

# Loans locked for 40 years

## Homebuyers hit hard

DESPERATE homebuyers are locking themselves into 40-year mortgages that will cost them hundreds of thousands of dollars in extra interest.

Multiple lenders are offering loans that stretch out across an entire working life.

Financial comparison website Finder found 17 40-year home loan deals available from seven lenders.

On a \$400,000 loan with an average interest rate of 7 per cent, the customer would end up forking out an additional \$235,000 in interest compared with a 30-year home loan.

The Mortgage and Finance Association of Australia's chief executive officer, Phil Naylor, warned people against such long mortgages.

"If you let the mortgage run the full 40 years you end up paying a mountain of interest," he said. "The extra interest you pay over the course of the loan far outweighs the benefit you get by paying smaller payments each month."

Those offering 40-year loans include Pepper Home Loans, Teachers Mutual Bank, Home Loans, Hunter United Credit Union, BCU, Police Credit and BananaCoast Community Credit Union.

Peppers Home Loans chief operating officer David

### SOPHIE ELSWORTH

Holmes said about 20 per cent of its customers chose 40-year loans, mostly first-time buyers.

"It tends to be people who are buying their first home or they want to reduce their repayments initially," he said.

Teachers Mutual Bank deputy chief executive officer Brad Hedgman said they introduced the loans several years ago to help younger home buyers "get their foot in the door".

"It's only available on our first-home owners' loan product. They can borrow up to 98 per cent. About one-third of all our first-home buyers take up these loans," he said.

Mortgage Choice spokeswoman Jessica Darnbrough said they had two lenders offering 40-year loans but said longer mortgages should be taken on with extreme caution.

"These sorts of loans do not benefit a non-credit impaired borrower as it increases the amount of interest they pay."

A total of 719 homes are set to go under the hammer across Melbourne this weekend.

RP Data Victorian property market expert Robert Larocca said the figure was 30 per cent up on the same weekend last year.

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