



## Managing your Home Loan - 5 min read

### How to manage your mortgage through COVID-19.

If you're like most Australians, your mortgage repayments take up the most significant chunk of your household budget. If you've found your income has been reduced or completely obliterated by the financial fallout from COVID-19, I can help you navigate your way through your available options to best manage your loan. My essential tip here is to be proactive in managing your home loan through COVID-19, and don't wait until you're in arrears to act.

Restructure, Restructure, Restructure! I can't stress the importance of restricting your home loan repayments. Restructuring is an excellent tactic to help mitigate unnecessary financial stress. Home loan interest rates have never been so low, which could make restructuring or refinancing, switching whatever you like to call it an attractive option. By moving to a fixed rate, a split variable/fixed rate, or an interest-only loan, you could alleviate some of the pain on your household budget.

### We Act in Your Best Interests!

There are many pros and cons to refinancing. As your mortgage broker, it's my job to always act in your best interest. Speak to me first before trying to approach your bank. As your mortgage broker, I can approach your bank on your behalf and request they review your home loan interest rate. If your interest rate is higher than current market interest rates, there is a good chance of being able to renegotiate a better deal for you. Moreover, by contacting me, I can help you compare your best options in order to meet your current and future needs. It's important to review your loan regularly because your needs and objectives change over time. Leading experts agree it is vital to review your home loan contract every 2-3 years to make sure it still works for you.

I believe in using cutting edge technology to help you plan for your future. I'm able to use computer generated projections of the principal, interest and fees applied to each potential home loan product from various lenders. This enables me to carefully explain the full features and benefits of each potential home loan and discuss their disadvantages as well. This is something your bank will not be able to do, because they can only sell you their own

products. As mortgage brokers, I always act in your best interest so that you reap the rewards.

## **Refinance**

As your Mortgage Broker I can tell you what fees or charges would be involved in refinancing, and which lenders are covering loan refinancing fees through a cashback offer or promotion. Depending on your situation and which lender you are with, you may be better off switching lenders altogether and finding a different lender better suited to your new financial situation and with a more competitive interest rate.

## **Redraw and Offset Accounts**

Keep in mind that unemployment can make approval for restructuring or refinancing more difficult. If you are ahead of your payments, you may be able to access your redraw balance to help your household budget through a more challenging financial period.

Similarly, if you have available funds in offset, you may be able to access these funds if your household budget is stretched. Suppose you are currently paying more than the minimum repayment amount on your loan. In that case, you may have the option to reduce your repayments to the minimum contracted loan repayments set out in your loan contract and reclaim some cash to supplement your household budget. If you're not sure how to do this, give me a call, and I can review your loan contract for you and let you know if there is a better deal out there.

## **Interest only repayments**

***Can you switch to interest-only repayments for the short-term? And if you can, should you?***

You will likely have to pay more interest over the life of your loan, and higher interest and fees might apply. Ask me whether it's an option with your lender and whether it will suit your situation. Repayment pauses, or mortgage holidays, involve you requesting a pause in your home loan repayments for around three to six months. During that time, any unpaid interest will continue to be calculated monthly. This means the interest continues to accumulate (and your loan balance increases) and is then added to your loan balance. Although the repayment is paused and gives you a reprieve in the short-term, you will end up paying more in the long-term. That could look like higher regular payments for the remainder of your term, or through the same repayments but for an extended loan term.

### ***What are the long-term impacts of a mortgage holiday?***

The reality is that you may end up paying more interest over the life of the loan, and the more recent the loan, the more you'll pay. As your mortgage broker, I will calculate the exact figures based on your loan balance, lender terms, and how long you've had your loan. By laying out your options in cold hard dollar figures, you will understand the true cost of a 'mortgage holiday'. Speak to me about your specific situation. Whether you have been financially affected by COVID or not, there may be an opportunity to get you into a better position with your mortgage.

It is essential to know that many lenders will not allow you to refinance whilst your loan is on a repayment holiday. Carefully consider your options and speak to me first before making that decision.

**Speak to an Elend Finance Specialist about your specific situation. Jason Pestano is an Award-winning Mortgage Broker who has helped hundreds of Australians with their home loan.**

Jason Pestano is a credit representative 437155 of BLSSA Pty Ltd ACN 117 651 760 (Australian Credit Licence 391237).

### **Get in touch.**

Contact Jason Pestano on 0479 08 1117

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