This is in your interest

A certain “set and forget” mentality slips in with mortgages. Money leaves your account to nibble on your mortgage. Meanwhile, you get on with other things. But here’s the question — if you have an interest only (IO) mortgage, when does it switch to principal and interest (P&I)?

Dunno?

Well, you’re not alone. This small but crucial detail gets lost for a lot of us.

IO loans are particularly appealing to investors with their flexibility and features to help maximise negative gearing. When your IO period is up, in most cases you will have to start paying P&I and you need to be prepared. In Australia, for example, 30% of mortgages are IO, but over the next few years 1.5 million of these will compulsorily switch to P&I, raising payments by up to 40%. Trouble a brewin’.

Note to self: Check my contract!

If any of this is ringing alarm bells reach out to your Loan Market adviser. They can help you find out if and when you’ll go to P&I, and work out a cunning plan for managing the transition.

POSTED 2 OCTOBER 2018