



40-year loan helps buyers

By **HERMIONE STOTT**

FORTY-YEAR home loans or interest-only loans will become more popular as more people are priced out of WA's property market, according to an industry executive.

The Loans Cafe general manager Murray Brede said he expected the number of lenders offering 40-year loans to increase in the next 12 months because of the affordability issues of buying a home.

"Loans are generally for 30 years and by increasing the loan repayment schedule to 40 years, the mortgage repayments are lower, which increases the prospects of securing a home loan," he said.

"This is particularly the case for first-home buyers who are now struggling because mortgage repayments have substantially increased over the past two years."

Latest Australian Bureau of Statistics figures show that during April the average home loan in WA was \$206,300 — \$21,000 lower than in Victoria.

"By lowering the initial mortgage repayments by obtaining a 40-year loan, first-home buyers can buy a home and as their income increases make additional repayments and reduce the term of the loan," Mr Brede said.

"For example, someone who takes out a 40-year loan valued at \$300,000

can reduce monthly repayments by more than \$100 compared with taking out a 30-year loan."

Mr Brede said many first-home buyers were unaware of the 40-year option.

"As more first-home buyers become aware of 40-year home loans, we expect more lenders will provide it as an option," he said.

"There are other products for first-home borrowers which can reduce mortgage repayments, such as selecting a budget-style home loan.

"These types of loan have a lower interest rate and also give first-home borrowers the flexibility of making additional repayments."

Mr Brede said first-time property investors should also consider interest-only home-loan products because by lowering the monthly repayments through not paying the principal of the loan, they could increase the prospects of securing an investment home loan.

"If a customer opted for interest only for the first five years of their \$300,000 loan, their repayments would be about \$200 a month less than the same loan structured as principal and interest," he said.

"As long as the loan is structured at variable interest rates, first-home buyers can make additional repayments or convert to principal and interest when their circumstances change."