

Newsletter

Harcourts Team Group

Team Group Realty Limited Licensed Agent REAA 2008



5 Ways To Make Your Mortgage Work For You

Not all home loans are created equal. Different loan features can offer different benefits and limitations, and all the options can be confusing for some home buyers. Here are five ways to make your mortgage work for you, using different loan products.

1. Know what you're signing up for

It's important to get a good understanding of the loan product you're signing up to, and any limitations that might come along with it.

Loan products with limited features are often referred to as 'basic loans'. Basic loans are attractive because they generally come with a lower interest rate, but can also include limitations like a maximum repayment threshold. A maximum threshold means you may incur extra fees or charges if you want to pay off your loan faster.

On the other hand, a basic loan can be great for someone who wants to 'set and forget', because it only requires one easy and predictable repayment each month.

2. Pay it off faster with extra repayments

This one might seem obvious – the more money you put towards your mortgage each month, the quicker you'll pay it off. While it can be tempting to fork out just the minimum repayment amount each month, adding a little top-up can make a big difference in the long-term.

For example, let's say you've got a \$250,000 home loan at a rate of 7% p.a over 30 years. Paying an extra \$50 each fortnight (on top of your minimum repayment) would see your mortgage paid off almost five years earlier. If you get an unexpected bonus or inherit some money from a relative, you could also consider putting a lump-sum towards your mortgage.

3. Add value using a line of credit

While your home's worth may go up over time, it can be a good idea to consider what you could do to add value to the property like renovating or adding a garage.

You could apply for a line of credit to do this work. This is when your lender will approve an amount, which is secured against the equity in your home, and you can draw down the funds when you need it.

For example, your lender may approve \$20,000, and you could choose to draw down \$12,000. The line of credit portion of your loan will generally have a variable interest rate, but you'll only pay interest on the amount of money you've drawn down (the \$12,000) not the total amount that was approved (the \$20,000).

A line of credit is usually only available to those who have a relatively large amount of equity in their home. While having a line of credit can be helpful, it's important to think carefully about how much you draw down, as it can extend your loan term.

4. Offset account

An offset account is a savings or transactional account that's been linked to your mortgage.

When your lender calculates the amount you owe on your home loan, the balance of your nominated account can be used to offset this – meaning you'll only pay interest on the difference.

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Some lenders calculate this amount daily rather than monthly, which can often be the better option. If used smartly, an offset account could save you tens of thousands of dollars in interest over the life of your loan.

2. Take a repayment holiday

Some lenders will allow you to take a repayment holiday – think of it like taking a break from paying back your mortgage. The criteria and timings vary from lender to lender. For example, if you’ve made extra payments to your loan in the past, you may be more likely to qualify.

A repayment holiday shouldn’t be confused with financial hardship, when you’re unable to pay your mortgage due to an unforeseen circumstance or emergency. If you’re facing problems financially, it’s important to speak to your lender as soon as possible.

Different loan products work for different people and circumstances, so do some research or work with your mortgage broker to find the one that’s best for you.

This article was supplied by realestate.co.nz
<https://www.realestate.co.nz/blog/tips-and-guides/5-ways-make-your-mortgage-work-you>

Wellington Property Statistics

Source: New Zealand Property Report - August 2019

Property Asking Price
\$689,773
 Down 0.8%

New Listings
493
 Down 19.7%

Housing Stock
865
 Down 2.3%

Inventory of Listings
7 weeks
 LTA: 17

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Interest Rates

Lender	Flt.	1yr	2yr	3yr	5yr
Kiwibank	5.15	4.30	4.34	4.74	4.74
Kiwibank Special	-	3.55	3.59	3.99	3.99
ASB Bank	5.20	4.15	4.09	4.39	4.69
BNZ – Std, FlyBuys	5.30	4.45	4.35	4.55	5.15
BNZ – Spec Classic	-	3.65	3.59	3.99	4.45
ANZ	5.19	4.15	4.09	4.49	4.85

As of 03/09/19

With access to over 15 lenders, six insurers and 150 loan and insurance products, our partners at Mortgage Express can help you find a home loan, a commercial loan or an insurance policy to suit. Get in touch with Mortgage Express to find out more.



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