortgage **offset account.**

When you get a standard variable loan (meaning the interest rate isn't fixed), you usually have the option of putting your income and savings into what's known as an offset account. That's simply
a separate savings account attached to your loan account.

As the name suggests, your offset account works in tandem with your home loan, with its balance being subtracted from the outstanding home loan principal when your daily interest charges are calculated.

By adding your savings into that account and getting any income paid into that account as well, you can take a healthy bite out of the principal, simply by getting the money you already had working smarter for you.

For example, if you have a $400,000 mortgage and $20,000 in your offset savings account, you will only be charged interest on $380,000, even though your loan balance is $400,000.

By adding your savings and income to an offset account you can take a healthy bite out of your loan.*

How:

Look for lenders who offer 100% offset. Be aware that some lenders require a minimum balance to be in your account before the offset applies, otherwise they will charge you fees. Again, your qualified mortgage broker can help you navigate the complexities and the fine print to find a good loan option offering the offset features that are right for you.

*Based on a $400,000 loan over 25 years at 3.3% p.a. interest rate. These rates and calculations are indicative only and are based on provisional information provided at a specific point in time. They do not constitute a recommendation. In order to make a recommendation a full assessment would be required. Terms, conditions, fees and charges may apply. Normal lending criteria apply. Rates subject to change. Approved applicants only.

05

Be smart with **your equity.**

Check if your loan offers a redraw facility that enables you to access and withdraw additional repayments you have made. If you were worried about putting extra money into your mortgage, you don't need to be, if you have a redraw facility.

This means you can put as much money as possible into your mortgage, keeping your interest down and paying your mortgage off faster, however still redraw the money if you need it.

It's also possible to use those funds to consolidate debts with higher interest rates such as credit cards and personal loans. Often your home loan interest rate is a fraction of other interest rates and consolidating your loans can lower your interest, freeing up income.

Having this kind of flexibility can give you peace of mind and help you out when you really need to access those additional funds.

How:

Many lenders have a minimum redraw amount plus a fee every time you use it. So, you do need to check what the costs and conditions are for your specific loan. Ask your mortgage broker to help you understand the details of your redraw facility or to help you find loan options with redraw facilities.

A redraw facility enables you to access any extra funds you have paid into your mortgage - giving you flexibility and peace of mind.*

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06

Watch out for hidden fees **& negotiate.**

Gone are the days that you just have to “suck it up” when it comes to mortgage fees. First, you want to be aware of all the fees included in your loan (some hidden fees can end up being costly!) AND you also want to negotiate on those fees – hard.

Many lenders will reduce or remove fees such as:

- Loan application fees
- Loan establishment fees
- Service fees
- Valuation fees
- Legal fees related to your mortgage
- Account transaction fees
- Exit fees

And this can equate to thousands of dollars in savings, in some cases.

Get your mortgage broker to negotiate to have any fees on your home loan waived or reduced.*

How:

Fees differ greatly from lender to lender and it can be a confusing maze trying to figure out what all the loan jargon means. Ideally, you would have your mortgage broker help you get clear on what all these up front costs are and negotiate with the lender on your behalf. They know what the ‘real story’ is when it comes to how much room for flexibility lenders have on fees, so they can often get a better deal for you than you might be able to yourself. After all, you might negotiate a loan every few years, whereas your broker is doing this all day, every day, so they know the system inside out.

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07

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

Information is power. And that means you need to be able to access clear, accurate information on your home loan wherever and whenever you want (and in a format that YOU want). That includes your current interest rate (if variable) and your current loan balance. Plus, you want the flexibility to be able to make changes online at any time via a mobile app or your home or office computer.

For most people, the ideal way to get this information is online. But not all online banking experiences are created equal. You need to be able to access your home loan information easily, via a simple online interface that is available for both mobile and desktop use.

AND, if you are one of the 5.7 million Australians who don't use internet banking[8], you need to make sure you are getting the information you need in a way that is timely and transparent.

Being able to access your information quickly and easily is key.*

How:

Contact your mortgage broker to understand which loans offer the best interface for you. Your mortgage broker can also help you understand the crucial information you must have access to.

8 https://internationalbanker.com/banking/uptake-internet-banking-australia-changes-banking-services/

Your next step.

As you can see from these seven ways to turn the tables on your mortgage, it doesn't take a lot to save years and a tonne on your mortgage.

With interest rates as low as they've been in 50 years, if you haven't seen what opportunities are out there to refinance your loan in the last few years, now is the time to take a look.

Your mortgage doesn't have to suck!*

All it takes is a few minutes to reach out to an expert mortgage broker to get the ball rolling. Let them do the legwork for you... that's what they do every day and they know where the deals are (and where the pitfalls are too!).

* Refinancing is subject to various lender imposed terms and conditions including but not limited to loan serviceability, valuations and confirmed capacity to service both any existing and revised lending arrangements

Make the right call.
Get a broker working for you.

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