

ALLENDA

FINANCE AND MORTGAGE BROKERS
ALL LENDERS TYPES ALL IN YOUR CORNER

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 is in the ranks of the top 20 countries with the fastest rising home prices this year.¹
- Mortgage stress has been growing. Nearly half of Australian households are paying 30% or more of their household income on mortgage payments.²
- Interest rates rapidly grew since their record lows of 2022.
- An estimated 1.3 million low-rate fixed-interest loans were due to, and continue to expire. This is rolled into a variable rate product that may not be right for your needs.



Surely there's some **GOOD news?**

The short answer is YES.

There are some straightforward steps you can take to turn the tables and potentially, 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... potentially saving over \$100K* in the process.

**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. <https://www.realestate.com.au/news/how-aussie-property-price-rises-compared-with-rest-of-world/>

2. <https://www.theguardian.com/australia-news/2023/nov/07/interest-rate-rise-would-see-almost-half-of-australian-mortgage-holders-under-financial-stress>

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.
- 07** Watch out for hidden fees & negotiate.
- 08** Get the data you need, when you need it.

01

Negotiate a better interest rate.

For many Australians, around a third of the household income goes toward mortgage repayments. 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 math...

Let's say you have a \$400,000 loan with a repayment term of 25 years paying fortnightly. And let's say you can save 0.5% on your interest rate, going from 6.5% to 6.0%... that means you would save \$37,065 over the life of your loan.

What could you do with \$37,000 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 a cost effective option suited to your lifestyle and goals AND get you a competitive interest rate.

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 payments (which really means you make 13 "monthly" 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.

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 \$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 on a \$400,000 25-year loan at a 6% p.a. interest rate, you could save around \$68,785.*

How:

Talk to your mortgage broker about teeing this up for you. Just a short phone call and a few signed papers could be all that's standing in the way of you saving \$68,785. And the best part is, you can get an experienced mortgage broker do the legwork for you.

Paying fortnightly instead of monthly could save you \$68,785.

(Based on a \$400,000 loan over 25 years at 6% p.a. interest rate.)

*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.

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!).

So, if after one year you could find even another \$100 a fortnight, (that's \$50 a week), you could take 3 years and 8 months off your mortgage AND save another \$62,076.

04

Consider a mortgage **offset** account.

When you get a standard variable loan (meaning the interest rate isn't fixed), you may 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.

How:

Be aware that some lenders charge fees for an offset account. Again, your qualified mortgage broker can help you navigate the complexities and the fine print to find a good loan option offering the offset account that is right for you.

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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.

This means you can put more money into your mortgage, keeping your interest down and paying your mortgage faster, but still redraw the money if you need.

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.

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.

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.

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

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.

**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 should have access to.

Your next step.

As you can see from these 7 ways to turn the tables on your mortgage, it doesn't take a lot to save more years and a tonne on your mortgage.

With interest rates regularly changing, if you haven't seen what opportunities are out there to refinance your loan lately, 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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