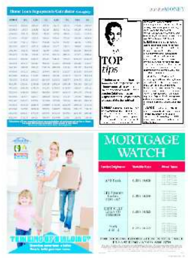

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TOP *tips*

If signing up to a home loan seems a daunting prospect then a honeymoon rate may seem like an attractive option. Oracle Lending Solutions director, **Angelo Benedetti**, explains how to assess if it's the right path.

1. NEED to breathe? A honeymoon rate is a lower than average introductory interest rate set for up to 12 months at which point the rate reverts to a higher rate for the remainder of the loan's lifetime. If your move involves substantial upfront costs such as buying new furniture, conducting renovations or relocating from far away then this temporary breathing space may be the ideal solution. Honeymoon rates allow you to meet such extraordinary immediate expenses without over-stretching your usual budget.

2. USE the rate to your advantage. Depending on the terms of the loan and whether you are in a financial position to do so, you may be able to reduce the principal of your loan by making extra repayments during the introductory honeymoon rate period as if you were paying the longer-term higher rate. This could result in significant reduction in the required interest payments once the honeymoon is over, as well as ensuring a smooth transition to the higher rate.

3. SHOP around. The length of the introductory rate, the introductory interest rate itself and the interest rate you pay once the introductory period ends all depend on your chosen lender. Even though honeymoon rates are not as common as they once were they can still be found or negotiated. Be pro-active in your approach and investigate a range of options from different lenders before making your final decision.

4. LOOK to the long-term. After the honeymoon period ends the rate can jump significantly, usually to the lender's standard variable rate or higher which is unlikely to be the most competitive rate in the market.