

DO YOU KNOW HOW MUCH YOU'RE PAYING IN INTEREST?

You might already know that a good chunk of your mortgage repayments are interest but just how much may shock you.



How do I work out how much interest I'm paying?

Using a loan repayment calculator or through the help of a mortgage broker, you can find out exactly how much interest you're currently paying and how much you will be paying as you continue making repayments over the term of your mortgage.



There are other costs too

Calculating the exact interest you're paying may be tricky because of other fees that may be associated with your home loan, including:

- A line of credit
- A credit card
- An offset account
- A redraw facility
- A salary crediting facility
- A loan portability facility



How do these extra costs factor into my payments?

Let's say you have a home loan with an offset account and a line of credit facility, and your mortgage repayments are \$3,450 per month.

How much interest are you paying?





Let's break it down

Your \$3,450 per month mortgage repayments could be broken down into:

■ Principal repayments : \$3,000

■ Interest payments : \$430

■ Line of credit facility fee: \$12

■ Offset account fee : \$8



Note: Keep in mind that these are just rough figures. There are different fees and charges for these extra features depending on the lender.



With a professional package, you only need to pay a single annual fee, which is actually a much cheaper way to go than a monthly fee.

3 Ways to save heaps on interest

Here are 3 ways you can save thousands
in interest without a whole lot of effort.



3 Ways to save heaps on interest

1. Get a lower interest rate

You could *save more than \$100,000 over 30 years* on a \$490,000 home loan if you could move from an interest rate of 5.09% to 4.09%.



3 Ways to save heaps on interest

2. Make extra repayments

You could *save more than \$40,000 over 30 years* on a \$490,000 home loan by paying \$100 extra every month.



Be careful:

This may not be in your best interest if you're on a fixed rate because you may incur break costs depending on how much in extra repayments you're allowed to make.

3 Ways to save heaps on interest

3. Consider making P&I* repayments from the start



	5 years interest only + 25 years P&I	30 years P&I
Monthly mortgage repayments	\$1,836 during the interest only term. \$2,874 after the interest only term.	\$2,603 for the entire loan term.
Total interest amount over the loan term	\$432,427.	\$397,083.
Benefit	Eva will save more than \$760 per month during the interest only term compared to making P&I repayments.	Eva would save more than \$35,000 over the life of her loan.
Drawback	After the interest only period, she'll pay \$180 more per month than if she were to make P&I repayments from the start.	She'll pay an extra \$760 in the first 5 years of her mortgage than if she were to make interest only payments for that period.



You won't incur any break fees for switching from interest only to P&I payments (or vice-versa) although you may need to pay a small switching fee of around \$250. This fee may be waived if you choose a professional package.



HomeLoan experts

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