



My Broker Mel

Making homeownership easy



Refinancing Your Home Loan: A Simple Guide

Refinancing your home loan can be a smart financial move that saves you money, reduces your monthly repayments, or helps you access the equity in your home. Here's a straightforward guide to help you understand the refinancing process in Australia.

01

WHAT IS REFINANCING?

- **Refinancing** is replacing your existing mortgage with a new one, usually with different terms.
- It can be done with your current lender or a different one.

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WHY CONSIDER REFINANCING?

- **Lower Interest Rates:** Switching to a lower rate can reduce your monthly repayments and overall interest costs.
- **Debt Consolidation:** Combine other debts (credit cards, personal loans) into your mortgage for a potentially lower interest rate.
- **Access Equity:** Tap into the equity in your home for renovations, investments, or other expenses.
- **Change Loan Features:** Move from a fixed-rate to a variable-rate loan (or vice versa) or add features like an offset account.

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WHEN SHOULD YOU REFINANCE?

- **Interest Rates Have Dropped:** Take advantage of lower market rates.
- **Your Financial Situation Has Improved:** If your credit score has increased or your income has grown, you may qualify for better terms.
- **End of a Fixed-Rate Term:** Avoid a "revert rate" (typically higher) by refinancing before your fixed-rate term ends.
- **Need to Reduce Monthly Payments:** If you're struggling with cash flow, refinancing could help lower your repayments.

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STEPS TO REFINANCE YOUR HOME LOAN

- **Review Your Current Loan:** Check the interest rate, fees, and features of your current mortgage.
- **Compare Offers:** Look at interest rates, fees, and loan features from various lenders. Consider using a mortgage broker for this step to access more options and professional advice.
- **Calculate the Costs:** Factor in any exit fees from your current lender and the establishment fees for the new loan.
- **Get Pre-Approval:** If you find a better loan, seek pre-approval to understand how much you can borrow.
- **Submit Your Application:** Provide the necessary documents, such as income verification, credit history, and property details.
- **Valuation and Settlement:** The new lender may require a valuation of your property. Once approved, the settlement process will pay off your existing loan.

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BENEFITS OF REFINANCING WITH A MORTGAGE BROKER

- **Time and Effort Savings:** Brokers handle much of the legwork, from comparing lenders to managing paperwork.
- **Access to More Lenders:** Brokers often have access to lenders and deals not available directly to consumers.
- **Expert Advice:** Get tailored recommendations based on your financial situation and needs.
- **Legally Required to Act in Your Best Interests:** In Australia, brokers must prioritise your needs over lenders' preferences.

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COSTS INVOLVED IN REFINANCING

- **Exit Fees:** If you have a fixed-rate loan, you may incur break costs.
- **Application Fees:** New loans can come with setup fees.
- **Lender's Mortgage Insurance (LMI):** If refinancing increases your loan amount to more than 80% of your property's value, you may need to pay LMI.
- **Valuation Fees:** Some lenders charge for valuing your property as part of the approval process.

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COMMON PITFALLS TO AVOID

- **Ignoring the Fees:** Make sure the savings from refinancing outweigh the costs.
- **Not Considering the Loan Term:** Extending your loan term may reduce repayments but increase total interest over time.
- **Focusing Solely on Interest Rates:** Features like offset accounts or redraw facilities can also provide value.

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QUESTIONS TO ASK BEFORE REFINANCING

- **What is the comparison rate, and how does it compare to my current rate?**
- **Are there any fees associated with paying off my current loan early?**
- **How long will it take to break even on the costs of refinancing?**
- **Will my credit score be affected by refinancing?**

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THE ROLE OF EQUITY IN REFINANCING

- **What is Home Equity?** It's the difference between your home's current value and your remaining mortgage balance.
- **Using Equity:** You can borrow against your equity for renovations, investments, or other large expenses.

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KEY TAKEAWAYS

- Refinancing can be beneficial if it helps you achieve a lower interest rate, consolidate debt, or access home equity.
- Always weigh the costs and benefits to ensure refinancing makes financial sense.
- Consulting a mortgage broker can provide access to a wider range of options and expert advice.

Refinancing could be your path to better financial health. Evaluate your situation, explore your options, and make an informed decision.





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