



**PARKER
MORTGAGE & FINANCE**
Purposeful Finance. Personal Guidance

A practical guide for Australian homeowners

The Refinancing Guide

Is your home loan still working for you? How to tell, what it costs to switch and how to do it well.

Is your home loan still working for you?

Many homeowners stay with the same loan for years without checking it. Lenders often save their sharpest rates for new customers, so an older loan can quietly fall behind. Refinancing means replacing your current loan with a new one, with a new lender or your existing lender, and it could save you thousands.

Good reasons to refinance

- **A lower rate.** Your rate is higher than what similar borrowers are being offered.
- **Your fixed rate is ending.** Your loan is about to revert to a variable rate.
- **Better features.** You want an offset account, redraw or lower fees.
- **Access to equity.** You want to renovate, invest or buy again.
- **Debt consolidation.** You want to simplify repayments and cut your interest costs.
- **Life has changed.** Your income, family or goals are different from when you took the loan.

When to think twice

- **Break costs on a fixed rate.** Leaving early can be expensive.
- **Small savings, big costs.** Fees could eat the benefit.
- **You're close to paying it off.** There's less interest left to save.
- **Your circumstances have tightened.** A lower income or new debts can affect approval.
- **Your equity is thin.** Borrowing over 80% of your home's value can bring back LMI.

A quick self-check

- ☐ I know my current interest rate and what type of loan I have
- ☐ I haven't compared my loan with the market in the last 12 months
- ☐ My rate has gone up, or my fixed term ends in the next 6 months
- ☐ I'd like a feature I don't have, such as an offset account
- ☐ I'm thinking about renovating, investing or consolidating debt

If you ticked any of these, it's worth a look

Reach out to a broker to help. A broker compares your loan against the market, works out the real costs and savings of switching, and manages the paperwork so you don't have to. That's exactly what we do at Parker Mortgage & Finance.

Will refinancing **actually** save you money?

It comes down to one question: do the savings outweigh the costs, and for how long? A small rate difference can add up to a lot over time.

What a lower rate could save you

Estimated monthly repayment saving if your rate dropped from 6.50%. Principal and interest, 30-year term. Illustrative only.

Loan amount	0.25% lower	0.50% lower	0.75% lower	1.00% lower
\$400,000	\$65	\$130	\$194	\$257
\$500,000	\$82	\$163	\$242	\$321
\$600,000	\$98	\$195	\$291	\$386
\$700,000	\$114	\$228	\$339	\$450

Example: when does switching pay off?

On a \$500,000 loan, cutting your rate by 0.50% saves roughly **\$163 a month** (about \$1,951 a year). If switching costs \$1,000, you'd be ahead in around **6 months**, and the savings keep coming after that.

How to work out your break-even point

1

Add up the switching costs

Include exit or discharge fees, new loan fees and any break costs (see page 4).

2

Work out your monthly saving

Compare your current repayment with the repayment on the new loan, at the same loan term.

3

Divide costs by monthly savings

That's how many months until you're ahead. The shorter it is, the stronger the case.

It's not just about the rate

A slightly higher rate with an offset account can beat a lower rate with no features, if you keep savings in the offset. Also look at ongoing fees, the comparison rate, and whether a discount will last. We'll compare all of it for you.

What refinancing **really** costs

For a standard variable loan, switching commonly costs somewhere between a few hundred dollars and about \$2,000. Fixed rates can cost much more. Here's what to expect.

Cost	What to know
Discharge fee	Charged by your current lender to close the loan. Often around \$200 to \$500, though some charge more.
Exit fee	Banned on loans taken out from 1 July 2011. Check your contract if your loan is older.
Break costs (fixed rates)	May apply if you leave a fixed rate early. They depend on your loan size, time left on the fixed term and rate movements. They can run into the thousands, so always ask for an estimate in writing.
New lender fees	Application, settlement and valuation fees. Many lenders waive some of these for refinancees.
Government registration fees	A mortgage registration fee charged by your state or territory, often around \$100 to \$200.
Lenders mortgage insurance	May apply if your new loan is over 80% of your home's value.
Fast-track insurance	Some quick refinance pathways add lender title insurance. It can cost several hundred dollars or more.

Fixed rate? Get the break cost before you decide

Break costs are usually highest when rates have fallen since you fixed. Sometimes waiting until the fixed term ends, then refinancing, is smarter. We can compare both paths.

What about cashback offers?

Some lenders pay a cashback to attract refinancees, commonly in the range of \$1,000 to \$4,000. The fine print matters:

- **Minimum loan sizes** often apply, and many offers cap the loan at 80% of your home's value.
- **Clawbacks.** You may have to repay some or all of it if you leave within 12 to 24 months.
- **Time limits.** Offers usually have application windows and settlement deadlines.
- **A higher rate can cancel it out.** A cashback pays once, but a lower rate pays every month. Compare both before you choose.

If the loan is an investment, ask your accountant how a cashback is treated for tax.

How refinancing works

It sounds like a big job, but the process is well-trodden. Timing varies by lender, and it often takes a few weeks from application to settlement.

- 1 Review your current loan**
Your rate, balance, remaining term, fixed or variable, features, fees and any break costs.
- 2 Set your goal**
Lower repayments, a shorter loan, better features, access to equity or a mix. The goal shapes the best loan.
- 3 Compare loans across lenders**
Look at rates, comparison rates, fees, features and whether a discount will last. Check your new repayment against your budget.
- 4 Apply and provide your documents**
Your new lender assesses your income, expenses, debts and credit history, and values your property.
- 5 Approval and loan documents**
You receive an offer and loan contract to review and sign.
- 6 Settlement**
Your new lender pays out your old loan and your mortgage moves across. Your old lender then closes your loan.
- 7 Tidy up**
Set up repayments on the new loan, cancel old direct debits, and update any linked accounts.

Keep paying your old loan until settlement

Your existing repayments need to continue until settlement is complete. Missing a payment can affect your credit file and the new loan.

Two ways to refinance

With a new lender

You switch to a new lender to access their best rates and features. There are usually more costs, but more choice.

With your current lender

You ask your lender for a rate review or move to a different product. It can be quicker and cheaper, but check the rate against the market first.

Get ready to apply

How much equity do you have?

Lenders look at your loan-to-value ratio (LVR): what you owe as a percentage of your home's value. Most lenders' best rates and lowest fees apply at 80% or below.

Example

Your home is valued at **\$600,000** and you owe **\$420,000**. Your LVR is **70%** and your equity is \$180,000. At 80%, lenders would typically allow up to \$480,000, so you could access about **\$60,000** of usable equity without triggering extra costs.

Documents to get ready

- ☐ Photo ID (driver licence and passport or Medicare card)
- ☐ Your latest home loan statement and the loan contract
- ☐ Recent payslips (usually the last two) and employment details
- ☐ Last two years of tax returns and notices of assessment, if self-employed or you have other income
- ☐ Bank and credit card statements (usually 3 months or more)
- ☐ Details of other debts: car loans, personal loans, HECS/HELP and buy-now-pay-later
- ☐ Council rates notice or other proof of your property details

Ways to strengthen your application

- **Lower your credit card limits.** Lenders count the full limit, even if you don't use it.
- **Avoid new credit** in the months before you apply.
- **Keep spending steady.** Lenders review your statements closely.
- **Check your credit report** and fix errors early.
- **Don't apply everywhere yourself.** Multiple applications leave multiple credit enquiries. A broker can compare lenders without this.
- **Know you'll be tested against higher rates.** Lenders check you could still afford repayments if rates rose, usually by around 3 percentage points.

Let us take care of your refinance

This is the perfect time to reach out to us at Parker Mortgage & Finance. We'll review your current loan, compare options across our panel of lenders, calculate your break-even point and manage the application from start to finish, so switching is simple.

Choosing your new loan

The best loan is the one that fits your goals, not just the one with the lowest advertised rate.

Option	Good for	Watch out for
Variable rate	Flexibility, extra repayments and offset accounts.	Repayments change when rates move.
Fixed rate	Certainty over repayments for a set period, often 1 to 5 years.	Limits on extra repayments, and break costs if you leave early.
Split loan	A mix of certainty and flexibility.	Two balances to manage.

Features worth asking about

- **Offset account.** Your savings reduce the interest you pay while staying accessible.
- **Redraw facility.** Access extra repayments you've made. Check the rules.
- **Extra repayments.** Ideally unlimited on a variable loan.
- **Low or no ongoing fees.** Annual or monthly fees add up.
- **Rate discounts.** Ask whether the discount lasts for the life of the loan.
- **Repayment flexibility.** Weekly, fortnightly or monthly.

Fixed rate ending soon?

When a fixed term ends, most loans revert to a variable rate that is often higher than what new customers are offered. Start comparing 2 to 3 months before it ends so you have time to act.

Watch the loan term

Refinancing onto a fresh 30-year term can lower your repayments, but it can also add years of interest. If you can, keep the same remaining term, or keep paying your old repayment amount on the new loan. That way the lower rate helps you pay the loan off sooner.

Don't be swayed by a headline rate

Check the comparison rate, which includes most fees, and confirm the rate is available to you. Some lenders advertise their lowest rate only for specific loan sizes or LVRs, or for a limited period.

Using your **equity** and consolidating debt

Refinancing can also let you borrow against the value you've built in your home. It can be powerful, but it needs a plan.

Common reasons to access equity

- Renovating or improving your home
- Buying an investment property or a second home
- Helping with a deposit for family
- Consolidating higher-interest debts
- Buying a car or funding education
- Building a financial buffer

Consolidating debt: the good and the catch

The upside	The catch
Home loan rates are usually much lower than credit card or personal loan rates.	Spreading a short-term debt over up to 30 years can cost more in total interest.
One repayment instead of several can make budgeting simpler.	It adds to your home loan balance and can raise your LVR.
Your monthly cash flow can improve.	Old cards can creep up again if they aren't closed or limits lowered.

How to consolidate smartly

Keep paying at least what you paid before, so the consolidated debt is cleared much faster than over the full loan term. Consider closing or lowering the limits on the cards you pay off.

Before you borrow more

- **Be clear on the purpose.** Lenders ask what the money is for, and it can affect the rate and tax treatment.
- **Check the repayments.** A bigger loan means higher repayments. Make sure you're comfortable if rates rise.
- **Mind the 80% line.** Borrowing above 80% of your home's value can bring back LMI or limit lender choice.
- **Get advice on investment and tax questions.** Speak to an accountant about deductibility.

Common mistakes and your questions

Mistakes to avoid

- **Chasing the lowest rate only.** Fees and features matter.
- **Ignoring break costs** on a fixed loan.
- **Resetting to a 30-year term** without a plan to pay it down faster.
- **Taking cashback over a better rate.**
- **Applying to lots of lenders** yourself.
- **Setting and forgetting.** Check your loan at least once a year.

Quick questions

How often should I check my loan?

At least once a year, and whenever rates move or your situation changes.

Will it affect my credit score?

Applications create credit enquiries, and too many can hurt. That's why we compare lenders for you.

Can I stay with my lender?

Yes. Ask for a rate review, but compare it with the market first.

What if I owe more than 80% of my home's value?

Refinancing is still often possible, but you may have fewer lender choices or need to pay LMI. Speak to us and we'll look at your options.

Book your free loan health check with Parker Mortgage & Finance

We'll compare your loan with the market and show you what you could save. Purposeful Finance. Personal Guidance.

Handy glossary

LVR	Loan-to-value ratio: your loan as a percentage of your property's value.
Equity	Your property's value minus what you owe.
Comparison rate	An interest rate that includes most fees, making loans easier to compare.
Offset account	A savings account linked to your loan that reduces the interest you pay.

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