Do the smart thing and get your loan reviewed:

Organising an interest rate review from your existing lender is a smart and easy way to lower your costs and save money. Banks always have special offers and are changing their rates.

Tip:
Lenders know you are serious when a Chocolate Money broker approaches them and tells them to give you the lower rate or else you will be refinanced to another lender. Nine times out of ten, the lender complies with a simple phone call from the broker. If you do it yourself, the bank knows that it can make it very hard and complicated for you to move to another lender and that most people simply give up and stay put so they are less forthcoming with rate reductions.

Just because your existing bank has lowered your interest rate, it does not mean that you should not consider refinancing. Refinancing is replacing your existing loan with a new one over the same asset; i.e. your house.

There are a variety of reasons Homeowners may decide to refinance their property; Whether it's accessing a better home loan, releasing equity or consolidating debts, refinancing may be a smart way to improve your financial situation.

Caution:
If your circumstances have changed, it may not be the time to change your lending situation unless you are suffering financial hardship. Speak to your Chocolate Money broker FIRST before doing anything else.

1. Debt consolidation

One of the common reasons borrowers decide to refinance their loan is to consolidate their debts. Depending on your financial circumstances, you could bring all your outstanding loans, such as your mortgage, car loan, credit card and personal loan, into one credit facility, potentially reducing your repayments by thousands each month.

Ideally, this would result in a single repayment, with one interest rate and one set of fees, which can help you manage your finances better.

Tip:
Before taking any steps to consolidate multiple debts, your Chocolate Money adviser will give you a good understanding of the pros & cons of debt consolidation and your expected savings and benefits.

2. Switching to a lower rate

Many people consider refinancing to tap into a home loan with a lower interest rate as a lower interest rate means less repayments. It is a good idea to get your loan reviewed by your Chocolate Money Broker who will assess your current interest rates, fees and repayment amount with other lenders.

Tip:
Banks and non-bank lenders increase and reduce the rates they charge on their loan products for many reasons, so don't feel tempted to refinance just to chase a slightly better rate. It's not advisable to choose a <u>new</u> lender solely for a lower interest rate without reading the fine print. There could be fees and charges involved in moving your loan to a new lender, so trust your Chocolate Broker's recommendation regarding whether the change will put you in a better financial situation.

3. Added features to your home loan

Everyone's circumstances change – it's not just the movement of interest rates that can trigger your interest in refinancing. If you've outgrown the home loan you originally organised, refinancing can help bring it up to date and open up a raft of useful features that can benefit your financial position.

For instance, choosing a loan with an offset account or a line of credit, can allow you to use your savings to reduce interest payable on your home loan, without paying it straight into the mortgage itself.

Tip:
Many borrowers choose to use their offset account in place of their everyday transaction account. This is a common method of money management, as it allows your existing funds to reduce your payable interest. But, if you're intending to use the account to pay your home loan off faster by reducing the interest, you should consider the account more like a savings account and avoid using the funds. You must also speak to your Chocolate Broker about the difference between a redraw facility and an offset loan as they are different in key ways and getting it wrong may have severe consequences for you.

4. Releasing equity

If your property has increased in value, perhaps due to a hot real estate market or improvements you've made, you can access this increase in equity by drawing from your existing home loan. These funds can be used as a deposit for an investment property or a home improvement project or investing in other ventures.

This is only an option if your home is worth more than you paid for it. Lenders require a formal valuation before allowing you to access the equity, the results of which might be less than you expected, particularly if you're looking to refinance with a traditional lender but your Chocolate broker can advise you on the best way to organise this.

Tip:
There are certain risks associated with releasing built-up equity in your home. For example, if you release too much money now, you might find that you do not have

enough equity later on when you may need it more. Your Chocolate Money Broker will help you consider your options before making the move to use your home's equity.

While there are benefits when it comes to refinancing, there are also fees associated with refinancing. Although these vary from lender to lender, in general some of the fees include a discharge fee and new application fee. Depending on your loan, some lenders may also charge break fees – especially if you are considering breaking a fixed interest rate loan.

Please know that your Chocolate Money broker will provide a written report outlining the reasons and benefits to you for any proposed changes to your existing loan contracts to allow you to make an informed decision.

To review your options contact Chocolate Money on 1300 137 539.