

Easy refinancing for a better deal on your home loan

While refinancing your home loan may seem overwhelming at first, it's less complicated than you might think.

With historically low interest rates and increased competition across the home loan industry, lenders are keen to get your business.

When you first took out a home loan, you probably paid very close attention to interest rates. Over time

Refinancing your mortgage may therefore be a relatively simple way to save thousands and get a better deal on your home loan.

What is refinancing?

Refinancing is essentially moving from your existing home loan to a new home loan. The most common reasons people refinance are to get better interest rates, access to more or improved loan features, or to consolidate several debts into one mortgage.

When you refinance, you can stay with your current lender – which can reduce hassle if you do all of your banking with the same institution – or switch to a new one.

Make the call

A great place to start is by calling a mortgage broker. A broker can compare hundreds of loan options across both bank and non-bank lenders to find a loan that meets your needs – saving you time and money.

Review your options

Once you know where you stand with your current lender, it's time to do some homework. You'll want to find out if you can get a better rate – or more suitable loan conditions – elsewhere. Remember, it's not just the 'big four' banks; there are lots of smaller banks and non-bank lenders out there.

Your broker can help you identify the best loans for your circumstances, negotiate with lenders on your behalf, and explain home loans that have features that might be important to you.

If you want more flexibility in your loan, for example, they might suggest switching to a mortgage that lets you make unlimited additional repayments, or a loan that has a redraw facility and an offset account. Alternatively, you might want to stick with your current loan but access your equity

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for an investment property.

After you've decided what you want from a new home loan, your broker will review your financial situation to estimate the amount you can borrow.

Submit your application

Your broker usually collates all the paperwork and handles lodgement.

Make sure the terms of the loan have been explained to you, and ask questions if anything is unclear. You should understand:

- the length of the new loan
- features of the new loan, such as a redraw facility or offset account
- the interest rate of the new loan
- what your repayments will be on the new loan
- all fees and charges associated with refinancing, including exit fees, start-up fees, new loan establishment fees and settlement fees
- any applicable government charges.

Approval

Once your application is approved, you will receive a letter of offer and contract for the new loan. After signing the contract, you will reach settlement. Your new home loan is then drawn down, which means the funds from your new loan are used to pay off your current home loan.

The Discharge of Mortgage document will be registered with the Land Titles Office for you. Your new lender will lodge a Discharge of Mortgage document with the Land Titles Office. From here you can start making repayments on your new loan. Don't let the approval process concern you – it may sound complicated, but if you're using a broker it basically happens in the background.

It's a good idea to review the mortgage market at least once a year, to make sure your home loan is still the best one for your needs. When you do this, consider consulting with a broker so you make an informed decision.