Integer.

18 December 2007

Press release from Integer

Feed your home loan now to feed your family forever

Consumers are faced with a perennial choice at this time of year. Should they spend that precious year end bonus on the short term imperatives of turkey and booze, or put it into their home loan, thereby reducing the term of the bond and saving thousands of rand in interest?

Simon Stockley, CEO of Integer Home Loans, says, "Feeding your bonus (or a portion thereof) into your home loan is just about the best investment you can make and can relieve the long term pressure of debt stress."

"Chances are that that many consumers are paying thousands of rands more on their home loan repayments than they did 17 months ago. Taking prime as an indicative market norm, the average South African pays a monthly installment of R6399 per month on a R500 000 bond and if they have not fixed the interest rate, they will be suffering under the brunt of the eight consecutive interest rate hikes in the last 17 months."

Many of these consumers have earned a salary bonus in December. However, their bonus will not be employed in good stewardship of their finances. Instead, it will be used to buy gifts and generally fund the festivities over December.

"However, effectively structuring your finances can reduce your total home loan debt significantly. Making an additional repayment in the 13th month will have very beneficial results," says Stockley.

Most South African consumers are paying a loan priced off the current prime lending rate of 14.5%. " It is a sad indictment of banking practices in this country that lenders quote their worst rate (prime) and only if you negotiate or shop around will you get a discount to the quoted rate", he adds.

Similarly, if you pay R5 000 into your bond of R500 000, you will reduce the term by four years and eight months and save R 282 228 in interest.

Stockley also recommends that you stick to a workable monthly budget, avoid unnecessary and expensive short-term debt (like personal loans and credit card advances) and look at paying your salary directly into your mortgage, utilising the concept of a 'one account". In this way you are able to consolidate your debt, repay your loan quicker and save vast amounts of interest.

Based on the same assumptions, a combination of paying your salary into your home loan utilising Integer's Visa card to do transactions and paying a R5000 lump sum annually in your bonus month, for the lifetime of the loan, could change the overall cost of your bond by R313 553 and a saving of 5 years and 2 months.

As festivities get under way this season and South Africans deal with the prospect of having to tighten their belts to try and beat the rising cost of food and fuel, it is in their

best interest to take a forward view on the savings they can make on their home loan by investing their bonus prudently.

Note to editor:
Savings calculation example
A salary of R15 176.59 paid into your R500 000 home loan, with an interest rate of 14.5% and terms over 240 months, can reduce the term of your bond by eleven months and save R63 351 in interest. This is based on the premise that the salary withdrawn from this account will be 50% on the 10th of the month, 20% on the 15th, 15% on the 20th and the remaining 15% on the 25th.

For further information please contact:

FD Beachhead
Dani Cohen 021 487 9000 / dani.cohen@fd.com
Jean Dennis 021 487 9000 / jean.dennis@fd.com

Integer
Simon Stockley, CEO 0832760068 / simon.stockley@integer.co.za