Top 8 Tips

Home Loan Refinance

The information provided is of a general nature only and may not be relevant to your particular circumstances.

The circumstances of each applicant/ investor are different and you should seek advice from a financial planner or credit representative (depending on your requirements) who can consider if the strategies and products are right for you.

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Are you missing out by not refinancing?

According to the data collated by the Reserve Bank of Australia (ABS) the average interest rate in Australia as at June 2020 was 2.64% pa for an owner-occupied home loan, and 2.94% pa for investment loans, (both with principal & interest repayments)

It is interesting to note in the data published by the ABS, the average interest rate for new loans is less .35% less than the average rate for existing loans.

This essentially means, borrowers who remain with their current lender are generally paying a higher interest rate than those who successfully refinance to a new institution.

Top 8 Loan Refinance Tips

Tip 1 Identify loan features important to you

Take the time to work out what loan features are important to you now and over the next few years. A good starting point is to look back of the last 12 months and consider what features did you use, or wish you had. For example, there may be little point in paying for an offset account if you won't have any spare monies to put in the account.

Tip 2 Identify the interest rate that suit you

Do you prefer repayments certainty over a few years? Or, are you comfortable with interest rate movements and the impact that can have on your loan repayments? Although rates are very low at the moment, they will rise one day.

Tip 3 Know the fees/ penalties that will apply for ending your current loan

Your current loan may have fees that apply for closing the loan. It is very likely your current loan will have a discharge fee. There may also be other penalties for ending a loan early, in particular if you have a fixed rate loan.

Tip 4 Understand the fees that will apply to the new loan

Your new loan may have initial once off fees such as application and valuation costs. In addition, there may be ongoing fees that may be monthly and/ or annual.

Tip 5 Know the revert interest rate for the new loan

A revert rate is the interest rate your loan will revert to at the end of a “special” offer, fixed rate period, or interest only period.

Tip 6 Do the numbers or have someone do the numbers for you

To get a good refinance outcome, it is not just about the interest rate. Take the time to compare all the fees for leaving your current lender/ loan, and the new fees that will apply and the interest charges. And then take into consideration the loan revert rate, and how that changes the repayments you need to make once the loan reverts to a higher interest base rate.

Tip 7 Check your required loan amount is realistic before submitting a loan.

Before you submit an application to a lender try and establish if the lending limit you need is achievable in today's lending environment. Sometimes your financial situation may have changed considerably from when you first took out the loan. In addition, lending has become more stringent as lenders adhere to responsible lending guidelines.

Tip 8 Get help from a professional

If in doubt ask a mortgage broker to compare your options. If the main reason to refinance is to save money, then a mortgage broker may be able to suggest an alternative loan structure that could serve you better than just looking for the lowest interest rate. There may be a better loan structure you have not thought of that could potentially provide you with additional savings.

Need help with your refinance options?

Phone 03 9029 0224

or

book an appointment on line

https://www.mandalafs.com.au/book-online

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