

# 27 TIPS

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to Save Money  
on Your Mortgage



activate FINANCE

# 27 Tips to Save Money on Your Mortgage

Buying a house is exciting, but many homeowners can attest to the cost when they begin to pay off their mortgage. Those mortgage bills are definitely intimidating, since they're probably the highest payment in your budget. It's quite impossible to think of a life without having to pay for mortgage. However, it is possible to avoid simple mistakes when it comes to paying it off. With these 27 tips, you will end up saving a lot of money in the process.

## Pay Extra



If you're looking to pay off your mortgage early to save money in the long run, the easiest thing to do is to pay off a little bit extra each month. Just one extra payment a year will knock off four years' worth of payments, but it's not easy to find that money. However, you don't need to pay full payments though. Even an extra couple of dollars a month will make a huge difference.

## Stick to a Budget



This may seem obvious, but to save some money, you have to know how much you're spending. Create a budget and stick to it so you don't overspend accidentally. Do something as simple as creating pre-planned meals before shopping and use that extra money you save to pay the mortgage or other bills.

## Quick Changes



Saving money doesn't have to be a huge process - you are able to do something as simple as forgoing the daily coffee or controlling your shopping expenses. Every bit counts and can quickly add up.

## Leftover Money



When you budget, not everything is precise. In fact, you might overestimate a higher amount than you need and end up with extra. To save money on your mortgage, put that extra cash towards the principal on your mortgage to save thousands over the years. Cancel things you don't use anymore, as well and either save it or use it for other payments.

## Keep Savings



You have a lot of control over your savings these days, thanks to all the new technology you have. So, you don't need to have a different account just for your savings. Instead, keep any savings you have in one account in order to lessen your interest.

## Repayments



Be sure to maintain your monthly repayments at the previous level. This will end up saving you a hefty amount of money in the long run. You are also able to increase those repayments with the extra money you save and pay every fortnight. This will help you pay extra without even noticing it, since you're paying one extra bill each year.

## Loan Features



The best way to save money over time is to secure a lower interest rate. Negotiate the rate early by doing some research and looking for a loan with the features you'd like to see. This includes considering what kinds of interest you'll have to pay and what you need to pay up front.

## **Lower the Interest**



To save a little money on your payments, lower your interest by depositing your income directly into an offset account. Doing this will lower your interest payments over time.

## **Force Savings**



While you're probably struggling to pay everything as it is, it's always a good idea to have some savings available to you. This means setting aside 10 percent of your income every month while living off the rest. By forcing yourself to have savings, you'll be able to stay on budget and have some breathing room.

## **Better Deals**



Be sure to review your budget and try to contact your bill carriers to negotiate better deals. Look for better deals on the products you buy too, in order to save some money and eliminate things you are able to live without.

## **Call Your Bank**



If you're looking to get a lower mortgage, talk to your bank directly. Call your current lender and let them know that you've seen some better deals. Quote a few of those deals and ask what can be done - you might be able to reduce payments right away.

## **Check Everything**



Just like you might make mistakes on your budget, your bank may also make mistakes with your payments. There can be extra fees added accidentally, or wrong charges - thus, don't file your statement without looking over it to be sure everything is in order.

## **Get Help**



There's nothing wrong with asking for someone to help you review your budget. They can coach you through the process and remind you when you're spending too much. A coach or mentor will keep you on track as you plan your finances.

## **Regular Reviews**



The best thing you are able to do to be successful with your mortgage is to always know where you are in terms of finance. Review your finances regularly so that there are no surprises in what you're spending.

## **Talk to Your Broker**



Review your budget yourself, but review your loan with your broker about every three years too. If something big happens in your life, check with your broker sooner to see if you are able to procure a lower interest rate.

## **Packing Your Own Lunch**



It may sound like a minute detail but packing your own lunch for work can add up to your savings. If you pack your own lunch every day, you will be able to save quite a lot of money by the end of the month.

## **Refinancing Into a 15 or 20-Year Mortgage**



Refinancing your mortgage may seem like a complicated affair, but it really couldn't be simpler. Refinancing means paying off an existing debt obligation and replacing it with a new one. Typically, most home loans are repaid over a period of 30 years, which may mean smaller monthly repayments.

However, refinancing into a 15 or 20-year loan would mean that a larger chunk of your repayment goes into paying off your principal. Thus, this means that you are able to pay off your loan faster while paying less interest.

### **Refinancing Into a 30-Year Mortgage with Lower Rates**



If you can't afford the larger repayments for a 15 to 20-year mortgage, consider refinancing into a 30-year mortgage that offers lower rates instead. This has the added benefit of allowing you to pay less interest with the drawback of extending the pay-off date.

### **Make a Larger Down Payment**



Some financial institutions may offer up to 90 percent or 100 percent financing for homes, which can seem like an attractive proposition. However, don't be fooled, as paying little to no down payment means that you end up servicing a loan for a longer period of time. Hence, increasing the amount of interest paid. Thus, consider saving up for a longer period of time in order to make a larger down payment, which can make a world of difference.

### **Review the Fine Print**



Devoting a little extra time to reading the fine print can help you save quite a fair amount of money. When shopping around for a loan, make sure you take the time to really understand all of the additional fees that you may be charged with.

For example, some credit institutions tack on all kinds of additional fees that may not be listed. Thus, make sure you take the time to speak to your loan officer before taking on a loan.

## Checking Your Credit Rating



Your credit rating can significantly affect your mortgage rates, or chances of getting approved. Thus, it is crucial that you utilise the service of a reliable credit review agency to ensure that you have a good credit rating. Having a good credit rating allows you to enjoy lower rates and makes applying for a mortgage significantly easier.

## Defence Home Ownership Assistance Scheme



If you are a veteran or are currently an active member of the Australian Defence Force, then good news, as the Australian government has a program which subsidised home loans for current and former ADF members. There are 3 tiers for this program, which determines the amount subsidised per month for both ADF reservists and regulars. Head on over to their website to learn more.

## First Home Owners Grant



Along with the Defence Home Ownership Assistance Scheme, the Australian government has also implemented a program known as the First Home Owners Grant with the aim of encouraging and assisting home ownership for all eligible applicants. Successful applicants will be given a couple thousand dollars to help them offset the cost of any deposits or fees. The grant is available all over Australia, but the terms of the grant differ across each territory. Go to their website to learn more about this program.

## HomeStart Finance



If you live in South Australia and are above the age of 18, you may be eligible for the South Australian government's HomeStart Finance program. Founded with the aim of helping South Australians achieve homeownership quicker, HomeStart Finance offers a range of home loans that can be matched with your repayment ability. For more information, head to the HomeStart Finance website.

## Daily Interest Calculations



Consider asking around for loans with daily interest calculations. This is because when the interest on your loan is calculated on a per annum basis, there is a possibility that you are still making interest payments on segments of your loan that have already been paid off. Thus, with a daily interest calculated loan, you will find yourself quickly paying much less on your home loan.

## Dropping Your Private Mortgage Insurance



Borrowers who have paid a deposit of less than 20 percent may have unintentionally bought Private Mortgage Insurance or PMI. This means that you could be paying thousands of dollars extra every year. If you have done this, speak to your bank or loan officer to discuss if you are able to drop the PMI.

## Switching Your Mortgage Provider



Due to the competitive nature of finance, a borrower with a good credit history and solid fundamentals may be able to switch to a mortgage provider offering more competitive rates. Switching to a more competitive mortgage provider is a great way for you to quickly cut down on your monthly repayments.

## CONCLUSION

Paying off the mortgage may be a struggle for many people. Thus, follow one or more of these tips in order for you to breathe easily every day and not worry about financial problems.