



# CONSIDERING REFINANCING? TIME TO TIDY UP YOUR FINANCES FIRST

If you intend to refinance, you should speak with your finance specialist (that's us!) to help you understand your borrowing capacity. We can draw upon our network of lenders and potentially find a solution suitable to your situation.

Common reasons to refinance your home loan are to not only reduce your interest rate and/or repayments but also to fund other items including a renovation of your property.

**But before you do, here are seven considerations:**

## 1. Are you on a fixed rate?

It can be frustrating to see lenders advertise lower interest rates when you are locked into a fixed rate home loan. While there may be discharge and early termination fees if you break a fixed rate home loan before the end of the term, the savings you make on your new refinanced loan may outweigh these costs. We can help step you through those calculations to determine if it may be right for your situation.

## 2. Do you have stable employment?

The reality of today's world is that there are many types of employment – from part-time, casual, full time to freelancing. Different lenders have their own assessment criteria for various types of employment. Lenders like to see steady and stable employment.

## 3. Are you on top of your expenses?

Cut back on expenses! Thanks to technology and open banking (if you don't know about open banking ask us for our article), lenders can dig deep into your spending habits. For at least a few months prior to applying for refinance, give up as many unnecessary expenses as possible. Your chances of successfully refinancing will be higher if you can show responsible spending and budget control.

## 4. Do you have active credit cards?

If you do have a credit card (or heaven forbid more than one!), close those that are not in use (an approved zero balance credit card limit can still count towards your borrowing capacity). Also



reduce your credit card limits as much as possible and, if you have time, increase the repayments on your credit cards before you refinance.

### **5. Do you have equity in your home?**

Home equity is the difference between your property's market value and the balance owing on your home loan. If you have owned your home for several years, you may have built up some equity. You can access and use this equity to refinance for renovations or to buy an investment property.

### **6. Do you know your credit score?**

Lenders use your credit score to help decide whether they will lend to you. Your credit score is based on personal and financial information such as your repayment history – whether you pay on time, the number of credit applications you make and the amount of money you have borrowed. You can access your credit score and credit report for free. Don't go refinance shopping directly to lenders, as the enquiries you make may end up negatively affecting your credit score. We have access to many lenders and products and can help you put your best foot forward before making any loan enquiries.

### **7. Do you know how much it will cost to refinance?**

Whether you refinance your home loan with your existing lender or with a new lender, there are several costs to be aware of. From discharge fees (administration fee to your current lender to pay out the existing loan and administer the required documentation) to new loan application fees, valuation fees, lenders' mortgage insurance (generally if you have less than 20% equity in your property) and break fee costs if you are on a fixed term, it is important to be across all the costs associated with refinancing. You may even be liable

for stamp duty when you refinance! Stamp duty does vary across states. You may be liable to pay stamp duty if you increase the amount of your loan during refinancing or if the name of the borrower has changed.

While this may seem like an onerous list of considerations (and there are more!), as your finance specialist, we take away the hard work. Knowing the complexities of home loans, applications and how and when to apply is our job. We can help you make these important financial decisions with confidence.