

PAY OFF YOUR MORTGAGE FASTER

01 FORTNIGHTLY REPAYMENTS

If you're currently paying monthly, consider switching to fortnightly repayments. By paying half the monthly amount every two weeks you'll make the equivalent of an extra month's repayment each year (as each year has 26 fortnights).

02 MAKE EXTRA REPAYMENTS

Extra repayments on your mortgage can cut your loan by years, saving you thousands in interest. On a typical 25-year principal and interest mortgage, most of your payments during the first 5-8 years go towards paying off interest. So anything extra you put in during that time will reduce the amount of interest you pay and shorten the life of your loan. Ask your broker if there's a fee for extra repayments. Making extra repayments now, will give you a buffer if interest rates rise in the future.

03 LOWER YOUR INTEREST RATE

Work out what features of your current loan you want to keep, and compare the interest rates on similar loans. If you find a better rate elsewhere, your broker can ask your current lender to match it or offer you a cheaper alternative. Comparison websites can be useful, but may not cover all your options. Speak to a broker to ensure all options are considered.

Switching loans

If switching to another lender, make sure the benefits outweigh any fees for closing your current loan and applying for another.

By paying off your mortgage early you will save money and take a financial load off your shoulders, especially in tougher financial times. Here are some ways to get rid of your mortgage debt faster.

04 MAKE LARGER REPAYMENTS

Another way to get ahead on your mortgage is to make repayments as if you had a loan with a higher rate of interest. The extra money will help to pay off your mortgage sooner.

If you switch to a loan with a lower interest rate, keep making the same repayments you had at the higher rate.

If interest rates drop, keep repaying your mortgage at the higher rate.

Ask your broker what you'll save by making higher loan repayments.

05 CONSIDER AN OFFSET ACCOUNT

An offset account is a savings/transaction account linked to your mortgage. Your offset account balance reduces the amount you owe on your mortgage. This reduces the interest you pay and helps you pay off your mortgage faster.

E.g. a \$500,000 mortgage, \$20,000 in an offset account means you're only charged interest on \$480,000.

If your offset balance is always low (e.g. under \$10,000), it may not be worth paying for this feature.

06 AVOID INTEREST ONLY LOANS

Most home loans are principal and interest loans. I.e. repayments reduce the principal (amount borrowed) and cover the interest for the period.

Paying both your principal and interest is the best way to pay your mortgage off faster.

With an interest-only loan, you only pay the interest on the amount you've borrowed. These are usually for a set period (e.g. 5yrs). Your principal does not reduce during the interest-only period. This means your debt isn't going down and you'll pay more interest.

