REFINANCING MADE EASY.

Your guide on what to consider when it comes to refinancing.

When was the last time you reviewed your home loan?

Things are constantly changing in the mortgage landscape, and chances are your interest rates and personal circumstances may have changed, too.

Let's start with these questions:

Has the official cash rate changed since your current loan settled?

Has your lender's rate changed since the settlement?

What about fees and charges? Have they moved, too?

Chances are your answer will be 'yes' to some of those questions. That's because new products designed to attract new borrowers are always being introduced to the market and the lending appetite is an evermoving feast.

Things might have probably changed in your life since you took out the mortgage as well. Your income, expenses and financial goals could be very different from when you signed your contract.

Even though most home loan terms in Australian are 30 years long, many Australians refinance their loans every 4-5 years.

Refinancing is a great chance to look what your options are and see if your current loan still is the right one for you.

If you want to make sure your loan is best option out there for you, this guide will go through some of key things you need to consider when it comes to refinancing.

Please note, the content of this guide is general in nature and is presented for informative purposes. It does not take into consideration your personal situation and may not be relevant to circumstances. Before taking any action, consider your own circumstances and seek professional advice.

Why is this the smart way to go?

- **We search, compare and negotiate** with various lenders and work with you to find a loan suitable to your needs.

- **We do the heavy lifting!** Our aim is to keep the application process simple by managing all the paperwork for you and providing you support every step of the way.

- **The benefit of experience.** We live and breathe home and investment loans and as a result, we are particularly savvy about the ins and outs of lending. After all, there's more to know about what makes a good mortgage than the interest rate. A good mortgage depends on a range of factors and how they relate to you and your circumstances.

Why should you refinance?

Reviewing your home loan every year is a very good habit to get into.

As the market and your circumstances change, the home loan that was right for you then, may no longer suit you anymore. You may be looking to save money, consolidate your debt or unlock some equity. Whatever your reasons might be, it's always a good idea to check what's out there on a regular basis.

Lower rates and fees

Obviously the first question to ask is 'could you be paying less?'. A loan with a lower interest rate or less fees can be the simplest way to reduce your repayments.

But refinancing shouldn't be all about interest rates. Sometimes the loans with the lowest rates sacrifice handy features that could save you money in the long run.
For example:

Offset account: An offset account is an everyday bank account that's linked to your home loan. It allows you use its balance to offset the principal on which your interest is calculated.

Flexible payments: Extra repayments on your mortgage can cut your loan by years. Putting your tax refund or company bonus into your mortgage, for example could save you thousands in interest over the years.

Redraw: A redraw facility lets you easily access any extra funds you've deposited into your loan.

Flexible rates: Some loans allow you to split your repayments into a fixed-rate component and a variable-rate component. This sort of loan lets you enjoy the benefits of an interest rate drop and also protects you from being fully affected if they rise.

Each lender will have its own terms and conditions, offering some of none of these features.

Refinancing to renovate

One of the most commons reasons to refinance is to renovate.

If you've owned your home for a while and its value has increased, you may be able to use your home equity to fund your improvements. An added bonus is that if you do a good job renovatiing your home, you could potentially add more value to your property.

If the extra funds for the renovation are put into an 'offset account', you may be able to avoid paying interest on the renovation funds until you start using them.

You could also consider a 'line of credit loan' which is essentially like a credit card with a bigger limit and usually a much smaller interest rate.

These funds are available to draw down on as you undertake your renovations, and you only pay interest on the amount you've used.

Why should I use a mortgage broker?

When it comes to refinancing, how do you know what the best option is?

That's where we come in!

We deal with multiple lenders on a daily basis and keep up-to-date with loan rates and new features. We have a deep understanding of the market and can offer you a wealth of information.

The first thing we do when we meet a new client is chat about your current loan, circumstances, needs and goals.

Once we understand where you stand, we can give you an accurate idea of your current costs, identify any potential savings and re-evaluate your borrowing potential.

There are literally hundreds of different loan products to choose from. We work hard to help you find the right one for you.

Our job as brokers is to find you a loan that suits you and your current circumstances.

Once we've identified a loan that ticks all your boxes, we take care of your application from beginning to end.

Why not go straight to a bank?

Going to the bank might be the first thing that comes to your mind when you think of refinancing a loan, but this option might be trickier than it sounds.

Firstly, which one do you choose? Which of their products is right for you? And what about other lenders, building societies and credit unions?

Australia is a lucky country, we have plenty of options when it comes to mortgage. But with so many lenders with so many products with regularly moving interest rates and policies, the task of finding the right loan might become overwhelming.

That's why a broker makes sense. We do this every day. We know the lenders, their products and policies and we keep up-to-date with regular changes. We can help you choose what's right for you.

Banks enjoy working with brokers because, le'ts be honest, we make their jobs easier. We know how the process works and what a successful applications look like.

Simply putting, having a broker in your corner will make finding the right loan a lot easier, save you time and money.

What has changed in your life?

As mortgage brokers, we're very good at letting you know what's changed in the market.

But only you know what's changed in your life. When it comes to refinancing, it's really important for you to walk us through what's changed in your life, as this can be the deciding factor in what type of loan you refinance into.

Let's look at some examples:

- Your income may have changed - hopefully, it's gone up!
- Your bank balance could have changed significantly thanks to business interest, an investment, or even an inheritance.
- Your relationship status may have changed. You might be planning to start a family or maybe you've already started one!
- Your living expenses may have increased, or you may have taken out other loans or a credit card.

It's also very important to know the change in value of your property since you took out your loan. We'll look into that for you as well.

All of these factors will influence your new borrowing potential and what loan you're going to choose.

What loan type suits you now?

When it comes to refinancing, there are two very important things we need to consider:

1. TYPES OF INTEREST RATES

Most types of home loans will have these three options:

- **VARIABLE INTEREST RATE**
A variable interest rate is a loan with an interest rate that is influenced by market conditions. If interest rates go up, so do your repayments. If they go down, your repayments will, too.

- **FIXED INTEREST RATE**
That name says it all. Fixed-rate loans will have a 'locked' rate for a certain period, usually between one and five years. With a fixed interest loan, you will know exactly how much your repayments will be. These types of loans offer certainty and security. The downside is that your repayments won't decrease if interest rates fall.

- **SPLIT INTEREST RATE**
The best of both worlds. Part fixed, part variable. With a split home loan, your repayments are split into a fixed-rate component and a variable-rate component. For example, let's say you borrow $500,000, you can fix $300,000 and keep $200,000 variable.

This sort of loan lets you enjoy the benefits of an interest rate drop and also protects you from being fully affected if they rise.

2. PRINCIPAL AND INTEREST

Home loans are made up of two parts: the principal and the interest.

- The principal is the initial amount you borrowed.
- The interest is the amount the lender charges you for borrowing the initial amount.

Most types of home loans will also have these two repayment options:

- **PRINCIPAL AND INTEREST REPAYMENTS**

A very popular repayment option for most. Each repayment you make reduces the principal, as well as the interest. So gradually, your repayments will be paying off more of the principal and less interest because you're chipping away at the balance from the start.

- **INTEREST ONLY REPAYMENTS**

Interest-only repayments delay the repayment of the initial amount borrowed – the principal – for a period of time. You only start paying off the principal at the end of that period.

During the interest-only period, your repayments will be significantly smaller, but over the life of the loan, you'll most likely end up paying more interest.

The costs of refinancing

Refinancing could improve your financial position, but you should be aware that there might be some costs to switching loans.

Here are some of the fees and costs that some lenders may charge:

DISCHARGE FEE

A lender may charge you a termination fee.

BREAK COST FEE

If you have a fixed rate loan, your lender could charge you a break cost fee. Also called 'early exit fee' or 'early repayment penalty'.

APPLICATION FEE

Some lenders may charge application fees when you decide to proceed with the loan.

VALUATION FEE

A fee charged by your mortgage lender for commissioning a mortgage valuation.

SETTLEMENT FEE

You may need to pay a settlement fee if you've had your loan for a specified period (e.g. five years).

REGISTRATION FEE

This fee is charged when you switch your mortgage to a new lender. The amount varies from state to state.

LENDER'S MORTGAGE INSURANCE (LMI)

If your new loan is worth more than 80% of your home's value, lenders might ask you to pay this fee. LMI protects the bank against any losses that may incur if you are unable to repay your loan.

IT'S EASIER WITH A BROKER.

If there's something you don't understand or need more explanation, please email or call us today!

Scan to book a free chat:

CONTACT :

Phone : +61 396 869 087
Fax : +61 386 790 576

Email : here4u@ufinancial.com.au
Web : ufinancial.com.au

Address :
Level 4|580 St Kilda Road
Melbourne VIC 3004

Australian Credit Licence: 389087