

When is the best time to refinance your home loan?

As a home owner with a mortgage, chances are you've heard of the term 'refinancing'. Refinancing involves reviewing your current mortgage, and potentially swapping your loan to another lender who can better meet your current needs, wants and circumstances.

Refinancing can also allow you to consolidate your debts or pay down your mortgage more quickly.

Another common reason borrowers look to refinance is so that they can access equity – the amount you'd get from selling your home after settling any associated loans, such as a mortgage on that property, and any other costs associated with the property. Depending on that amount, you may be able to access equity in the property without having to sell it, for example, to make home renovations or to buy an investment property.

However, refinancing is not suited to everyone. There are many different factors you will need to consider when thinking about refinancing a loan. Before you initiate an application to refinance, your broker will need to assess your needs and objectives as well as your current financial situation.

So how will you know that refinancing is the right option for you?

The first step is to speak to a professional, such as a mortgage broker, about your needs and whether you can afford a different loan structure or other change to your mortgage, particularly if you have more than one property.

Are you looking to pay less interest?

Some people are savvy researchers and will want to take advantage of a lower interest rate from another lender should that be available to reduce repayments. If you aim for a lower interest rate, this could potentially save you a lot of money in the long term.

While saving money is often one of the biggest benefits of refinancing, it may not be as straightforward as that and careful consideration is required.

At this point, the broker will need to find out about your existing loan, repayments and current loan structure.

Your mortgage broker will also need to find out more about your current financial situation, including your income, any other current debts and about any assets you own.

The current value of the property is also taken into consideration, so your broker will have access to current data that will indicate what your property is likely to be worth.

The broker will then review the various loan options and figure out whether it's worth it for you to refinance. Sometimes it's not worth it if it's only going to save a couple of hundred dollars a year, particularly when you take into

consideration the exit and application fees involved. But if it's going to save upward of \$1,000 a year, refinancing might be a sensible approach.

In some cases, the mortgage broker can tell you if getting a lower interest rate from your current lender can be achieved without refinancing.

Do you want to change your loan type?

One of the risks of refinancing your home loan is that you may need to pay Lender's Mortgage Insurance (LMI)* to your new lender. If switching your loan means you will need to pay LMI again, it may not be worth refinancing.

If you do decide to go down the refinancing path, working with a broker rather than going straight to a lender has advantages. Brokers generally have access to loan options from a range of different lenders (on average 34 lenders), and if there's a better opportunity for you, they're usually able to access it.

It is important to consider that when you take up a new home loan, it can incur exit fees and may not have all the features your existing home loan has.

Have your circumstances changed?

If you had a recent major life change such as a because of a loss of income or a change in marital status, you might be looking to refinance.

If you want to refinance to lower lending costs to help you manage your monthly repayments, speak to your mortgage broker who can negotiate with your current lender for a rate suitable to your current situation.

A Gain Home Loans broker can also help you look at alternate options to consolidate your personal loans and credit cards into the one loan. This could help you in lowering your monthly repayments, or help you keep your repayments on time and even save you interest in the long-term. The key is to speak to an accredited broker who usually has access to many lenders and their products and has the expertise to help you through the refinance application process.

**LMI protects the lender against potential loss.*