



The 3

# Golden Rules

For Managing Your Home Loan



**HomeLoan**  
experts



## THE 3 GOLDEN RULES FOR MANAGING YOUR HOME LOAN

### 1. Be prepared for unforeseen circumstances

When you don't own a home you can live day to day without too many problems. Now that you have the responsibility of a mortgage you need to be prepared. Bad things do happen, so you need to take action now to protect yourself.

What causes people to default on their loan?

- Unemployment (53%)
- Illness or injury (22%)
- Personal reasons (9%)
- Being overcommitted due to rising interest rates (1%)
- All other reasons (15%)

*Despite what the media would have us believe, rising interest rates rarely result in people being unable to make their repayments!*

So how can you protect yourself?

- ✓ Income protection insurance is essential, in particular if you have one main breadwinner in the family.
- ✓ Have spare funds of around \$5,000 to \$10,000 available redraw in your loan (except fixed rate loans). This money is your backup in-case something does go wrong.
- ✓ Make all of your payments on time every time so that if you do get into trouble your lender will be far more helpful and understanding. The easiest way to make sure of this is to call your lender and change your payment day to be a day or two after you normally receive your pay.

If things do go wrong then call us right away! The sooner we know the more we can help you with options such as increasing the loan, switching to interest only payments or negotiating with the lender to give you a payment holiday.

## **2. Avoid credit cards, personal loans and car loans for at least one year**

You have just taken on a major financial commitment. Make a firm decision to reduce your spending and live well within your means. In particular, if you have just purchased your first home then you will need to make major adjustments to your lifestyle.

Time and time again we see people borrow to buy a new car and to buy furniture for their new home. Please avoid these lifestyle choices until you are used to your new monthly repayments. There is very little we can do to help you if you have taken on additional debts after buying your home.

## **3. Learn the best way to pay off your loan quickly**

There are plenty of articles with tips on the best ways to pay off your home loan. The reality is that although there are many different ways to save money on your loan, one method is significantly more effective than the others.

The best way to save money is to make lots of extra repayments on your loan and to pay it off as quickly as possible!

For example if you had a loan of \$300,000 at a rate of 5% over 30 years then your payments would be \$1,610.46 / month. If you paid just \$100 / month extra then you would save \$39,938 in interest over the term of the loan!

We recommend that you call your lender and ask them to increase the size of the direct debit they take from your bank account. We can't make changes to this for you for privacy reasons. Alternatively, you can setup a regular transfer from your bank account to your loan account using internet banking.

Be careful of doing this with fixed rate loans as they may have restrictions in making extra repayments. Call us or the lender to check before you make extra repayments.

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