

Why Keeping Your Home Loan Repayments the Same When Rates Go Down, Makes Perfect Sense - Natloans

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Why Keeping Your Home Loan Repayments the Same When Rates Go Down, Makes Perfect Sense

By Mary Nebotakis, Managing Director, Natloans, B. Eco, Dip. Financial Services

How You Can Pay Off Your Loan Sooner and Save Thousands

On February 19, 2025, the Reserve Bank of Australia (RBA) made a crucial decision to reduce the official cash rate by 0.25%. For many Australian homeowners, this means their mortgage interest rates will also decrease. While the natural reaction might be to reduce repayments and enjoy extra cash flow, there's a smarter move that could save you years on your loan and tens of thousands of dollars in interest.

By keeping your repayments at the same level despite the rate cut, you can dramatically shorten your loan term and build equity faster. Let's break it down with real numbers.

The Power of Keeping Your Repayments Steady

Imagine you have a \$500,000 home loan with a 30-year term at an interest rate of 6.25% per annum . Before the rate cut, your monthly repayment would be approximately \$3,062 .

Now, after the RBA's 0.25% rate reduction, your lender lowers your interest rate to 5.95% per annum . If you chose to reduce your repayments in line with this new rate, your new monthly payment would be lower.

But here's where the magic happens: instead of lowering your repayments to the new minimum monthly repayment of \$2,982, you keep them the same at \$3,062 per month .

Note: The information provided by the calculator is intended to provide illustrative examples based on stated assumptions and your inputs. Calculations are meant as estimates only and it is advised that you consult with a mortgage broker about your specific circumstances. Financial Calculators © Vision Abacus Pty Ltd 2025

The Results

By keeping your repayments unchanged, you would:

Pay off your mortgage 2 years sooner

Save approximately \$75,000 in interest over the life of the loan

That's two years of mortgage-free living and a massive reduction in interest costs – all without spending a cent more than you already budgeted for!

Why This Strategy Works

This approach works because your extra payments directly reduce the principal balance of your loan, rather than just covering interest. As a result:

More of your payment goes toward the loan itself – shrinking your balance faster.

You reduce the overall amount of interest paid , since interest is charged on a smaller balance over time.

You build home equity faster , giving you more financial flexibility down the track.

The Bigger Picture: Long-Term Financial Benefits

Less financial stress later on – The sooner you pay off your mortgage, the more financial freedom you'll have in retirement.

More borrowing power – A smaller loan balance improves your credit position if you ever need to refinance.

Flexibility when needed – By getting ahead on your loan, you create a buffer in case of unexpected financial changes. Extra repayments can then be accessed through available redraw

What Should You Do Next?

If you're unsure whether this strategy is right for you, or you'd like to explore other ways to get ahead on your home loan, Natloans can help .

Our expert mortgage brokers can:

Assess your current home loan and help you optimise your repayments

Compare refinancing options to ensure you're getting the best deal

Develop a plan to help you become mortgage-free sooner

Take Action Today

With interest rates dropping, now is the perfect time to take control of your financial future. Contact Natloans today to discuss your options and start making the most of lower rates!

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