

What you need to know about refinancing

A home loan is generally a long-term proposition, but in some situations it can make sense to refinance your mortgage. Read this guide to the refinancing process, and speak to your broker, before deciding whether it's right for you.

Refinancing involves taking out a new mortgage and using those funds to pay off your existing mortgage. Doing so can save money and result in significant financial gains over time.

Why you might refinance

You might want a lower interest rate.

The lending products market is highly competitive and interest rates can vary significantly between banks. One of the most common reasons people choose to refinance their mortgage is to secure a lower interest rate from another lender. This could assist you to pay off your home loan sooner, potentially saving you thousands of dollars

That makes sense, but before taking any action it's a good idea to speak with your broker. They can not only look for a better interest rate for you but also help find you the type of lending facility that suits your lifestyle. This may even mean renegotiating a better deal with your existing lender. Either way your broker will help with the right advice.

Keep in mind that not all mortgage products are the same. A mortgage with a lower interest rate may not have all the benefits of your existing loan.

The interest rates, fees and the features need to be carefully considered and your broker can help you to navigate the options.

You want to change your loan type

You may want to switch from a variable loan to a fixed loan with your existing lender, to lock in a low interest rate. Depending on the type of mortgage you have, this may require refinancing into a different product. You might also have to refinance if you want to change to a split loan, which has part variable and part fixed rates.

You want to renovate or purchase an investment property

Another reason refinancing might be an option is because you want to renovate your home or buy an investment property. If you have equity in your home, you may be able to access some of the equity by refinancing your mortgage. (Note that you could also do this by redrawing or increasing the limit on your existing mortgage.) Your broker can help advise on the best option for you. Before

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going ahead with an increase or refinance, your home may need to be revalued and your broker will advise how much you can borrow.

Your circumstances have changed

Refinancing could also be suitable if your circumstances have changed – for example, a significant change in your income. By taking out a new mortgage (or increasing your limit on the existing mortgage) through your current broker, you may be able to consolidate other debts, including personal loans and credit cards, into one facility, lowering your monthly payments and saving you interest.

While refinancing can save money, it may not be right for everyone. Consider your financial situation and [ask yourself whether refinancing is right for you](#) .

The refinancing process

Getting the refinancing ball rolling is simple once you've determined your needs and done your research through your broker.

The application. Your broker will evaluate your circumstances and assist you in submitting your application. You'll be asked to provide identification documentation and proof of income such as pay slips, and to list your assets and liabilities. If you're staying with your existing lender, you may not need to provide as much information.

Getting a valuation. Lenders will often require a valuation on your existing home to determine how much you can borrow. This bank valuation happens during the loan approval process and generally requires an inspection of the property by a licensed valuer.

Receiving approval. Once the lender is completely satisfied, full loan approval is granted. You'll receive an approval letter with a copy of the loan contract to review, sign and return to the lender.

Your funds will be cleared once all the signed documentation is reviewed. Your lender (or your new lender if you're changing lenders) will arrange settlement of your existing loan and establishment of your new loan.

There are many reasons why you may want to refinance your mortgage. Before taking any action it's important to talk with your broker. They can help you to select the best loan product for your needs, based on your individual circumstances.