

How switching could save you.

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FINANCE

THE HOME LOAN EXPERTS

Summary

According to research, an estimated eight million Australians are being hit by a "loyalty tax" and paying more for financial products than necessary by sticking with the same provider - particularly when it comes to home loans.

Why? Well for one, it's very easy to "set and forget" your home loan.

It's also easy to think that you'll be rewarded for your loyalty. But whilst your lender may have presented you with a great offer initially, it's unlikely that they will call to offer you a better deal 1, 5 or even 20 years down the track.

With the majority of lenders offering their best deals to new customers, it pays to shop around.

In fact, The Finder Loyalty Tax Report estimates Australians could be saving up to \$8,496 across four common financial products – mortgage, savings, health insurance and credit cards – if they'd switch providers.

Refinancing can often seem stressful and arduous, however, at Sanford Finance, we make it easy for our clients by handling the refinancing process for them; negotiating rates, speaking to different lenders, looking at your financial situation and then presenting the best options for you.

Potential savings
as reported in *The Finder
Loyalty Tax Report*

- **Credit cards.** \$253 saved if transferring the average interest-accruing credit card balance to a 0% balance transfer card.
- **Home loans.** \$6,826 saved per year by moving from the average home loan variable rate across the Big Four banks to the lowest rates on the market.
- **Health insurance.** \$635 per year potential saving between the highest and lowest priced policies on the same coverage tier.
- **Savings.** \$2,346 potential interest earned over three years when switching from the average online savings rate to one of the three banks offering the highest rates on the market, based on the average saving volume in Australia (for further details, see the savings section).

Sources: The Loyalty Tax Report sources data from a cumulative survey of 9,116 Australians designed by Finder and conducted by Qualtrics SAP between May 2019 and January 2020, as well as Finder's extensive product database, and the Reserve Bank of Australia

Home Loans

7.2

Years with the same provider on average



33% stress about their home loans

Respondents that plan on switching home loans in the next twelve months

as reported in *The Finder Loyalty Tax Report*

Main reason to switch home loans

as reported in *The Finder Loyalty Tax Report*

The Finder Loyalty Tax Report found that the average Australian mortgage holder has been with the same home loan provider for 7.2 years. As this data was taken between May 2019 and January 2020, this means that these mortgage holders stayed with the same lender despite three consecutive cash rate drops in 2019 and the RBA slashing cash rates by 75 basis points¹ between June and October and many lenders not passing on those rate drops in full.

The report found that the average owner-occupier home loan in Australia stands at \$494,414.1. Switching from the average variable home-loan rate of 4.55%² to one of the lowest in the market (2.49%³) could save borrowers a whopping \$6,826 per year or \$204,793 over the full 30-year life of the loan.

Finder also found that only 3% of Aussies switched home loans during that time for a better deal, despite 1 in 3 adults (33%) surveyed saying that paying their home loan causes them stress and 43% of borrowers feeling that they aren't getting good value from their home loan.

Concerningly, the report found that 51% of Australians surveyed didn't even know what their home loan interest was - meaning their could be 3.4 million mortgage payers who could be paying too much for their loan.

	All	Female	Male
Australia	5%	3%	7%

Reason	Percentage
Opportunity for savings	33%
No loyalty to my existing provider	17%
Opportunity for better rewards	8%
I would never consider switching	17%
Dissatisfaction with current provider	11%

Sources: The Loyalty Tax Report sources data from a cumulative survey of 9,116 Australians designed by Finder and conducted by Qualtrics SAP between May 2019 and January 2020, as well as Finder's extensive product database, and the Reserve Bank of Australia

Case Study

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One of our clients recently switched after 12 months with their existing lender. With Sanford Finance handling all of the negotiation and transfers, the client was able to benefit from the reduced monthly repayment and overall savings without any additional stress.

Scenario 1: Not switch

Monthly repayment	\$7,520.36
Total interest & fees	\$1,357,584

Scenario 2: Switch and minimum repayment

Monthly repayment (Intro term)	\$0
Monthly repayment	\$6,698.45
Total interest & fees	\$1,071,062
Total saving over the life of the loan	\$286,022

Scenario 3: Switch and higher repayment

Monthly repayment (Intro term)	\$0
Monthly repayment	\$7,553.36
Total interest & fees	\$823,754
Time saved	5 years, 10 months
Total saving over the life of the loan	\$533,330

We presented our client with two options, allowing them to choose the option that best suited their lifestyle.

The first provided a lower monthly repayment, saving \$821.91 on monthly repayments and an overall saving of \$286,022 over the life of the loan.

The second option would see the client paying \$33 more per month, however, saving \$533,330 over the life of their loan and paying their loan 5 years and 10 months sooner than they would have with their original lender.

Conclusion



74% of Aussies stress about their finances

It's no secret that managing household finances is stressful - especially with the cost of living rising.

At Sanford Finance we work for you, not the banks. Over the years we've helped hundreds of Australian families save money on their loans.

As an **independent mortgage broker**, we have access to a wider range of loans than other lenders; allowing us to find and negotiate a better rate – and secure lending that is right for your needs – not the banks.

Refinancing, or switching home loans can save you thousands.

Some of the benefits of refinancing include:

- Change your type of loan (fixed or variable).
- Get access to new home loan features.
- Introducing redraw options to access cash in a hurry.
- Adding lump sum payment options to pay off your loan faster.

Refinancing your loan doesn't need to be a hassle. Get in touch with the team at Sanford Finance to see how we can help.

Sources: The Loyalty Tax Report sources data from a cumulative survey of 9,116 Australians designed by Finder and conducted by Qualtrics SAP between May 2019 and January 2020, as well as Finder's extensive product database, and the Reserve Bank of Australia.

¹ Finder analysis of RBA data, January 2020. Most recent data available as of March 2020.

² The pre-March average variable home-loan rate was 4.80% according to RBA data analysed by Finder. In this analysis, we have assumed banks pass on the full 25-basis-point March cut. At the time of writing, 85% of lenders announced that they would pass on the full rate cut to consumers.

³ Homestar Star Essentials Home Loan, March 2020.

The Finder Loyalty Tax Report estimates Australians could be saving up to \$8,496 across four common financial products – *Mortgage, Savings, Health Insurance and Credit Cards* – if they'd switch providers.