# Your Guide to Refinancing in Victoria.

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# 01.

## Introduction

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Refinancing your home loan is a direct procedure that can give you great benefits.

Simply explained, when you refinance, it involves switching your existing home loan with another mortgage product that is a better fit for you at that particular moment of your life.

You can choose to refinance with either your present lender or choose to do it with a new lender.

Refinancing helps in paying out your old loan and make repayments on your new home loan. Additionally, it enables you with greater home loan flexibility and reduce your interest rate.

**To successfully refinance your home loan, some pointers to keep in mind are:**

- Identifying your needs:
- Reviewing your home loan options at least once every two years.
- Understanding whether your lender's rates are still competitive.
- Whether you have a reliable source of income for making repayments
- The right home loan

**The two types of home loan refinance in the market are:**

- Internal home loan refinance
- External home loan refinance

The first type of refinance happens when you refinance your home loan with your existing financial institution and the later involves moving your loan to another institution.

# 02.

## Key Reasons to Refinance

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There are numerous grounds on which you might want to consider refinancing. So, ask yourself why is it that you want to do it.

- Do I want to save money on my home loan?
- Do I need to refinance because I need to borrow more money? or
- Do I need to save money on my other loans?

Whatever you need, taking a refinance is a great way to save money, given that you consider the actual cost of refinancing in your calculations and are not just doing so because you are in financial difficulty. Some of the key reasons for refinancing are:

### For Reducing Loan Costs

Refinancing can save borrowers a huge amount of money, not only monthly, but also over the life of a loan. The actual amount that you save will depend on many variables, like the size of the loan, the rate of refinancing, and any other ongoing and administration fees. Reduce your monthly repayments with the help of our mortgage repayment calculator to see how much you could save by refinancing every month.

### For Paying your Loans Quicker

Repayments can save you a lot of money, when you switch to a new home loan with a lower interest rate. It will also allow you to complete your mortgage repayment a few years sooner.

### To Free Up Some Equity

Borrowers tap into the equity in their home for many reasons like using the funds as a deposit on an investment property, home renovations, or even a car upgrade. However, there are also numerous variables to be taken into consideration, which depends on the type and the urgency of the loan. To access equity your property needs to be worth more than your loan. Hence, you should only consider this option if you are confident that the value of your property will rise. Once you are able to ascertain a worst-case valuation figure, decide whether refinancing to access equity is the right move for you.

### To Consolidate Debts

As a borrower, you might be one who has multiple streams of debt like multiple housing loans, personal loans, or even credit card debt. By stacking your debts into one account you may be able to have some savings, depending on the level of debt you have. Refinancing gives you a chance to consolidate your debts, some of which could be at a higher interest rate than your home loan. Merge your debts to reduce your monthly repayments on these loans and free up some of your income.

### To Take Advantage of Incentives

When you refinance, lenders offer incentives to try to hook new borrowers. Before you go ahead and choose to refinance it is essential to read the fine print carefully and ensure that the interest rate and fees for the new loan are reasonable and meet your financial goals. If you are unsure, you can use a repayment calculator to determine how much more you'll pay monthly, annually, or even over the life of the loan, if your interest rate is higher than your current rate.

### To Find a Better Lender

Since the Australian real estate market is flooded with numerous lenders, they all want your business because that is how they earn their profits. However, not all lenders can give you the attention and help that you require. It is common for a borrower to feel unhappy and discontent with a lender, especially when their questions are not answered. So, when you decide to refinance, you need to find a lender who will be there for you when you need. For many that means making sure communication is strong and interest rates and fees remain low.

**TIP:**
*Don't refinance with a new lender simply to access a cheaper interest rate. Instead, look at the overall cost of moving including all fees and charges before you switch.*

# 03.

## The Refinancing Process

## The Refinance Process

The refinancing process is somewhat like taking out a home loan, but much simpler and with more long-term savings.

When you refinance you do not need to schedule the closing, select a property, negotiate the sales price, nor do you have to coordinate a closing date with the seller. So, here are the steps to obtaining your refinance when you are ready.

### Identify your Objective

Understand your needs and objectives before applying for a refinance. This will determine your borrowing power and whether you can make repayments. It would be a good idea to check your credit score, which determines whether you will meet the requirements for a mortgage refinance and if so, the types of loan programs your lender can offer you.

### Know the Costs

Your next step is to understand the costs that are associated with refinancing. Knowing how much you would have to spend can help you save both time and money. Your fees will vary according to your choice of refinancing with the same lender or a new lender. If you choose to continue with the same lender, they may waive-off some associated fees.

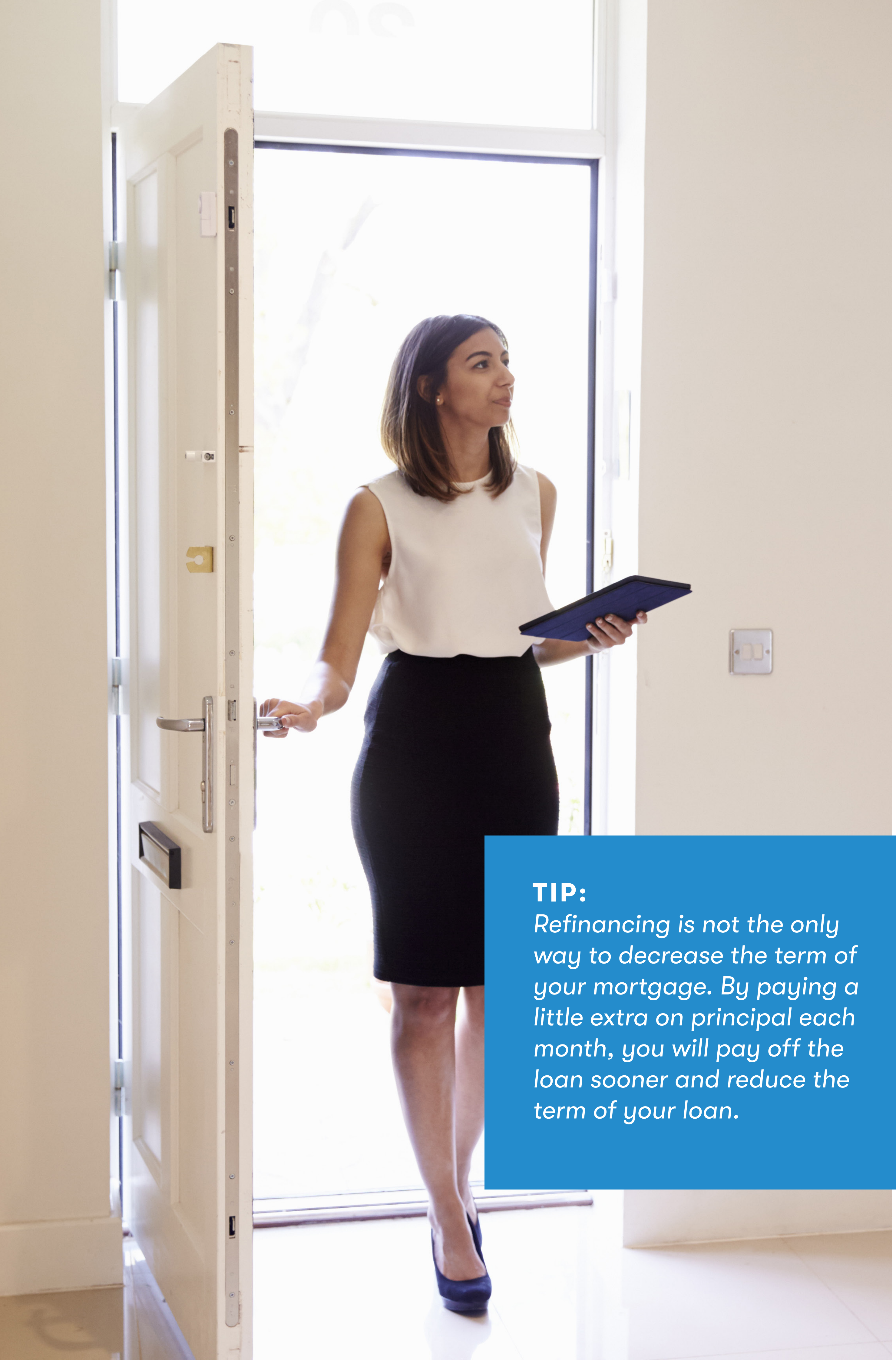
### Choose the Right Mortgage

Talk to your mortgage broker and determine the type of features that you are looking for in your mortgage refinance. The market is full of deals and you need to do some research to understand what these deals are and whether they will benefit you in the long run.

### Apply to Refinance:

Once you complete the above steps, you are ready to apply for refinance with your lender. Apply, just as you would for a home loan. The procedure remains unless;

- You are refinancing with the same lender, in which case your need for submission of documentation would be less.
- Your credit score is low
- You changed your job recently
- Your debts have increased
- You have no equity on your property



**TIP:**
*Refinancing is not the only way to decrease the term of your mortgage. By paying a little extra on principal each month, you will pay off the loan sooner and reduce the term of your loan.*

If you have decided that you would like to refinance with a new lender, do not forget to inform your current lender of your decision, as they require to forward all necessary information to your new loan benefactor.

**Pre-approval:**
This is the waiting period. When you submit your application to your lender, whether current or new, the approval process takes time. It may be a few days or weeks untill you know whether you're refinance is approved.

**Valuation:**
If you have chosen to take refinance from a new lender, he/she will arrange a time to value your property/properties. The first valuation is free, however, if you have more than one property to be valued, it could cost you around $200 - $300.

**Finance Approval:**
Your application for a refinance has been passed and your lender gives you your loan approval in written, commonly also known as a formal or unconditional finance approval. Henceforth, a solicitor will be advised to prepare the loan documents for you.

**Legalities:**
Once the loan documents are in place, they will be sent to your solicitor for review, and later to you for signing. Go through the contracts completely, and read all the specifics about your individual mortgage arrangement with a thorough eye.

**Settlement:**
This is the final stage of the refinance process, wherein your lender will arrange for the settlement of your old loan. This is also the stage when your previous loan is settled and the new loan is established. The final process, involves the exchange of titles and the bank's registration of the mortgage over your property. Your new loan is ready and all you need to do now is wait to receive details on how to manage your new loan.

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## Associated Costs

# Associated Costs

When comparing home loans, you should consider any upfront and ongoing costs associated with your existing loan and new home loan. Home loan refinance costs will vary depending on your individual circumstances.

Some common refinance costs to enquire about are as follows:

**Borrowing Costs:**
When you refinance, your new lender may charge a range of upfront fees. The most common fees are listed below. Not all lenders charge these fees, and some may be negotiable.

**Loan Application Fee:**
This fee is usually charged when your loan settles.

**Valuation Fee:**
The lender may impose a fee to have your property professionally valued.

**Settlement Fee:**
Your lender may charge a fee for the payout of your current mortgage.

**Lender's Mortgage Insurance (LMI):**
If your new loan is for 80% or more of your home's value, it's likely you'll be asked to pay LMI, a type of insurance that protects the lender if you can't meet your home loan repayments.

**Exit Fees:**
Your current lender may charge exit fees, also known as 'early repayment fees' or 'deferred establishment fees'. Exit fees vary widely though they usually only apply if you have had your current loan for less than five years.

**Break Fees:**
If you have a fixed rate home loan, you may also be hit with a contract break cost if you decide to refinance during the fixed rate period. This represents compensation for any loss of profit to the bank by your decision to break the contract. Break costs may or may not be charged depending on interest rate movements at the time.

**Mortgage Registration Fees:**
When you switch from one home loan to another you may be asked to pay mortgage registration fees that let the State Titles Office know you've changed either your lender or the type of loan. These fees will vary according to your State or Territory.

# 05.

## Things to Consider

## Things to Consider

When you start your hunt for a new home loan deal, you'll find the market is buzzing with varying home loan types. So, take the time to choose a home loan that will work for you.

One of the major decisions you'll need to make is what type of interest rate you'll choose when you make the switch.

**Fixed Interest Rate:**
If you want repayment certainty you could decide to lock in your interest rate with a fixed rate loan. Make sure you're happy to stay with the home loan for the entire fixed rate term (usually 1-7 years) because if you refinance again during this period you can be charged a break cost fee.

**Variable Interest Rate:**
This option is made for refinancers that are not only looking for a competitive rate but flexible features as well. For instance, a 100% offset account facility is usually only available with variable rate loans. The downside of a variable rate loan is that your rate could change at any time, so you'll need to ensure you budget for the possibility of a rate rise.

**Split Rate Loan:**
Another option you could consider when refinancing is mixing your home loan between both rate options. One portion will be fixed, giving you some rate security. The other portion will be left variable, allowing you to take advantage of flexible features like an offset account on that part of the loan.

## You should also consider the features that will help you pay off your loan sooner.

Here are some to put on your refinancing shopping list:

**Extra Repayments:**
As mentioned in the scenario of first home buyer Sandra, the feature of an extra repayments facility allows you to make additional payments on your home loan on top of your regular repayments, which may bring down the amount of interest you pay significantly, whilst also shortening the life of the loan.

**Mortgage Offset:**
Another way to bring down your interest is by refinancing to a home loan that comes with an offset account. A mortgage offset is designed to replace your everyday transaction account, so you can set up your salary to be deposited into it and you'll also receive a debit card that you can use for purchases and ATM withdrawals. The reason an offset account will reduce the amount of interest you pay is because the balance is offset daily against the home loan principal.

**Flexible Repayments:**
When you begin to search for a home loan worthy of refinancing to, you should look for one that allows you to choose your repayment schedule. A thrifty trick that you can use to pay off your home loan sooner is setting up your repayments fortnightly, rather than monthly.

# 06.

## Important Refinance Features

Important Refinance Features

Prior to making the final decision of taking a refinance, you need to think carefully about some of the loan features that you would want included in your new home loan.

Consider the following features:

**Offset Account:**
A great way to reduce the amount of interest that you pay on your mortgage is by completely linking your offset account to your mortgage. Every dollar that you let go or leave sitting in the account actively cuts down the amount of interest your bank charges on your mortgage. Hence, your objective should be to have your salary and any other household income paid into your offset account so that it decreases your rate of interest. Whenever you feel that you need those funds you just access them like any other transaction thus ensuring that you are spending less than you earn. This way you will also be building up your savings, while reducing your interest rates, making it easier for you to repay your mortgage faster.

**Free Redraw Facility:**
If you've made additional payments into your mortgage account, you'll want to pay off your home loan debt as quickly as possible. However, there are times when you may need to access those extra funds. Some lenders will allow you to redraw any extra payments you've made if you need that cash. Unfortunately, some home loans may charge you a redraw fee to access your own money. Others may place a limit on the minimum amount you're able to redraw at any time. If you want to take advantage of this feature, check that there are no redraw fees and be sure you know whether a minimum redraw amount applies.

**Portability:**
If you've already spent years paying down your mortgage and you decide you want to sell your old home and buy a new one, think about exercising the portability option. This allows you to keep your existing mortgage and account numbers, but the bank switches the security property for the loan to show your new home instead of the old one. Coordinating the portability option can sometimes be a little tricky, as the settlement date of your new home purchase has to coincide with the settlement date of the sale for your old home. You also need to ensure the loan amount stays about the same or lower than your existing loan for this to work. The portability feature can be ideal for saving money. If you decide to pay out your old loan and set up a new one for your new home purchase, you'll usually be up for a whole range of fees, such as discharge fees and establishment fees.

**Salary Credit:**
Having your salary paid directly into your home loan account can help reduce the amount of interest you pay each month. This is very helpful if you've chosen a home loan with a 100% offset account.

**Unlimited Extra Repayments:**
Some home loan types will actively restrict the number and amount of extra repayments you make off your loan. This frequently occurs with some fixed rate home loans, although it's not uncommon with some basic variable home loans. You may even find that paying a little more than the minimum amount due could attract penalty fees and charges with these loan accounts if you're not careful. If you know you're likely to be paying more than the minimum payment and you want to ensure you're able to make extra payments on top of this whenever you have spare cash, check that you won't be penalised for doing so.

**Incentives and Benefits:**
To attract new customers, lenders frequently offer one-time or limited-period incentives, benefits and rebates. These offers come in many forms such as cashbacks, reduced rates or fees, or even non-financial incentives such as solar rebates. While these offers are appealing, they are only valid for one time or on a temporary basis.

# 07.

## Closing Your Refinance

## Choosing Your Refinance

The process of closing on a refinance is just as exciting and anxious as the day you purchased your home.

Credit Hub Australia is here to help make the refinancing process as easy as possible. We want to ensure you have a smooth and pleasant experience from beginning to end. The following covers information on the closing of your refinance including who will be there, what happens, documentation and closing costs.

Depending on the state where your property is located, the property type and more, the people in attendance during your closing process may include your attorney, a lender's representative or your title company, the closing agent and a public notary.

**At the closing, you should check the following requirements:**

- A complete review of all of your loan documents, duly signed, so that you completely understand the term that you are agreeing to.
- Evidence of homeowner's insurance and inspections, wherever applicable Certified or cashier's check for the amount of your closing costs, prepaid interest, taxes, and insurance.

# 08.

## FAQs

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*Q: What type of things do people refinance for?*

*A:* Home loan refinancing can be used for:

- Renovating your home or other home improvements such as a pool.
- Paying off your debts such as credit cards by rolling them into your home loan.
- Obtaining a cheaper rate, even if it means giving up a few loan features.
- To raise cash for a purchase such as a car.
- You want to switch from a variable rate to a fixed rate, perhaps because you can want to reduce the risk of higher repayments.

*Q: What do I need to consider when refinancing?*

*A:* When done properly under the right circumstances, loan refinancing is very beneficial. Remember that the reasons for refinancing should be legitimate and the long-term savings should outweigh the short-term costs.

*Q: Should I refinance with interest rate rises?*

*A:* Refinancing your home loan from a variable to a fixed rate provides certainty with your repayments. We can perform a free home loan check to see if your current home loan is still the most suitable option for you after an interest rate rise.

*Q: How much money can I borrow when refinancing?*

*A:* The amount you can borrow will depend on your own individual circumstances, however to get an estimation, visit our borrowing calculator to find out more. You can chat with us to get a more customised answer by considering all your personal circumstances.

*Q: Can I get a better deal?*

*A:* As lenders are adjusting rates outside of the reserve bank, it's a good time to shop around and compare. By getting in touch with us you may be able to find a mortgage at a cheaper rate than the current one. This will however, depend on many factors, such as; the type of loan, the interest you're currently paying, and the features you are looking for in your loan. In addition, it will also depend on the Terms and Conditions of your current loan, hence it is important that you are thorough with this.

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## Why Choose Us

Why Choose Us

We offer complete finance solutions for you, giving you one source for everything from home loans through to settlement and beyond. Whether you're a first home buyer or an experienced property investor, Credit Hub Australia stays with you throughout your journey.

We hold all the services that you require to set you on the right path to a secure a financial future. With Credit Hub Australia, you will have a finance expert by your side at every step.

With our team's personal service, you receive your own Credit Hub mortgage broker, with access to home loans from a panel of lenders, an integrated Settlement and Legal Team, a complete Financial Planning service, and access to a range of property and investment opportunities.

With Credit Hub all your finance needs will be met in one place, giving you uniformity and unmatched service levels. Whenever and however you need us, we're ready to help you achieve your goals.

Credit Hub®

Corporate Office
108, 22-30 Wallace Ave,
Point Cook VIC 3030

T 1300 782 944 W credithub.com.au