

Borrower beware: The simple mistake that could cost borrowers thousands

- Home loan interest rate jumps by up to 47% after intro period ends
- Borrowers urged to read the fine print on honeymoon variable rate home loans

Friday 16 February 2018: Banks are luring first homebuyers with seemingly generous honeymoon rate deals ahead of autumn property season, yet mortgage holders could be thousands of dollars out of pocket if they don't check the fine print according to Mozo.com.au.

The comparison site found borrowers on introductory variable rate home loans could be paying up to 174 basis points more after the honeymoon period ends. For an average borrower on a \$300,000 home loan, this equates to \$3,423 in additional interest charges each year.

“Honeymoon rates can look very attractive to borrowers, but they can also be very misleading. If borrowers fail to check the fine print they can end up stuck with a loan that has an uncompetitive ongoing rate after the introductory period ends,” says Kirsty Lamont, Mozo Director.

“That mistake can end up costing you tens of thousands of dollars in extra interest over the term of the loan.”

Mozo's database shows nearly 9 per cent of variable rate home loans now have a honeymoon period.

“These sorts of intro rate home loan deals are particularly popular with first home buyers trying to break into the property market but can also be extremely profitable for lenders if borrowers don't refinance when the intro period ends. If you aren't in the habit of regularly reviewing your mortgage, you could be better off choosing a low rate home loan,” says Lamont.

For those borrowers taking out an introductory rate loan, Mozo says it's important to review the loan before the introductory rate ends and compare the revert rate against the rest of the market.

“If it's too high, talk to your lender about refinancing to a cheaper rate loan or consider switching to a cheaper rate with another lender.”

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