

SO HOW DO YOU PAY OFF A LOAN FAST?

You have probably had a phone call from some company looking for an appointment to show you how you can pay off your loan faster by giving you information that the 'Banks won't tell you'.

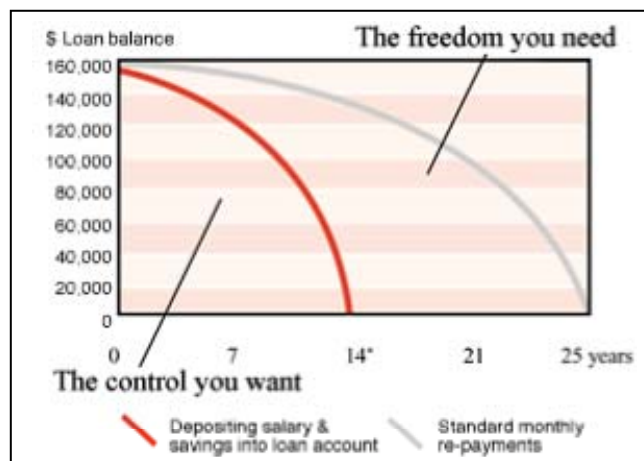
Two points here:

1. The Banks will tell you, if you ask. So will any good mortgage broker.
2. There is no secret to faster loan reduction. It is simply **the more money paid into the loan the faster it will reduce.**

Most banks and first mortgage lenders have various products that will help you structure your loan to effectively reduce it quicker, if that is what you want. A New Zealand Mortgage Broker Association broker can also help you select the most appropriate lender in line with your goals, which I would hope you have written down.

There are 12 little tricks that help your thinking and therefore the discipline of early repayment. While too much to go into here, we do have this available for clients or potential clients.

The most widely touted way is by using a mixture of revolving credit loan, the free interest period on a credit card and a fixed interest rate loan. By lodging your salaries into a revolving credit you will save on interest being charged, and hence reduce the loan quicker. By putting more than the required payments aside into the loan you will make even quicker inroads. The graph below illustrates:



By correct use of the tools lenders supply, strict budgeting and discipline, you could knock ten to fifteen years off a standard 25 year loan.

Monthly versus Fortnightly (or weekly)

This is nearly always brought up in the loan reduction conversation. Here is how it works. There are 52 weeks in each year and an average of 4 weeks in a month. If your payment is say \$1,000 per month, you will make $12 \times \$1,000 = \$12,000$ worth of repayments. Now if you divide the monthly payment by two, that is \$500 per fortnight, there are 26 fortnights in a year. $26 \times \$500 = \$13,000$. There you see you have paid off an extra \$1,000 per annum. Effectively you are putting more money into the loan and reaping the rewards.

We recommend that clients marry loan repayments with their income cycle. Then we would work with the client to achieve the best possible result for them.

Now you know something about paying off the mortgage faster, but never ever get sucked into paying big fat fees (we've seen up to \$6,000) to let someone show you how to do it. The information is readily available. The ingredient that is most questionable is 'the discipline'.....yours.

Recommended reading

'Your mortgage and how to pay it off in Five Years – Anita Bell.

'The Richest Man in Babylon' – George Clason.

By Allistar Walker
Mortgagehelp.co.nz Ltd
Ph 0800 005 066