



**PAYING OFF
YOUR HOME
LOAN FASTER**

FIND OUT HOW



PAYING OFF YOUR HOME LOAN FASTER

The faster you pay off your loan, the less interest you could pay over the life of your loan. Even small changes to the way you structure and repay your loan can add up. Here are some of the ways ANZ and your Home Loan Coach can help you navigate the process.

This brochure contains information only about the options available that may help pay off a loan faster. The brochure isn't intended as financial advice or as a recommendation of any of these options for you and your situation. Please contact us if you would like financial advice on your options.

PAY OFF FASTER, PAY LESS

Getting the structure of your loan right could help you pay off your home loan faster

There is more to consider than just the interest rate. The way you structure your home loan may help you pay less interest and could take years off your home loan. You can tailor your home loan to your circumstances, as we know one size doesn't fit all. And remember you can review the structure as your circumstances change.

Small increases to your repayments could make a big difference

Any money you pay on top of the minimum repayment amount helps pay off your principal (the amount you borrowed). And the smaller your principal, the less interest you may pay.

Take a look at the Scenario 1 example on the next page. This example is based on a home loan of \$400,000 at an interest rate of 4.00% p.a. for an initial term of 30 years. Increasing the repayments by \$30 a week from the beginning of the loan would mean paying the loan off three years and

five months earlier, reducing interest costs by around \$37,727 over the life of the loan.

In Scenario 2, we look at what happens when repayments increase by \$60 halfway through the loan term (i.e. 15 years). This reduces the loan term by two years and four months, reducing interest costs by \$14,429 over the life of the loan.

The earlier you increase your repayments, the bigger the impact

As you can see, Scenario 1 shows that the earlier repayments increase (even by making a lump sum payment), the less you could pay in interest over the life of your home loan. Of course, increasing repayments later into the loan term can still make an impact.

Note: if you increase your repayments during a fixed rate period on an ANZ Home Loan you may be charged Early Repayment Recovery. See page 6 for more information. Talk to us first so we can discuss the ways you can make extra repayments without being charged an Early Repayment Recovery. Otherwise we can give you an indication of the Early Repayment Recovery we may have to charge.

USE OUR HOME LOAN REPAYMENTS CALCULATOR TO HELP WORK OUT THE IMPACT OF INCREASING YOUR REPAYMENTS
[ANZ.CO.NZ/REPAYCALCULATOR](https://anz.co.nz/repaycalculator)

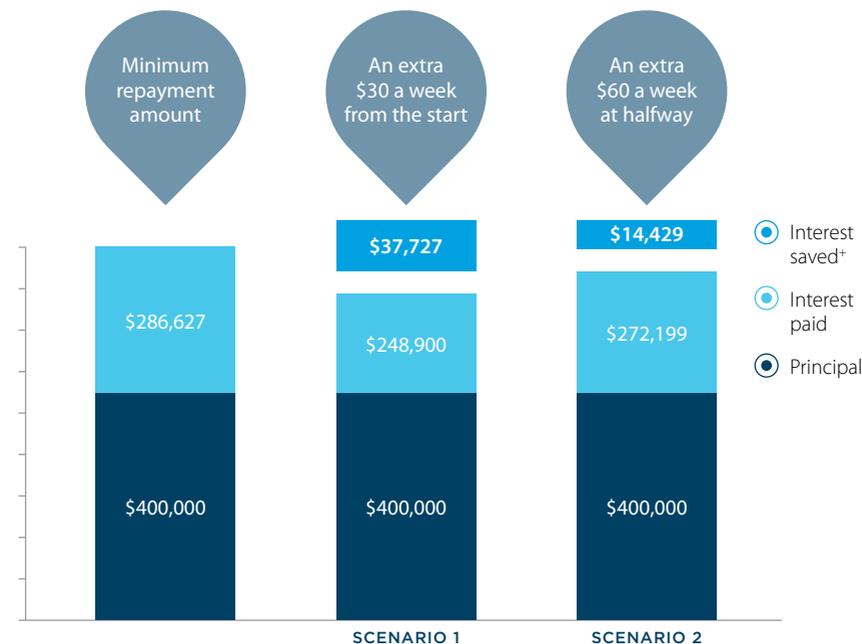
The example opposite provides an estimate/illustration only. It is a guide on how a \$400,000 home loan originally structured on a 30-year term could be paid off faster and is based on the assumption that the 4.00% p.a. interest rate remains the same for the duration of the loan. To work out the impact of increasing your home loan repayments, use our repayment calculator (anz.co.nz/repaycalculator). Please note, if you increase your repayments on an ANZ Home Loan during a fixed interest rate period you may be charged Early Repayment Recovery.

SCENARIO 1: PAYING AN EXTRA \$30 A WEEK FROM THE START

Repayment	Term	Interest
Minimum	30 years	\$286,627
\$30 extra a week	26 years 7 months	\$248,900
	Term reduced by 3 years 5 months	Interest saved \$37,727⁺

SCENARIO 2: PAYING AN EXTRA \$60 A WEEK FROM HALFWAY

Repayment	Term	Interest
Minimum	30 years	\$286,627
\$60 extra a week from 15 years	27 years 8 months	\$272,199
	Term reduced by 2 years 4 months	Interest saved \$14,429⁺



⁺ Interest saved in these examples refers to the interest cost that a customer will not need to pay as a result of making extra repayments.

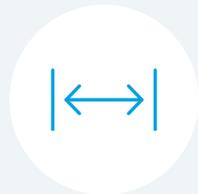


STRUCTURING YOUR LOAN

An ANZ Home Loan Coach can help you choose a loan structure to suit your financial situation.

Different loan types provide varying levels of flexibility for making extra repayments

We offer three loan types – you could have one or a combination of these loan types based on your circumstances.



ANZ HOME LOAN WITH A FIXED RATE

The interest rate is fixed for a set period. During that period your repayment amount stays the same.

When the fixed rate period ends, you can choose to fix it at another rate, or let your loan roll onto the floating rate.

Fixed home loans generally have lower interest rates than floating or flexible home loans.

They offer less flexibility to make extra repayments.

How our customers use it to pay off their loan faster

A large number of our customers choose to put the majority, if not all, of their loan on a fixed rate. Setting repayments so that they are more than the minimum repayment amount for that fixed rate and loan term will also help repay a loan faster.

Customers can also split their lending across different fixed rate periods.

If you have an ANZ Home Loan with a fixed rate, there are a couple of ways you can make extra repayments without being charged an Early Repayment Recovery:

- If it's the first increase that year, you can increase your regular repayments towards your home loan by up to \$250 a week.
- Plus, each year you can make an extra lump sum repayment that's no more than 5% of your current loan amount.

The year runs from the date, or the anniversary of the date, that your fixed rate period started.

Early Repayment Recovery is an amount you pay us to reflect the loss we incur when you repay some or all of an ANZ Home Loan early during a fixed rate period. Talk to us before you decide to repay early, as any Early Repayment Recovery could be large.



ANZ HOME LOAN WITH A FLOATING RATE

The interest rate on a floating home loan can move up or down in line with market changes – which means your repayment amount can change.

The interest rate is generally higher than fixed home loan rates but you have the flexibility to make extra repayments whenever you like – a minimum repayment amount may apply.

How our customers use it to pay off their loan faster

Customers often put some of their loan on a floating rate if they intend to make extra repayments from time to time. They can also increase their regular repayments at any time.

They may have variable income. Or they may be expecting some extra money, which they intend to use to make a lump sum payment on their loan.



Reviewing your floating rate loan?

Increasing repayments when circumstances change (for example if you receive some extra money) could also help pay off a loan sooner.



Reviewing your loan when it's time to re-fix?

Talk to an ANZ Home Loan Coach, who can help you restructure your home loan to suit your circumstances when it's time to re-fix.



ANZ FLEXIBLE HOME LOAN

This home loan is a revolving credit facility on your everyday transactional account, a bit like an overdraft.

You can pay money into it whenever you like and redraw it (up to your limit) if you need to. You're charged interest on the outstanding balance, but there are no set repayments.

The ANZ Flexible Home Loan has a monthly fee and often has a higher interest rate than our other loan types, but it offers the most flexibility.

How our customers use it to pay off their loan faster

A Flexible Home Loan is designed for customers who are disciplined with their money. When managed carefully, this account may enable them to pay less interest and pay off their loan faster.

Keeping a lower daily balance reduces interest charges on a Flexible Home Loan because interest is calculated on the daily balance:

- Having all income paid into the Flexible Home Loan account could keep the current loan amount as low as possible, reducing the overall amount of interest to pay.
- Carefully managing spending, and using a credit card's interest free days to pay for expenses and paying that card's balance when it's due, could also keep a Flexible Home Loan's balance as low as possible. A lower daily balance reduces interest charges.

Note: Credit card interest rates are higher than home loan interest rates, so this only works by avoiding being charged interest on the card by not making any cash withdrawals and paying the card in full when it's due.



Rename your loan to match your goal

In ANZ Internet Banking and goMoney you can add a nickname and picture to your home loan/s. If you've set a goal to reduce the amount owing on your Flexible Home Loan, it could be motivating to change the name to reflect your goal.





LOAN STRUCTURE EXAMPLES

Here are four examples of customers who have structured their loans quite differently. But all in a way that works best for them.



FIRST HOME BUYER WORKING TO A BUDGET

Yichern is a first home buyer working to a budget

Yichern is borrowing \$340,000 for his first home. He has to manage his budget carefully and wants to know exactly what his repayments will be. He has flatmates living with him to help pay the home loan repayments.

He's decided to split his loan in two, with two fixed rate periods. That way, if interest rates change in the future, he hasn't got all his eggs in one basket. He's put \$170,000 on a one-year fixed rate, \$170,000 on a two-year fixed rate.

He knows that if his circumstances improve during this time, he can make some additional repayments to his loan without being charged an Early Repayment Recovery, in the following ways:

- If it's the first increase that year, he can increase his regular repayments towards his home loan by up to \$250 a week
- Plus, each year he can make an extra lump sum repayment that's no more than 5% of his current loan amount.

The year runs from the date, or the anniversary of the date, that his fixed rate period started.



A COUPLE WITH VARIABLE INCOME

Jill and Ravi have variable income and want to be able to make lump sum payments to their loan

Jill and Ravi are borrowing \$400,000. Ravi is expecting to get quarterly bonuses across the year – they want the ability to use his bonuses to make lump sum payments on their home loan.

Given the variability of Ravi's income, they're wary of over-committing

themselves. But they still want some flexibility to make additional repayments.

They decided to split the amount they've borrowed into three loans. With \$350,000 split across two loans with fixed rates and \$50,000 as a floating home loan so they can make lump sum payments when they have funds available, without being charged Early Repayment Recovery.



LOOKING TO PAY OFF AS FAST AS POSSIBLE

Lisa and Sarah are great at sticking to budget and want to pay off their home loan as fast as possible

Lisa and Sarah purchased their first home a year ago, borrowing \$530,000. They're good at managing their money. For example, they didn't dip into their savings when they were saving for their deposit, and they always pay their credit card in full without incurring interest costs.

They chose to split \$500,000 across two Home Loans with fixed rate periods and set up the remaining \$30,000 as a Flexible Home Loan which they planned to pay down within a year.

They kept the outstanding balance on their Flexible Home Loan as low as possible to minimise their interest costs. They achieved this by paying their salaries into their Flexible Home Loan account and managing their budget carefully. They made their everyday purchases using

their credit card which has up to 55 days interest free. They never used their credit card for cash withdrawals and set up a Direct Debit to pay their card balance off in full each month (so they were never charged interest on their credit card).

Note: credit card interest rates are higher than home loan interest rates. So this only works if they avoid being charged interest on their card by not making any cash withdrawals on their credit card and paying the credit card balance in full when it's due.

They've just achieved their goal of paying down their Flexible Home Loan, so they have \$30,000 available to redraw. This is great timing because their first fixed home loan is now due for review. They choose to draw against the Flexible Home Loan to make a lump sum payment of the \$30,000 to reduce the fixed home loan before re-fixing it and starting the pay down cycle on the Flexible Home Loan again.



PLANNING FOR RETIREMENT

Sunil and Smita are property investors who want to be mortgage-free when they retire

Sunil and Smita are both 58 and own two properties. One is the home they live in and the second is an investment property. They have reduced their combined home loan balance over the years to \$120,000.

Their goal is to be mortgage-free by the time they're 65, when Smita will retire and Sunil will go to part time work. They want to enjoy retirement debt-free.

They have structured their remaining loan to be paid off over seven years and plan to adjust their repayments as necessary to meet this goal. If interest rates reduce they plan to keep repayments the same (which will reduce the loan term further), and if rates increase they will increase their repayments.

This will mean that they should be debt free by the time they're 65.



REPAYING YOUR LOAN

There are many ways you can repay your loan a little bit faster. Here is some information that could help.

Pay what you can afford to

Regular repayments are set at an amount that we believe will be affordable for you. But, we encourage customers to be realistic and factor in any expected lifestyle changes.

Pay more than the minimum

If affordable, paying more than the minimum could help pay your loan off faster and may mean less interest over the life of the loan.

Fortnightly or weekly repayments

Paying fortnightly instead of monthly means you'll repay slightly more over the year as you will be paying the equivalent of one extra monthly repayment a year. For example, paying \$1,200 a fortnight rather than \$2,400 a month on a \$400,000 loan at an interest rate of 4.00% p.a would reduce the total interest charged by around \$23,000 and instead of 20 years, the loan would be paid off two years earlier.*

Rounding up repayments

If you've chosen a set loan term, the required repayments are often not round numbers. Rounding the repayments up to the nearest \$10 or even \$100 will help pay a bit more with each repayment. For example, rounding up the minimum fortnightly repayments from \$877.67 to \$900 on a \$400,000 loan at an interest rate of 4.00% p.a would reduce the total interest charged by around \$15,000 and instead of 30 years, the loan would be paid off one year and four months earlier.*

Make the first repayment as soon as you can

You can set your first repayment as early as two business days after your loan draws down. Interest is calculated daily, so every day you have a reduced balance counts.

Reviewing repayments when interest rates change

Even small changes can be big. For example, even if interest rates go down, keeping repayments the same may help pay off your loan faster and mean less interest over the loan's term.

Pay fees upfront

Paying things like establishment fees and legal fees separately will cost less than adding them to the loan. If those costs are added to the loan amount, you'll pay interest on them over the loan's term.

Reviewing service providers

Review your service providers to ensure you're getting the best value. Any money you save on utilities, for example, can be put towards your loan.

Reviewing your loans

We know circumstances change and you may need to review your loan's structure. Remember, a floating rate on an ANZ Home Loan gives the flexibility to make extra repayments whenever you like or increase your repayments to take advantage of changes to your circumstances, which could help pay off the loan faster. Our ANZ Flexible Home Loans also provide greater flexibility to make extra repayments.

Making lump sum payments

If you have an ANZ Home Loan with a fixed rate, each year you can make one extra lump sum repayment without being charged Early Repayment Recovery, providing that it's no more than 5% of your current loan amount.

The year runs from the date, or the anniversary of the date, that your fixed rate period started.

Talk to us before you decide to repay more than 5% of the current loan amount, as any Early Repayment Recovery could be large.

On a floating ANZ Home Loan you can make extra repayments whenever you like – a minimum repayment amount may apply.



CHANGING YOUR REPAYMENTS

Changing the frequency or timing of your repayments

You can change the frequency of your regular repayments or change the day of month/week they come out. Note if you ask for changes during a fixed rate period on your ANZ Home Loan, Early Repayment Recovery may be charged. Simply call us on 0800 269 4663 or book an appointment with an ANZ Home Loan Coach in branch.

Increasing your repayments

On a **fixed ANZ Home Loan**:

- You can increase your regular repayment amount at the end of your fixed rate period including before setting up your new fixed rate period. You can do this by using ANZ Internet Banking or goMoney (if eligible),

calling us on 0800 269 4663 or booking an appointment in branch with an ANZ Home Loan Coach.

During your fixed rate period you can increase your regular repayments towards your home loan by up to \$250 a week without being charged an Early Repayment Recovery, providing it's the first increase that year.

The year runs from the date, or the anniversary of the date, that your fixed rate period started.

Just call us on 0800 269 4663 or book an appointment in branch with an ANZ Home Loan Coach before you decide, as any Early Repayment Recovery could be large.

On a **floating ANZ Home Loan**, you can increase your repayments any time with no fee by calling us on 0800 269 4663 or booking an appointment in branch with an ANZ Home Loan Coach.

Reducing your repayments

If your situation changes and you need to reduce your repayments for a while, talk to us about your options. Call us on 0800 269 4663 or book an appointment in branch with an ANZ Home Loan Coach.

*The example provides an estimate and is for illustrative purposes only. It is a guide on how a \$400,000 home loan could be paid off faster and is based on the assumption that the 4.00% p.a. interest rate remains the same for the loan term. To work out the impact of increasing home loan repayments, see our repayment calculator (anz.co.nz/repaycalculator).



Is it time to review your life insurance to know if you have appropriate cover to meet your home loan repayments should anything happen?



Our Home Loan Repayments calculator (anz.co.nz/repaycalculator) allows you to work out the potential impact of increasing your repayment amount.



DON'T GO IT ALONE

ANZ Home Loan Coaches can help you set up or restructure your home loan to suit your circumstances – and help you set your repayments to pay it off faster.

Get in touch:

-  Call 0800 269 4663
-  Visit anz.co.nz/homeloans
-  Book an appointment with an ANZ Home Loan Coach at any branch
-  Arrange for an ANZ Mobile Mortgage Manager to visit at a time that suits you. Go to anz.co.nz/mmm

Lending criteria, terms, conditions, and fees apply. A copy of terms, conditions, fees and our Reserve Bank Disclosure Statement are available at anz.co.nz or a request for a copy can be made at any ANZ branch. The contents of this brochure are subject to change.

This brochure is current as at January 2024 and the details in it are subject to change.

