

Fact Sheet - Refinancing

A ProSolution Fact Sheet explaining 6 critical steps to Refinancing.

1. Decide on the reasons why. It is very important to clearly understand why you want to refinance. Is it because you want a better deal? Is the product not suiting your needs? Is service an issue? Once you have decided why, make sure you return to these reasons throughout the process to ensure you are on the right track.

2. Always consider the cost. It can be very costly to refinance – in terms of time and money. These costs can be charged by your existing lender, the State government and your new lender. Some of these costs include:

- Break or early repayment fees – these fees may be payable if your loan is less than five year old (or sometimes even older). These fees will be stated in your original loan documents.
- Discharge fees – This is an administration fee that all lenders charge. This fee is charged by your existing lender for preparing the required forms to discharge your mortgage. This fee normally ranges from \$50 to \$300.
- Mortgage deregistration and registration fees – This is a State government fee. A separate fee will apply for a deregistration and a registration (e.g. in Victoria $2 \times \$45 = \90). These fees are: Victoria: \$45, New South Wales: \$64, Queensland: \$100, South Australia: \$94, Western Australia: \$77, Tasmania: \$185, Northern Territory: \$90
- Mortgage Stamp Duty – Duty will only be payable if you increase your loan balance (in Victoria, New South Wales). However, in Queensland you will have to pay for mortgage stamp duty again (some concessions apply). See State revenue office websites (click here for links).
- Application/settlement fees – Any fees charged by the new lender. These fees can be confirmed with your existing and new lender.

3. Discuss your concerns with your lender. You should always discuss your concerns with your existing lender in the first instance. This may end up saving you a lot of time and money. A solution may be as simple as the lender offering an interest rate discount or transferring your loan into a different product (for no, or low fees). It is very expensive for lenders to lose clients. They would prefer to discount and retain your business rather than have to win a new client. This is your advantage.

4. Shop around. If your lender doesn't seem keen to retain your business it might be time to look around. If you are going to switch mortgages make sure you do enough research. Using a professional mortgage broker that will crunch all the numbers for you will probably save you lots of time. Remember, make sure you chose the right product as well as the right lender.

5. Do the numbers. Make sure it's financially beneficial to refinance (if that's your dominant reason). Add up all the one off or upfront costs. Compare this cost to the annual savings in interest expense you expect to enjoy. Generally, we prefer to see a net benefit in the first year (i.e. interest savings more than pay for any costs) before we recommend refinancing.

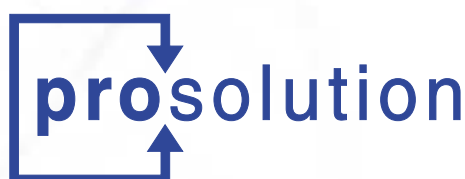
6. Some other tips. Here are some other refinance tips:

- Aim for an interest rate equal to at least 0.5% less than the standard variable rate.
- Ask your new lender if they will pay for some of your refinance costs. If you borrowing a significant amount (say over \$400,000) lenders will be keen to win your business.
- Make sure that you remember to change all your direct debits, salary credits, etc when switching to a new lender.
- Consider other banking costs such as transaction accounts and credit card fees. Some mortgage packages include these.
- Make sure your next loan offers flexibility and doesn't lock you in. Maintaining the ability to change your mortgage when your circumstances change may save you lots of headaches in the future.

[Click here for a Refinance Calculator](#)

Or contact **ProSolution** and we'll do the calculation for you!

Call us now on **1300 880 224** *Best of all, our service is completely free!*



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