

# INTEREST vs. PRINCIPAL

**UBANK HOME LOANS PROVIDE THE FLEXIBILITY OF PRINCIPAL & INTEREST OR INTEREST ONLY REPAYMENTS. IT'S IMPORTANT TO UNDERSTAND THESE TERMS AS A NEW HOME BUYER.**

## WHAT IS YOUR PRINCIPAL?

Your principal is the amount you borrowed to buy your home. If you borrow \$500,000 that is the starting value of your principal. When you pay down your principal, your loan amount is reduced, which generally means you'll own more of your home.

## PRINCIPAL & INTEREST vs. INTEREST ONLY REPAYMENTS

When you make principal and interest (P&I) repayments, your money pays off your outstanding loan (the principal) as well as paying interest on the loan balance. This reduces your principal over time and allows you to pay off your full loan by the end of your loan term (e.g. 30 years).

Interest only repayments, as the name suggests, charge you only the interest on your principal loan, for a period of time. Your repayments will be lower than paying principal and interest on the same loan, but the interest rate you pay may be higher. Your payments will revert to P&I after the interest only period. The key benefit of interest only repayments is the financial flexibility of having lower repayments for a period of time. But, you won't reduce your loan debt unless you make additional repayments, and you'll pay more interest over the life of the loan.

## WANT TO LEARN MORE?

**If you've got any questions, get in touch with our lending specialists on 02 9058 7404. We're available Monday to Friday, 9am–8pm, and Saturday & Sunday, 9am–6pm (Sydney time).**

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