chocolate money
the sweetest loans

Five simple ways to increase loan repayments

Paying off a mortgage can seem relentless – every payment counts of course, but it can seem to be taking forever to make a dent. Here are some simple ways you can increase the amount you pay off and own your home sooner.

Reducing the principle on your mortgage as quickly as you can means paying less interest, so your future payments are going even further towards reducing that principle.

To find the ideal balance between the extra repayments you can afford to make and the time this will shave off your mortgage term, speak to a broker.

For example, on a $350,000 loan at six per cent interest, a monthly repayment of $2100 will see a total term of 30 years and a total cost of just over $750,000, while paying just $500 per month on top of that will bring the loan term down to just under 19 years and the total cost to just over $580,000.

Boosting these monthly payments by a further $400 to $3000 will see the loan paid off in less than 15 years – halving its term.

So, here are five simple ways to increase those mortgage repayments.

<u>Ignore the bank</u>

Well, sort of; don't pay any attention to the amount that you are told is the minimum repayment, as long as you pay more. Work out the most you can afford to pay, think of this as your minimum repayment, budget for it and stick to it.

<u>Treat yourself</u>

Think of every step you take towards reaching your goal of owning your property outright as a way of treating yourself. Sure, an expensive bottle of wine is nice, but doesn't taking a year off your loan taste pretty sweet, too?

Every single increase to your income, no matter how small, should be channelled into the debts that are incurring the highest interest. If this is your mortgage, send it there. Do the same with your tax returns, any bonuses at work and even cash gifts.

Track your spending

Download an app to track what you are spending your money on, and trim where necessary, channelling the savings into your mortgage payments.

Think of all those little things you don't really notice yourself pulling out your wallet for. In one week, that extra coffee on Monday morning, a sandwich from the cafe instead of one you have made yourself, that round of shots you probably shouldn't have shouted on Friday night and getting your nails done on Saturday add up to $150. Over a month, that's $600. Increasing a monthly repayment from $3000 to $3600 could trim more than 10 years off the term of a $500,000 loan. Now how much do you really want that coffee?

Eyes on the prize

Watch the forecast term on your mortgage – seeing it go down will motivate you to work even harder. You will be able to see on your statement the money you have saved as well as the shortened loan term.

Talk to an expert

Talking to your Chocolate Money finance broker about refinancing options could reveal a way to pay down your debt sooner even without increasing repayments. Chocolate Money will be able to look into whether you may get a better interest rate or lower fees with another lender, or even with your own, and will be able to help minimise any refinancing costs.

This is especially important each time your goals or your financial circumstances change. If you are earning more than when you took out your loan, you have paid off a personal loan or a credit card since that time, or your property's value has risen, your finance broker may be able to negotiate a far better deal than the one you are on.

For example, if your finance broker negotiated your interest rate down from seven to six per cent on a $500,000 loan, on which you are making $3500 monthly repayments, your loan term could drop from just over 25 years to 21 years.

A Chocolate Money finance broker is with you for life to make sure you're always getting the best deal you can from your mortgage. Contact Chocolate Money on 1300 137 539.