

HOW TO LOWER THE INSTALMENTS ON YOUR HOME LOAN



Looking for ways to cut back on your expenses? One trick you could try is to request that your bank reduce the interest rate on your home loan. Admittedly, it is a bit of a long shot. Only a few banks would be willing to provide this service and will only grant it provided that the debtor has shown an impeccable payment record. But, if you are successful, you stand the chance to save thousands!

PROOF THAT IT CAN BE DONE

The writer of personal finance blog

Stealthy Wealth explained how the original interest rate on his home loan was 0.05% below prime, and his instalments were around R9,219 a month with roughly R925,000 left to pay off over the next 18 years (216 months). He then had his interest rate reduced to 0.3% below prime, changing his instalment amount to R9,071 per month, saving him R148 each month and a total of R31,968 by the end of the loan term.

HOW CAN I ACHIEVE THIS?

In order to apply for a lower instalment rate, you would need to submit a formal request to your bank stating how well you have kept up with your payments and requesting that they re-evaluate the interest rate based on the fact that you've proven to be a low-risk client. If this does not work, it might be worth exploring which rates you could receive at other financial institutions to use as leverage for your negotiations. Originators such as BetterBond do not assist with switching home loans, so you would have to do this research yourself.

After reviewing all your quotes, if you do decide to switch out your home loan from one financial institution to another that offers you a better rate, you need to consider the various ad hoc costs this move would incur and weigh this amount up against how much you will end up saving by the end of the loan term at your new financial institution.

NOTE FROM THE COO OF BETTERBOND:

Not all banks will consider reducing your interest rate just because you ask. Some banks regard your home loan agreement as a legal contract where the rate has been agreed upon for a certain term. Other banks do consider relooking at the rate based on the risk – i.e. the current loan to value (LTV) of the mortgage bond. Some banks will consider the request in an attempt to retain their customer and it will be referred to a special team called a retentions unit to consider.

To read the full blog post by *Stealthy Wealth*, visit: www.stealthywealth.co.za/2018/09/how-one-email-saved-me-r83000.html.