

Investors note, if you are in a position to pay principal and interest on your investment loan now, you should have a conversation with Total Choice as there are much better interest rates available for those who can afford (and wish to) start paying down investment debt. The background to this is that APRA has instructed all ADI lenders they cannot have more than 30% of their loan book as interest only loans. This is a problem for most lenders especially the major banks as they have a lot of interest only (investment) debt on the books. This is on top of the 2 year's old 10% cap on investor loan growth they have had to manage.

To try and reduce this % lenders have been segmenting interest rates by loan type, with interest only loans (both for owner occupiers and investors) the more expensive now. The lenders are trying to incentivize investors to switch to Principal and interest repayments by offering a lower rate, and by slugging all interest only loans with ever increasing rates.

Existing investors should check what rate they are currently on as there have been several increases in the last 6 months, and more announced this week. Please contact our office to get a comparison repayment with (a lower rate) principal and interest repayments. In many cases we are talking about a rate that is 1% lower than an interest only rate, IE 3.84% P&I variable and 3.88% fixed P&I up to over 5% for an interest only loan.

We can also look at refinancing the loan back into a 30 years P&I investment loan which may mean minimal difference in the repayments overall (subject to servicing and lender eligibility criteria)

As each client scenario is different we would need to look at your individual situation to work out if it is best to change anything, and if so how, and what the lenders will accept.

Contact Jonathan on 0411870957