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How do I refinance my home loan?

Over the life of your home loan, there are often times when it makes sense to refinance. But you need to consider the costs of breaking your current mortgage contract, which can often outweigh the benefits. Mortgageport has compiled a checklist of all the things you need to consider when you are thinking about refinancing your loan.

What is refinancing?

Refinancing simply means taking out a new home loan to replace your existing mortgage. It's a strategy that can give you access to a wider range of loan features. Or you may simply need additional loan funds to complete a major project like home improvements. However for many home owners, the key appeal of refinancing lies in the ability to secure a more competitive interest rate.

Refinancing could be for a number of reasons:

- Your employment or income changes
- You want to buy a new home or an investment property
- To reduce your interest rate to something more competitive
- To find a loan with better features
- Dissatisfied with the level of service form your existing lender
- Existing lender will not help you with a loan increase
- To reduce the term of your loan
- Or unlock some equity to use elsewhere
- To consolidate debt
- Following a mortgage health check.

Unless you are on a very uncompetitive loan it is often not worthwhile re-financing just to save a few dollars a month. The costs and time involved are generally too high and you should remember that there is never any guarantee that the new loan will remain competitive in comparison over the long term.

However, sometimes refinancing allows you to also release some of the equity in your home – and actually end up with lower repayments.

The first point to consider is over what term you want your loan, how frequent you will make payments (weekly, fortnightly, monthly), what other costs are in your monthly budget and whether you want to split your loan into a part-fixed and part-variable. This split-style loan means that part of the loan is on a fixed interest rate with set repayments each month and part is on a variable rate, where you can make additional payments on top of your scheduled amount and thereby pay off the loan more quickly.

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It is also important to consider what exit fees your current lender may impose. These are fees that apply when you break your current home loan agreement earlier than the specified term. They could be a set amount or a percentage of your loan.

Depending on your individual circumstances, you may also be subject to additional fees including legal fees, government registration fees, discharge fees, property valuation fees and establishment fees for your new loan. Altogether these fees, including the home loan exit fees, could amount to several thousand dollars. At the same time, however, this amount could be offset by a lower home loan rate or other worthwhile features (such as additional payment options) and would ultimately break even in the medium term, depending on the size of your loan.

Once you have assessed all your costs and decided which loan is best for you, it is time to think about your preferred lenders. Before you sign up to any new deals, however, make sure you ask lots of questions, read the small print and don't get forced into any quick decisions.

Checklist when considering refinancing your home loan

- What is your current interest rate? Can you get a better rate?
- What are monthly or annual fees on this loan?
- What are the exits costs on this loan?
  These can include:
  - **Early Repayment Fee**
  - **Lenders Discharge Fee**
  - **Fixed Rate Break Fee**
- What is your current loan balance?
- What interest rate saving is on offer with the new lender?
- How long will it take to break even when you account for all the costs? Mortgageport can help you calculate this amount.

We're here to help. No stress. No hassle.

Mortgageport is here to help at every step of your journey - from your initial meeting with us through to finalising and settling your new loan arrangements. And we always put your interests first.

To discuss refinancing, please make contact with one of our Mortgage Consultants on 02 9466 8200 or email us at info@mortgageport.com.au. Our Mortgage Consultant will arrange to meet with you to work out which home loan product suits you best. Alternatively, make an appointment to visit our Milsons Point offices, where it's possible to have your home loan approved within 24 hours.

Costs you will need to consider when setting up your new loan?

- Mortgage Insurance Premium
- Application / Establishment Fee
- Valuation Fee
- Registration Fee
- Lenders Legal Fee
- Settlement Fee

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Head Office
Office Address
Level 7, 68 Alfred Street
Milsons Point NSW 2061

Postal Address
PO Box 51
Milsons Point NSW 1565

P (02) 9466 8266
F (02) 9460 3442
E info@mortgageport.com.au