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# Save On Your Home Loan

## How to Save Thousands Off Your Home Loan!

By [Jon Colley](#)

There are many methods that enable you to repay your home loan early, and I will show you just a few so that you realise how easy it is to actually do it, and how the little things can really make a big difference. By managing your cash flow and paying additional repayments to your home loan at every possible opportunity, it is quite easy to potentially reduce your loan term by ten to fifteen years!

**1. Extra one off Repayments:** However you receive extra funds, whether it be through inheritance, a lottery win, a bonus from work, a tax return, the sale of other assets, if you can channel this money into your mortgage, it can save you thousands. Redirecting funds straight into your mortgage instead of into your day-to-day account (and just spending it) will allow you to repay your home loan much more rapidly.

**2. Pay Rises:** When you receive a pay rise, why not use this as an opportunity to increase your loan repayments, even if it is only by a percentage of your increase, otherwise you will just spend it anyway, and if you did this every time you received a payraise, it would have a massive effect over the life of your mortgage as most of us get a pay increase every year or two anyway.

**3. Paying your repayments weekly or fortnightly:** By paying your monthly commitment on your home loan fortnightly (50% of monthly) then you pay an additional months repayment every month, and can easily save 5 to 6 years of your total loan life and tens of thousands of the interest. (Beware: bank calculated fortnightly repayments do not allow you to repay quicker as they are less than 50% of the monthly amount, and are structured over the original 30 year term)

**4. Increasing your minimum repayments:** A small increase in your minimum repayment will have a massive effect on your long term loan life and interest paid. Simple and effective, and you probably will not even miss it! Just by adding an extra \$100 per week, you could save ten years and over \$200,000 in interest (based on an original loan of \$390k at 7.05%).

**5. Debt recycling for Investment purposes:** Allows you to channel your equity from your property into investments, with tax deductible interest being the consequences. May allow you to reduce your home loan portion from the returns on your investments. (Consult a financial advisor).

**6. Reduce term on loans when refinancing:** Many home loans are refinanced every three to five years, and consequently when this is completed, the repayment term is often increased back to a 30 year term. What this means is that if you refinance every 5 years on a thirty year term and do not pay any additional repayments, you will never repay your loan in full, and may possibly owe almost the same when you retire as you do now. If you are refinancing always select the same term that is remaining on your existing loan.

**7. Be more aware of your loan and repayments:** Speak with a Professional Lending Specialist about your loan and your individual circumstances to get some tailored recommendations about what to do to reduce your debt quicker. Use financial calculators from various websites to compare and contrast what the true benefits of using different payment strategies or offset facilities are. Also find out what the true cost of redrawing money from your home loan really is.

There is an old saying that says "knowledge is power". The more knowledge you have about your loan and the different things that affect it, and what you can do to change your situation, the more influence you will have on the direction your loan takes.

**8. Ensure your Mortgage has the lowest possible interest rate available:** If you can save 0.5% to 0.7% on your interest rate, and continue to make the same repayment you were making on your old loan, you will save years of your mortgage. On an example of \$350,000 reducing your interest rate by 0.5% and maintaining your old repayments would save in excess of 5 years, but more importantly, in excess of \$178,183. Incredible benefits longer term, and no extra cost for you! I am constantly

**9. Line of Credit:** This is for the disciplined, and I can't even make it work effectively! The idea is that all of your income is deposited into your loan account, and all your expenses are paid by credit card each month (interest free) and then you repay the credit card at the end of the month. Works great for those good budgeters amongst us, but the risk is that you may spend back up to the limit.

**10. Offset Account:** A savings account that is linked to your mortgage with the credit balance used to offset any monies you owe on your loan. This is the same principal as paying in advance, however has some great benefits for investors. You only pay interest on the difference between the loan balance and the offset account, thereby reducing your interest charge on your loan each month.

**11. Consolidate your debts:** by ensuring all of your debts are on the lowest possible rate (ie home loan rate), and you continue to repay the original loan repayments, you will rapidly repay your loans and save interest. The risk here is that you will put short term debt over a long loan term, say a car loan of \$30,000 over a 30 year term, you will effectively still owe more than \$26,000 when the car is worth \$5,000, if you only pay the minimum repayment. Needs to be managed carefully.

**12. Split your loans:** Allowing you to have loans for differing purposes, or fixed and variable rate loans separated. This gives you the best of both worlds, the flexibility of the variable rate loan to allow for additional repayments, and the security of Fixed rates.

**13. Reduce unnecessary expenditure:** If you are dedicated to repaying your home loan much quicker, you can give up a few of the luxuries in life to fund the additional repayments, but don't make it a chore or you will learn to regret it. Keep in mind with this strategy, when you are ahead on your loan you can occasionally shout yourself a repayment holiday for a while, which may in fact enable you to take a real holiday. Reward yourself for your dedication to your mortgage repayment.

**14. Budget, Budget, Budget:** I can't stress how important a budget is to ensure that you really know how much money you should be able to spend at the end of the week. Clarity around this is vital to ensure you are in control of your finances. Don't make it unaffordable though, you still need to have a manageable Budget or you will not stick to it. Factor into the Budget rewards for yourself along the way, especially for reaching Milestones.

Your Mortgage is a very personal thing and your needs and requirements are very specific to you. There is no one size fits all solution these days and there are many options within the home loan market. It pays to speak with a Professional Mortgage Strategist that can provide guidance for you to help you realise your goals of repaying your loan sooner.

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