

March 2013

How much will your mortgage really cost over time?

CANSTAR releases annual *home loan star ratings* report today, assessing 147 home loans from 13 lenders.

Deposit saved?



Dream home found?



Contract signed?



Total cost of mortgage?



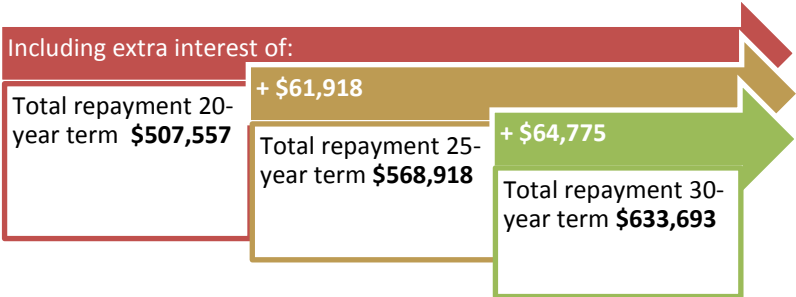
Buying a home is one of the most exciting, emotive – and expensive – activities you’re ever likely to undertake. While a lot of debate centers around whether to choose a fixed or floating rate home loan, a potentially more valuable decision is choosing the ideal **length** of loan.

Home owners could save more than \$125,000 in interest costs on a \$300,000 loan, simply by reducing the term of their mortgage from 30 years to 20.

“The term of your home loan can be anywhere up to thirty years,” says CANSTAR General Manager – New Zealand, Derek Bonnar. “Choosing a thirty-year term can look attractive for home buyers because the monthly repayment is slightly less than it would be on, say, a twenty-five year term. That’s because the repayments are spread over a longer period. The trap, though, is that you’re paying out potentially tens of thousands more in interest costs for that privilege.”

Mr Bonnar cites the example of a \$300,000 loan at current variable rates. “Choosing a loan term of thirty years instead of twenty-five will make your repayments around \$136 per month cheaper,” he says. “But taking that extra five years to pay off your loan will cost you almost \$65,000 more in interest costs. \$65,000 is a lot of money which is far better off in your pocket than being lost to you. Even allowing for inflation, that’s around \$36,000 in today’s dollars. In other words, a fantastic around-the-world trip.”

Difference in total interest cost on \$300,000 loan, based on current interest rates of 5.80%.



Source: Canstar

In total, home owners could save a total of \$126,136 by reducing the term of their mortgage from 30 years to 20.

“Sometimes customers can sign up for a 30-year loan without thinking too much about it,” says Mr Bonnar. “It seems like a good option – lower monthly repayments which leave more money to spend on other things. Often they intend to pay it back ahead of time – but never quite get around to it! So I’d encourage all customers to stop and really think about how much that longer-term loan is going to cost them. When they add it up, they might decide to find some spending cutbacks in other areas and hammer the home loan instead, especially while our interest rates remain low.”

Total repayments on a \$300,000 loan.

Interest Rate %	20 year mortgage term		25 year mortgage term		30 year mortgage term	
	Per month repayment	Total interest cost over term	Per month repayment	Total interest cost	Per month repayment	Total interest cost
5.50	\$2,064	\$195,279	\$1,842	\$252,679	\$1,703	\$313,212
5.80	\$2,115	\$207,557	\$1,896	\$268,918	\$1,760	\$333,693
6.00	\$2,149	\$215,830	\$1,933	\$279,871	\$1,799	\$347,515
6.50	\$2,237	\$236,813	\$2,026	\$307,686	\$1,896	\$382,633
7.00	\$2,326	\$258,215	\$2,120	\$336,101	\$1,996	\$418,527

Source: Canstar

Choosing the best value mortgage to begin with is also vital and Canstar have helped to take the hard work out of this choice with the release today of their annual *home loan star ratings* report. The report looks at 147 home loans from 13 lenders across seven categories of floating, fixed rate and line of credit loans for both residential and investment purposes. The *star rating report* is a useful way for mortgage holders to assess how their current lender compares, as well as to narrow down products worth investigating further.

So – who scores well?

“Across the seven loan categories assessed, several mortgage providers stood out as offering 5-star value,” says Mr Bonnar. “These included Kiwibank, achieving a 5-star rating in six of the loan categories, followed closely by Westpac, with a 5-star rating in five categories. Bank of New Zealand achieved 5-star ratings in both the Standard Home Loan and Investment Home Loan categories and ANZ were 5-star rated in the Line of Credit, Residential Long-term and Investment Long-term categories.”

“The best value mortgage for each home owner is going to depend on their individual situation, but with potentially many thousands of dollars to save, taking the time to shop around is a great return on investment.”

For further information:

Derek Bonnar
General Manager - New Zealand
CANSTAR
Mob +64 21 486330
derek.bonnar@canstar.co.nz

About CANSTAR:

CANSTAR provides Australia and New Zealand's only fully interactive online research service in retail and business finance.

Founded in 1992, CANSTAR Pty Limited (formerly CANNEX) is Australia and New Zealand's premier researcher of retail finance information for over 250 institutions such as Banks, Building Societies, Credit Unions, Finance Companies, Brokers, Mortgage Originators, Life Companies and finance related Internet Portals.

CANSTAR customers use the extensive database for competitor analysis as well as a means of disseminating their product range. CANSTAR also distributes this information to print and electronic media for publication and to Agents, Accountants, Brokers and Internet Portals for use in advising their clients.

What are the CANSTAR star ratings?

CANSTAR researches, compares and rates the suite of banking products listed below. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.co.nz if you would like to view the latest star ratings reports of interest.



- Business deposits
- Cash PIE
- Credit cards
- Credit card rewards
- Home loans
- Kiwisaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts
- Term deposits

DISCLAIMER:

To the extent that any CANSTAR data, ratings or commentary constitutes general advice, this advice has been prepared by CANSTAR Pty Ltd ABN 21 053 646 165 AFSL 312804 and does not take into account your individual investment objectives, financial circumstances or needs. Information provided does not constitute financial, taxation or other professional advice and should not be relied upon as such. CANSTAR recommends that, before you make any financial decision, you seek professional advice from a suitably qualified adviser. A Product Disclosure Statement relating to the product should also be obtained and considered before making any decision about whether to acquire the product. CANSTAR acknowledges that past performance is not a reliable indicator of future performance. Please refer to CANSTAR's FSG for more information at www.canstar.co.nz.

All information contained herein shall not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any purpose, in whole or in part, in any form or manner or by means whatsoever, by any person without CANSTAR's prior consent. All information obtained by CANSTAR from external sources is believed to be accurate and reliable. Under no circumstances shall CANSTAR have any liability to any person or entity due to error (negligence or otherwise) or other circumstances or contingency within or outside the control of CANSTAR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information. Copyright 2012 CANSTAR Pty Limited ABN 21 053 646.