



Ouch, I've got a pain in my mortgage

You probably get your car serviced at least once a year. But chances are that you rarely give your home mortgage a thorough once over to make sure it's doing the best job for you. In the third part of our series, we look at ways of getting the most from your mortgage.

EVERYONE wants to pay off their mortgage faster, so they can enjoy home ownership without interest payments draining out of their household budget.

You won't find a magic wand that will make your mortgage disappear. But by following some simple rules, you can at least make sure that you have the best possible chance of paying off your mortgage sooner rather than later – and saving yourself tens of thousands of dollars over the life of the loan.

The best place to start is to have a regular – probably annual – mortgage review with your bank or lender. This is not necessarily just about paying off your mortgage faster, but making sure it is working for you in the context of your wider financial circumstances.

Think of a mortgage review as akin to going to the doctor or the dentist – early prevention is better than a late cure.

Many of us take a “set and forget” approach to our mortgage. We diligently work hard to ensure we find the best mortgage package when buying a house

and then forget about it – despite a raft of personal and financial changes in our lives.

That's a significant risk when you're talking about your biggest asset.

Getting a mortgage checkup

Some milestones that should prompt a mortgage checkup include:

- A new relationship – or relationship breakup.
- A new job – or the loss of your existing job.
- An inheritance.
- Moving house – or extending your existing house.
- A financial setback.
- Your fixed-rate home loan coming up for renewal (this is always a good time to stand back and take a wider look at how your mortgage is performing and where you might make improvements).

Even if you are not facing one of these events, a mortgage checkup, as part of a wider review of your banking and financial arrangements, is well worth the time.

The financial market and interest rate





environment may have changed, your lender may have brought new offers to the market that better suit your circumstances, or your existing mortgage may not be working as well for you as you had initially planned.

After all, you have nothing to lose and, possibly, a few thousand dollars to save.

Paying off your mortgage faster.

Repaying your mortgage should be a cornerstone of your budget and financial plan. A few simple tweaks to your repayments can help you achieve that faster. Here are some ideas:

1. Try setting an annual target of how much you want to pay off your mortgage each year – or, if you have a fixed rate mortgage, how much you want to repay at the end of the fixed term period of your loan. Feed this into your household budget and aim to pay off at least that much. Keep an eye on your repayments each month to ensure that your goal is realistic (if you're too ambitious, your plan simply won't work) and review it regularly.

2. If you manage to build a savings nest egg, receive a pay rise or come into an inheritance, consider making one-off mortgage repayments. This will reduce the time it takes to repay your mortgage and, over a loan's life of 10 or 20 years, could save you many thousands of dollars. You can make one-off repayments to floating or revolving credit mortgages for no fee, but there are fees for doing so with fixed rate loans.

3. Consider increasing your regular mortgage repayments, if you can afford to. You can effectively do this by keeping your repayments the same when interest rates fall (you will be paying less interest and more off your principal).

4. Look at making fortnightly instead of

monthly payments. By doing this, you end up paying a little more over a year, and therefore trim your interest costs.

Making your mortgage work for you.

Paying off your mortgage faster may not be a realistic immediate goal for everyone. For example, you may wish to start a family – which in itself puts pressure of family finances – or you may wish to make a substantial purchase or get that long-planned renovation project under way.

For home owners starting a family, banks can provide flexibility around mortgage repayments to help them through the challenge of balancing less income against higher household costs. This might include reducing repayments and extending the term of your loan – payments can be increased again when your financial situation improves - or you can fix your interest rate to give your budget more certainty.

Another option is a repayment holiday. Your lender can agree to put repayments on hold for a few months, although you will continue to accrue interest costs on your loan, which you will have to pay off later.

For home owners with an eye for a big purchase or a costly renovation, a mortgage top-up is likely to be cheaper than other options such as hire purchase or an unsecured loan from another lender. This way, you are using the security of your house to borrow money at a cheaper interest rate.

Alternatively, if you have a revolving credit loan, you can draw to your loan limit at any time. They work like a

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Master of your domain: To keep your home as safe as a castle, it helps to try to pay your mortgage off a little faster.





Have a healthy mortgage

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traditional overdraft: You get an agreed loan limit and can borrow up to that limit, with interest calculated daily.

The three Rs – realistic, regular, reviews.

Staying on top of your mortgage and ensuring it is working for you requires regular attention.

It can be as simple as flicking through your monthly bank statements to ensure that everything is on track; or it might be booking an annual review of all your banking and personal financial affairs with your bank.

Changes in personal or financial circumstances are a good time to look at how your mortgage is performing.

Similarly, if your existing fixed rate mortgage is up for renewal, you should consider your options in the light of current market conditions.

It's important to be realistic in both setting your goals and in reviewing progress. If you set your goals too high, you will become disenchanted and fail; if you set them too low, you will miss opportunities and end up incurring needless interest costs.

And, as always, if you feel you are in trouble, talk to your bank or lender as early as possible.

Next week: Buying and selling.

AT A GLANCE

- Complete a regular – at least annual – review of your mortgage.
- Get a mortgage checkup if your personal or financial situation changes.
- Fixed-rate loan renewals are good times for mortgage checkups
- Consider lump sum mortgage repayments, increase regular repayments, or pay your mortgage fortnightly instead of monthly.
- Discuss mortgage holidays to see you through times of higher costs/lower income.
- Mortgage top ups are an option for renovations or big purchases.
- Seek help or advice early.



Under examination: Getting regular mortgage checkups will pay off for you in the long run.