

Principal & Interest vs Interest Only

Principal & Interest

- Repayment will reduce the loan balance from the 1st payment.
- Lower interest rate as the risk is lower for the lender.
- Repayment is higher than when you opt for interest only.
- Ideal for when your goal is to repay your loan as soon as possible with minimal interest.

Interest Only

- Repayment is calculated on the net balance owing.
- Maximum 5 years at any one time.
- Higher interest rate as the risk is higher for the lender.
- Reduces your borrowing capacity given your loan has to be repaid over a shorter term.
- Ideal for investors who want to free up cash flow to pay off their other home loans.