MoneyQuest
FINANCE SPECIALISTS

Your Guide to Refinancing

"The best preparation for *tomorrow* is doing your best *today*."

Refinancing is a funny word, but in basic terms, it means moving your loan to another product.

You know that feeling you have when someone asks you what interest rate you are paying on your home loan. Your first thought is, "oh how embarrassing, I don't actually know," and your second thought is, "oh how awkward, imagine if I'm being ripped off and paying more than the going rate."

"Ummm..." you say, "I'm not 100% sure, but I'm sure I'm on a sharp rate."

Do you really want to look back and be told that you could have gone on an all expenses paid family holiday every year, and still be in exactly the same financial position as you are now, but instead you just paid extra to the bank in fees and interest, because you didn't look harder? With us, you don't look harder your just call us sooner.

Amanda Amey
Lending Specialist

0409 715 577
amanda.amey@moneyquest.com.au

Contents

Why should you refinance? 4
How to refinance your home loan 6
How to make refinancing more streamlined 8
Features & benefits to look for in your home loan 10
How much does it cost to refinance? 12
How much can I save by refinancing? 14
Questions to ask when you refinance 16

MONEYQUEST
FINANCE SPECIALISTS

Why *should* you refinance?

When was the last time you checked your loan to compare interest rates as well as the features and benefits of your loan? If you haven't checked it for a while, it's probably time to review it and see how refinancing can save you money or free up the equity in your home.

To get a good deal

When you got your home loan it might have been the right option for you or it may have been the only option to help you get your foot in the door. The interest rates, features and benefits of home loans change regularly, as do our personal circumstances. Checking your home loan and refinancing to get the right home loan for you could save money over the life of your loan.

Debt consolidation

Debt consolidation is where you take other debt such as credit cards, personal loans or car loans and combine them in a home loan. This reduces the amount of payments you need to make and how many lines of credit you have. You don't need to be struggling with debt to consider debt consolidation. Having one payment instead of five can make life easier, plus for some lenders, having one debt to service is favoured and can result in more home loan options available to you.

Renovations

Maybe you bought a bargain property with the intention of renovating it later and now you're ready. You can refinance your home loan and access the equity to pay for renovations if property values have increased or you have paid enough off your mortgage. When refinancing, you can also ensure you are getting the right interest rate and have the features and benefits you want in a home loan included.

Life changes

Our lives change quickly. You may have a promotion, a pay rise, changed jobs, had a baby, been married or divorced. Every life change can impact how we need our home loan structured. With any major life change, it's a good idea to check your home loan to see if it is still the right one for you.

Free up cash flow

Refinancing to free up cash flow is not as common as the other options, however, it is one that gives you some breathing room. It is more common when you have reduced your income and want to reduce your home loan repayments or you are planning a life change and need more cash each week. Be mindful that you need specific detail around why you are looking to free up cash flow.

> "Our lives change quickly... *every life change* can impact how we need our home loan structured."

Whatever your reason for refinancing, chat to me to discuss your needs to find the right home loan for you!

Your Guide to Refinancing
Part 2

MONEYQUEST
FINANCE SPECIALISTS

How to *refinance* your home loan

Have you procrustinated and put off refinancing because it seems too hard? Often, buying your first home was such a process that the thought of refinancing seems like more effort than you have time for. Refinancing your loan can be quick and easy. One easy option is to use a broker, they take care of the steps for you, saving you time. Plus, they have access to a wide variety of home loans and can access promotions that youm may not know of yet. Here is what you need to do to refinance:

Decide what you need

Why are you refinancing? Is it to get a better interest rate or are you looking for more flexible options in your home loan? Maybe your life has changed or you want to consolidate debt. Be clear on your reason for refinancing to ensure you get the right home loan for your circumstances.

Check costs

Mortgages often have an exit fee and new mortgages have a fee to set up. Ask your broker out the exit fee from your old lender and the new mortgage fee of any potential lender you plan to switch to so you can compare real costs and refinance with all the information.

Be aware of personal circumstances

Know your income, get a copy of your credit score, list your dependents, your liabilities and assets plus know the value of your property so you can determine the equity. All these things can affect your borrowing capacity, which loan you are eligible for and the interest rate that you can acheive.

Select a mortgage

Using a broker makes this easier, but if you prefer to do it yourself you will need to compare home loans to find the one you feel suits your situation. Check interest rates, features such as an offset account, redraw option and all fees associated with setting up the mortgage as well as exit and other fees.
If you use a broker, they will take care of this part of the process for you, helping you fine tune your choices based on the information you provide them.

Apply

Get all your paperwork in order including identification, proof of income, loan statements (if you aren't refinancing with the same bank) a current payout quote listing all the fees and charges associated with refinancing then apply for the loan.

Inform your lender

If you change your lender, you will need to let your current lender know so they can provide all relevant information to the new lender.

Pre-approval

Pre-approval is the step where the lender determines if you are eligible. You don't need to do anything but wait. It can take a few days to a few weeks.

Valuation

For a lender to determine the loan to value ratio and ensure the property is valued correctly, they will arrange a valuation. The first is generally free, however, if you dispute the value they come back with or want another one, the fee is around $200 or more to have it valued again.

Approval and legally binding

Here you will be informed in writing of the approval of your loan. This can be followed by your lender or broker instructing a solicitor to prepare the loan documents on their behalf. Once the documents are prepared you can have your own solicitor review them or you can thoroughly review them yourself before signing. Ask your broker if you have any questions

Settlement

The settlement of your new and old loan will be arranged by your new lender. This includes an exchange of titles and the registration of your property and closing out the old loan.

Payment

Congratulations! You are all done. Now you will be provided with any details you need for repayments, your new account and other necessary details. Now you can relax.

While it might seem like a long process, most of the work is done behind the scenes *by me*. The entire process can take a few weeks, but it can *save you money*!

Your Guide to Refinancing
Part 3

MoneyQuest
Finance Specialists

How to make refinancing more *streamlined*

Refinancing could save you money over the course of your home loan and it doesn't need to be a long, difficult process. Here are six tips to help make it more streamlined

Decide what you want

What is the purpose of your refinance? Do you want a better interest rate? Has your fixed rate period finished and you want to check your options? Do you want to free up equity to renovate your home or are looking for debt consolidation?

Whatever the reason, think about now and in the future. In the next few years do you plan to have a baby? Will you want to invest, change jobs or go back to school? When you think about refinancing you need to look at what you need in a loan and not just base your decision on interest rates alone.

Know the costs

Add up all the fees such as exit fees from your current lender, loan establishment fees for the new lender, application fees, valuation fees and other charges which add up quickly. You need to take these into account when refinancing to determine if you really will save money or how long it will take to see the savings from refinancing.

Do your research or use a broker

Do your research and compare the loans you think are most suitable to your needs or talk with a broker. A broker makes refinancing easier as they know the loans which are out there, have access to options you might not find and can outline the fees and charges for you. It is their job to get the right home loan with interest rates and features you want in a loan.

If you do it yourself, make sure you compare the features, benefits and fees of the home loan, not just the interest rate.

Apply

Only apply once. One mistake many people make is applying for more than one home loan at a time. Each application goes on your credit file, which lenders see when considering your application. A lender can see if you have numerous applications but they can't see if they were successful or not. Having multiple applications may reduce your chance of approval, it could reduce your credit score, which in turn can impact the interest rate you are eligible for. Multiple applications make refinancing take longer, become more expensive and stressful.

Decide on the home loan you want or make the decision with a broker, then apply for that one only.

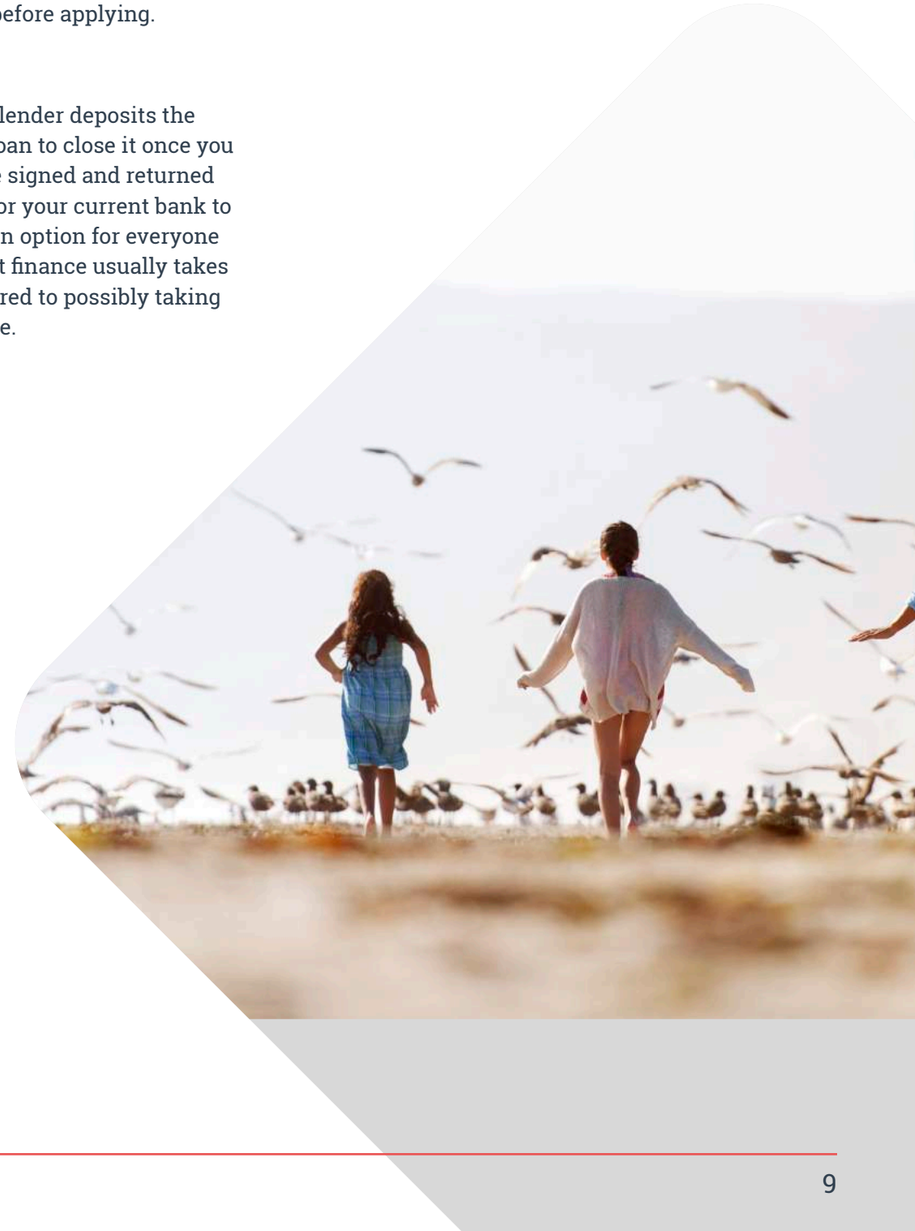
I'll research and compare the loans most suitable to your needs!

Have all your paperwork in order

It might seem simple, but one of the biggest causes of refinancing delays is when borrowers don't have their paperwork in order. There are certain documents you need to provide to prove your income, identification and current financial status, such as current pay slips, bank statements, your current mortgage papers and the balance. Check with the provider you are applying with or your broker to see what paperwork you will need and get it ready before applying.

Check out fast finance

Fast finance is when your new lender deposits the funds into your current home loan to close it once you are approved by them and have signed and returned paperwork instead of waiting for your current bank to process everything. This isn't an option for everyone and is easier with a broker. Fast finance usually takes only two to three weeks compared to possibly taking months with a normal refinance.



MoneyQuest
FINANCE SPECIALISTS

Features and benefits to look for in a home loan

Knowing what to look for in your home loan can save you money. Your home is a huge investment and your loan will be with you for years, by making sure you have all the features and benefits you need and not just comparing interest rates you can save even more time, stress and money with your loan. Offset accounts, redraw facilities, various fees and charges, LMI and other features in a home loan can significantly impact how quickly you pay off your mortgage.

Interest rates

Typically the first thing you will think about and compare on your home loan is the interest rates. With fluctuations in the past decade going from under 4% to over 8% for the average interest rate, this is an obvious area where you can save money. Even a 1% difference can shave thousands of dollars and years off your home loan.

With interest rates you can go fixed, variable or split. A fixed rate means the interest rate will be set at a specific amount for predetermined length of time such as 1 to 5 years. A variable rate can change, usually when the RBA announces an interest rate cut or rise, which your lender may pass on in part of full. A split rate means part of your mortgage is fixed and the other part is kept variable.

Fee free extra payments

Some home loans will charge you a fee if you make extra payments, which can leave you worse off. Ensuring you have a fee free extra payment option that means you can throw your tax return, any bonuses or the random items you sold on online straight onto your mortgage and the whole amount will reduce your home loan, saving you money over the life of your loan.

If you get a pay rise of $100 per week and put it on your mortgage, for a 25-year mortgage of *$380,000 at 3.74%, you could save $59,535.73 plus take 6 years and 32 weeks off your loan!

*This example given is for illistrative purposes only and assumes a fixed interest rate of 3.74%pa pver the life of the loan compounded monthly with no additional fees and charges applying

Offset account

An offset account is another option for having cash handy while reducing the amount of interest you pay on your home loan. For example, if you have a $380,000 mortgage, with $10,000 in your offset account, you will only be charged interest on $370,000 of your mortgage which can save thousands over the life of the loan.

Redraw facility

A redraw facility allows you to deposit money into your mortgage and take it out when you need it. A great way to use this is to keep your annual bill amounts such as insurance, car registration and similar in your mortgage, then redraw annually to make those payments. The amount of the large bills can sit in your mortgage reducing your interest until you need to pay them.

Loan schedule

Mortgages are usually set to be repaid monthly by default. If you get paid weekly and choose to have the bank take your mortgage out weekly instead of monthly you can reduce the amount you pay in interest over the life of your loan. It doesn't make a huge difference to begin with, but over a few years it has an impact.

Many people find budgeting the loan repayments monthly a little daunting as it's one larger sum instead of a smaller amount coming out weekly. Having your mortgage paid whenever you get paid makes budgeting easier for some.

Interest only loan

Regular loans are set to include both the principal and interest. With interest only, you pay only the interest, not any money you borrowed to buy the home. This is a popular option particulary with investors and requires the borrower to clearly outline why they have chosen not to reduce their principal.

The repayments are usually lower (depending on the interest rate you get for the loan) and if property prices continue to rise, it can be a simple process to refinance later and switch your home loan when you want to pay the principal.

Line of credit facility

A line of credit is essentially the capacity to have a loan whenever you want. The amount of equity in your home determines the amount you can borrow and there are limits to prevent you overstretching your debt. Interest on a line of credit facility is charged at a higher rate than your mortgage and often comes with extra fees so you need to be aware of this if you choose this option.

Repayment holiday

Most mortgages are 25-30 years, but our lives do not remain the same for that long. Due to many circumstances such as changing jobs, job loss, pregnancy or similar, you might like to pause your home loan payments. A repayment holiday feature in a home loan gives you time off repayments for a set period.

To use it, you usually need to have contributed extra towards your home loan before accessing the repayment holiday.

Home loan top up

A home loan top up is sometimes confused with a redraw facility. The home loan top up gives you access to the equity in your home, whereas the redrawing is only accessing extra payments you have made. As your home value increases and you get more equity you can opt for a home loan top up to renovate for example.

Home loan portability

We tend not to stay in the same home for 30 years anymore. With home loan portability you can save money if you move. Home loan portability enables you to move houses with the home loan coming across to the new home, saving you money on break costs, establishment fees and other costs associated with ending or creating a home loan

Your Guide to Refinancing
Part 5

MoneyQuest
FINANCE SPECIALISTS

How much does it *cost* to refinance?

The exact cost of refinancing varies from lender to lender due to the different fees and charges applied.

What are common refinancing costs?

Common fees for refinancing include discharge fees, break fees, set up fees (such as mortgage registration) settlement, valuation fees, insurance costs and preparation of documents.

Discharge fee

Discharge fees are a fee charged by your existing bank to cover the administrative cost of your home loan. Discharge fees are usually $100 to $300.

Break Fee

If your mortgage is on a fixed rate, a break fee usually applies. This is an amount which covers the loss the bank or lender will incur from you breaking your fixed loan contract early. You need to speak with your current lender and ask for a payout figure to know the exact costs. It will change daily due to the amount of the loan and payout date.

Set up fees

These cover a variety of fees including registration, application, settlement and bank valuation fees. Many lenders will absorb most of these fees when setting up a new home loan, others charge them to the borrower or add them to the home loan. These fees typically range from $60 to $300 each.

Lenders Title Insurance

Lenders title insurance protects the lender against problems with the title of your property, for example if someone sues you and makes a claim against your property. This insurance does not protect you or how much you have paid off the home. It is commonly used in fast finance and usually costs between $500 and $3,000.

Lenders Mortgage Insurance

Lenders mortgage insurance, also known as LMI, is another insurance to protect the lender. It is used when borrowers require more than 80% of the value of the property for their loan. The cost varies depending on the value of the property and the size of the deposit from the borrower. It usually costs in the thousands and can be added to the loan.

Preparation of Mortgage Documents

Preparation of mortgage documents is a cost usually absorb by lenders. On the rare chance a borrower is charge this fee, it is typically around $100.

How can you reduce these costs?

Know the fees

Ask both your current lender and new lender what all the fees are. While the interest rate might be really appealing with lender A, if they have high upfront costs, monthly fees, high exit fees or hidden charges, lender B with a slightly higher interest rate but no fees might be a better option long term.

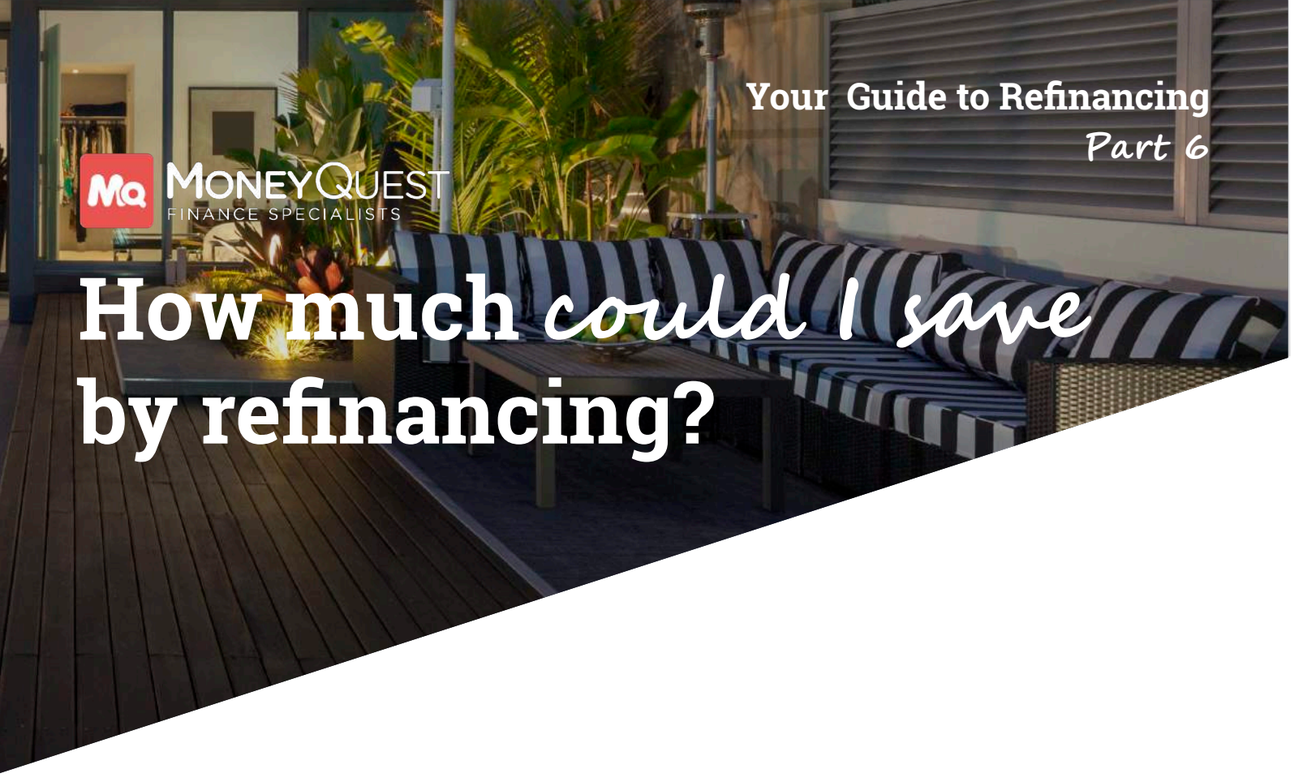
Consider waiting

This applies to break fees. Do your research and compare the fees for leaving now vs later along with the savings you'd get now. You can discuss these fees and compare the potential savings with a broker.

Ask

If you decide to refinance yourself, ask lenders if they can remove the fees. You have more negotiation power with the lender you are moving to and while they might say no, it doesn't hurt to ask.

The savings you can potentially make in most cases outweigh the upfront costs.



Your Guide to Refinancing
Part 6

MONEYQUEST
FINANCE SPECIALISTS

How much *could I save* by refinancing?

If you have a mortgage of $384,000 and an interest rate of 3.74%pa compared to 4.74%pa, over the course of a 25 year loan, you could save around $64,000!*

That is just the interest you could save, but what about the other features?

Home loans come in all shapes and sizes from basic loans through to home loans with numerous features. Making sure you have the right loan and using the features available in it can save you money. Here are just a few things you might want to consider including when you refinance and how much they can save you.

All the following examples will be based on a home loan of $380,000 at an interest rate of 3.8%pa for 30 years.

Offset account

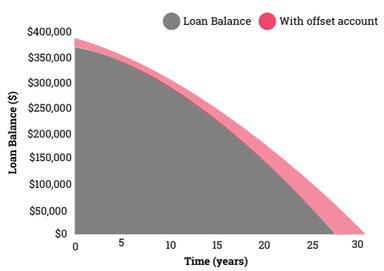
An offset account is a transactional account which uses any money in it to reduce your interest. For example, with the loan of $380,000 if you have $25,000 sitting in your offset account you will only pay interest on $355,000 of the loan. Over a 30 year loan, at these rates and no extra payments, this will save you $47,807 in interest along with 2 years and 3 months on your home loan.

Loan Details

Loan Amount	$380,000
Loan Term	30 Years
Loan Interest	3.80% p.a
Repayment Frequency	Monthly

Offset Account Details

Average offset account balance	$25,000
Monthly offset account deposit	$0
How many yeats into the loan will you start your offset account?	0 Years



Interest saved: $47,807
Time saved: 2 years, 3 months
Revised Term: 27 years,m 9 months

*This example is for illistrative purposes only and assumes a fixed interest rate of 3.74%pa pver the life of the loan compounded monthly with no additional fees and charges applying

Extra Payments

Some home loans charge you a fee to make extra payments which can negate your savings. Refinancing to a home loan with fee free extra payments can save you thousands. If you deposit an extra $100 a month on a $380,000 home loan at 3.8% you can save $21,534.06 and 2 years, 4 months off your home loan.

Extra Repayment Calculator

Enter your details

Loan Amount	$380,000
Interest Rate	3.80%
Loan Term	30 years
Repayment Frequency	Monthly

Extra contribution per payment

Extra amount	$100
Starts after	3 years

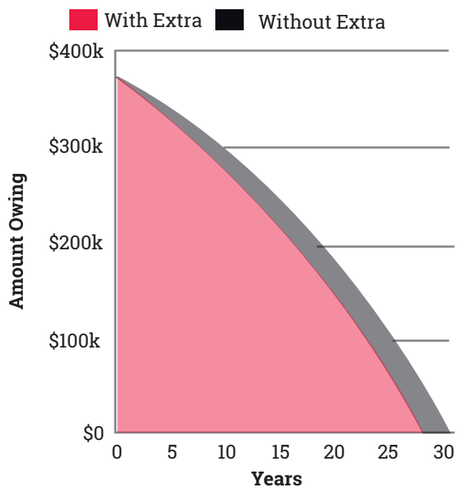
View your results

Minimum Repayments:	$1,770.64
Increased Repayments:	$1,870.64

Time saved: 2 years, 4 months

Interest saved: $21,534.47

Loan Balance Chart



Interest, an offset account and extra payment options are just three examples of how much you can save by refinancing. Your exact savings will vary depending on your circumstances.

Your Guide to Refinancing
Part 6

MONEYQUEST
FINANCE SPECIALISTS

Questions to ask when you refinance

Refinancing can save you money over the life of your loan. To make it easy for you, here are the questions you should ask when you refinance.

Can I make interest-only payments?

If you have an investment property it can sometimes make financial sense to go interest only. Borrowers need to be very clear about why they would not choose to reduce the principal from their loan. Some reasons include; principal reductions are contained in an offset facility, taxation, financial or accounting reasons you plan to convert to an investment property in the future, to accommodate a temporary reduction in income and to accommodate a large expensive item.

How much are the fees, if any, for paying my loan out early?

Making extra repayments or paying out the loan before the term is up can save money in interest. You don't want to be penalised for doing it. Ask what the relevant fees are and how you can avoid them.

How much can you reduce the interest by?

Lenders want your loan because it's how they make money. They offer special packages to borrowers, which may include a reduced interest rate, allow for a lower deposit or waive application or settlement fees. Ask how much they can reduce the interest by or what other offers they can add to your loan to reduce expenses for you.

If you are a shareholder applying for a home loan with a bank you have shares, ask about their investor packages. Some lenders offer cheaper rates to their shareholders.

Is the loan fully transferable to other properties?

Most home loans are calculated over 25 to 30 years, but the average time spent in a property is seven years. Given this, having portability in your loan can save thousands on loan exit and loan establishment fees when you sell, move and buy a new home.

Can I have an offset account linked to the loan?

An offset account holds your savings and reduces the interest on your loan. If you have $10,000 sitting in an offset account and your home loan is $350,000 you will only be charged interest on $340,000 of the loan because the offset account acts as if the funds offset your mortgage. This will help you pay your home loan off quicker as well.

Can I make additional payments?

If you get a pay rise, bonus, promotion or any extra income you probably want to pay some of it into your mortgage to pay it off quicker. Ask about additional repayments. Some loans charge fees or only allow a certain extra amount to be paid each year. You want the capacity in your home loan to be able to add lump sums such as tax returns, bonuses or an extra shift onto your home loan without penalty.

Is fast finance an option?

Fast finance is applicable in some cases and can speed up the refinancing process. Refinancing is usually slowed down by either your paperwork not being correct (this is where a broker can help) or by the old lender not switching everything to the new lender in a timely manner. With fast finance, if you are eligible, your new lender will pay and close out the old home loan before everything is finalised, speeding up the process. It does not apply in all circumstances or with all lenders, but is worth talking to your broker about.

Question?
Contact me today!

Amanda Amey
Lending Specialist

0409 715 577

amanda.amey@moneyquest.com.au

moneyquest.com.au/mermaid-waters

Amanda Amey is a Credit Representative (No. 492955) of Money Quest Australia Pty Ltd, Australian Credit Licence 487823.