

Drive Your Mortgage Down

While ploughing as much available cash into paying off your mortgage can reduce the life of your loan there are some strategies to help make your repayments count for more.

Get the timing right

Making extra payments early in the life of a loan pays bigger dividends. In the first phase of a home loan your regular repayments usually go almost exclusively towards paying the interest on the loan, so any extra repayments have a greater impact on reducing the principal; through reducing the principal early on, you'll most likely pay less interest throughout the life of the loan.

Lump sum payments

With the benchmark interest rate at a five year high and tipped to possibly increase further, putting any cash windfalls into your mortgage account is may well be a sound investment.

Increasing regular payments

If you are one of the high income earners that benefited from the latest budget tax cuts, finding that little bit extra for mortgage repayments may not be too difficult. In any event, taking a closer look at your family budget may reveal some potential cost savings that could be tucked away into your mortgage.

Pay more frequently

Paying mortgage repayments fortnightly rather than monthly may help you pay off your mortgage sooner. In effect, this is a way of increasing your repayments, as there are 26 fortnights in a year, but only 12 months. By paying fortnightly you can make the equivalent of 13 monthly payments in a 12 month period and because the additional payment is spread over 26 payments, you may not even notice the extra repayment!

Consider a 100% mortgage offset

By attaching an offset account to your mortgage, funds held in the offset account can be used to reduce the monthly interest charged to your

loan account. Depending on the terms and conditions of your home loan, money can usually be deposited and withdrawn from the offset account like most other transaction accounts, however every dollar held in the offset account may help reduce the interest charged to the home loan. For example: if you have \$10,000 in an offset account and a mortgage of \$100,000, interest will only be calculated on \$90,000.

For further information, please don't hesitate to call AlphaLoan today so we can match your needs against 100's of home loans from our panel of lenders, including all the major banks and many more!

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