

FINANCE

Avoiding payment problems

Review your mortgage options regularly, ASIC Chairman **Tony D'Aloisio** writes.

THERE'S nothing like going home after a long day and putting your feet up for some well-deserved rest.

Our homes can act as a sanctuary from the outside world. For most of us, our home is our most valuable asset as well.

Recently, interest rates have risen, so it is important to remember the essential, practical things you can do to manage your home loan.

If you are having problems meeting your mortgage payments, putting your head in the sand and ignoring the problem is the worst thing you can do. It could lead to you losing your home.

There are steps you can take that will help you manage – whether meet-

ing your repayments is just a little difficult or a big stretch.

Do a budget

You've heard it time and time again, because it really is the best thing you can do for your personal finances. But don't think of it as being a budget – think of it as a 'spending plan'. Budgets or spending plans allow you to free up your money so you can spend it on something worthwhile.

It doesn't matter whether you're saving for the short, medium or long term, the way to find extra money is by having a plan.

A great place to start is the free online budget planner at www.ADFconsumer.gov.au to see what costs you can cut.



Picket fence: Don't let your home come crashing down around you.

Photo by LAC Aaron Curran

Fortnightly repayments

If you make fortnightly repayments rather than monthly, you make the equivalent of 13 monthly payments each year instead of 12.

Fortnightly repayments can cut four years and a staggering \$40,000 in interest payments off a 20-year home loan of \$200,000.

If you can pay an extra \$100 above the minimum repayment fortnightly, you will cut seven years off your loan. This will free up money significantly to grow your investment portfolio down the track.

Consider switching

By switching home loans you could save yourself thousands of dollars in

interest or take advantage of features offered by another loan.

Before you decide to leave your current loan, work out how much it will cost you to switch to a new home loan. Your current lender might charge you exit fees and a new provider might charge you start fees.

Work out whether reducing your interest rate with a new loan outweighs the costs of switching from your existing one. The lower the exit and start-up fees, the more you stand to gain by switching. If the fees are high it may not be worth switching or may be better to wait and switch later.

Talk to your lender

If you are struggling to make your

DO YOU SWITCH OR ASK FOR TIME?

There are four things you should do if you're considering switching:

- Shop around and compare loans from at least three home loan providers;
- Work out all the costs of switching;
- Compare interest rates, fees and features;
- Ask yourself if the benefits of switching are worth the costs;

Go to www.fido.gov.au/switching for more details.

Four options for assistance the banks can offer include:

- Postponement for up to 12 months on repayments;
- A longer contract with lower repayments;
- Making interest only repayments for a short period of time;
- Fee waivers.

next home-loan repayment, you should talk to your lender as soon as possible. All retail banks, building societies and credit unions have signed up to the government's principles to assist people in financial difficulty.

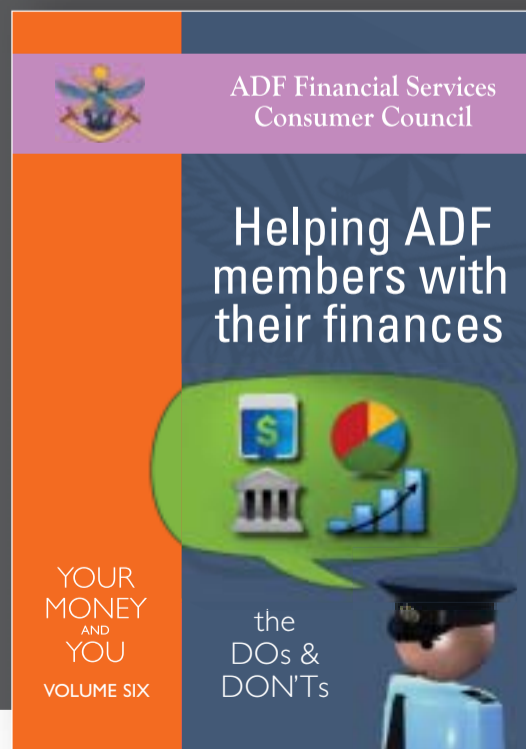
If you're feeling stressed about your home loan you can also talk to a financial counsellor. They can give you free and independent personalised advice about the best thing for you to do.

Go to www.fido.gov.au/survivalguide for more information, practical tips and useful links to help you through tough financial situations. Visit ASIC's consumer and investor website, FIDO, at www.fido.gov.au or call 1300 300 630. Email ASIC with topics that interest you at ADFcolumn@asic.gov.au

Finding it hard to help your people with financial issues?

This film will help you.

Watch the video or order the DVD on the website www.adfconsumer.gov.au



ADF Financial Services Consumer Council