Fixed rate expiring? Here are ways to prepare

Lots of homeowners secured low fixed rate home loans during the past year or two, and these are due to expire this year . Many homeowners will find themselves rolling over into higher variable rate home loans.

I've put together a list of ways to best prepare for this change and help you manage this transition with confidence.

It's important to note that lenders will generally update you about a month before your fixed rate is set to expire. This will include the information you need, such as your new variable rate and your new monthly repayment.

1. Find out if refinancing is right for you

Did you know that lenders often offer a higher interest rate to existing borrowers than they do to a new customer? This is what is informally known as the 'loyalty tax'.

Therefore, it is important to review all the offerings available on the market as there could be a loan better suited to your needs – and potentially with a lower rate.

Understanding what's on offer and what type of loan structure is right for your needs (fixed, variable, or split) will help ensure you are getting a competitive home loan.

2. Talk to a mortgage broker

By calling on the help of a home loan expert, you will benefit from having a professional by your side to help you navigate the number of options that could be available to you.

They will also be able to determine how much your repayments could change on your new home loan.

A mortgage broker is not only here to help you find the solution that is right for you but also answer all your questions along the way so you can feel informed through the change.

3. Start making additional repayments or save the difference

Once you know approximately how much your new repayments could be, it's a good idea to find a way to transition toward your new repayment amount early.

You could potentially do this in two ways:

1. **Some lenders and home loan products will allow you to make additional repayments during your fixed term, up to a certain amount.**

Sometimes, this may incur what is called a 'break cost', which is essentially an extra cost that occurs when you make extra repayments beyond the lender's limit thereby 'breaking' the terms of the loan. However, various lenders will allow you to do so without this fee on top.

However, it's important to check with an expert whether you'd incur a break cost and if this solution is right for you.

2. **If your lender doesn't allow for additional repayments or you would like to avoid paying the above cost, you could start saving the difference between your current fixed rate repayments and your potential new repayments into a separate savings account.**

This is beneficial as when your repayments do change, you will already have some funds saved to allocate to your new repayments and will be used to the new level of payments.

I can help determine if these options are suitable or available to you.

4. Review your budget

Your fixed rate expiring means the time is ripe for reviewing your budget.

Common areas to cut back on include takeaway (looking at you UberEATS) and entertainment, but you could be surprised by the various internet, electricity, and insurance deals available if you haven't looked for a while. Every little bit counts!

Streamlining your budget can never go astray and any extra money you can find could help you manage your new repayments more easily.

Contact me today on 0433 920 034 and we can discuss your unique situation and what finance option may be right for you.

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