



# 5 WAYS

## REFINANCING

# CAN SAVE

## YOU MONEY



# Introduction



If you're like most homeowners, your mortgage repayments are your largest monthly expense. And if interest rates have gone up substantially since you bought your home or you've had your home loan for a long time, your current deal might not be as competitive as it once was.

Refinancing can get you a new, more competitive deal, saving you big money. You may be able to get a better interest rate or special features that help reduce your interest payments, especially if your financial situation and credit history have improved since you bought your home.

Even small changes in the interest rate on your loan can make a big Difference in your total cost over the life of the mortgage; for example, the chart below shows how much each additional half a percentage point (also known as 50 basis points) of interest costs the holder of a 30-year, variable interest rate mortgage on an \$800,000 home.

Note that if your variable rate is 3.5% and the cash rate goes up by 50 basis points, your lender will probably raise your interest rate to 4.0%, costing you \$227 more a month, \$2,724 a year, and \$81,707 over the life of the loan.

Interest Rate	Monthly Repayment	Annual Repayment	Total Repayment (Over 30 Years)
2%	\$2,957	\$35,484	\$1,064,504
2.5%	\$3,161	\$37,932	\$1,137,948
3%	\$3,373	\$40,476	\$1,214,220
3.5%	\$3,592	\$43,104	\$1,293,249
4%	\$3,819	\$45,828	\$1,374,956
4.5%	\$4,053	\$48,636	\$1,459,254
5%	\$4,295	\$51,540	\$1,546,046

Let's explore the five ways refinancing can save you money.

# Lower Your Interest Rate

# 01

When you refinance to a lower interest rate, your repayments will be lower and you will also pay less interest over the life of the loan.

For example, for that same 30-year loan of \$800,000 at a 3.5% variable interest rate, the monthly repayment is \$3,592. However, if you refinance to a rate of 2%, the repayment drops to \$2,957 and you save nearly \$300,000 over the life of the loan.

Current loan details		View your results	
Loan Amount	\$800,000	<b>Scenario 1: Not switch</b>	
Interest Rate	3.5%	Monthly repayment	\$3,592.36
Loan Term	30 years	Total interest & fees	\$493,249
Repayment Frequency	Monthly	<b>Scenario 2: Switch and minimum repayment</b>	
Regular Fee	\$0 Monthly	Monthly repayment (Intro term)	\$2,222.22
End Fee	\$0	Monthly repayment	\$2,956.96
<b>New loan details</b>		Total interest & fees	\$264,504
Introductory Term	0 years	Total saving over the life of the loan	<b>\$228,745</b>
Introductory Rate	0.00%	<b>Scenario 3: Switch and higher repayment</b>	
Standard or Revert Rate	2%	Monthly repayment (Intro term)	\$3,592.36
Upfront Switching Fees	\$0	Monthly repayment	\$3,592.36
Regular Fee	\$0 Monthly	Total interest & fees	\$200,677
		Time saved	6 years, 9 months
		Total saving over the life of the loan	<b>\$292,571</b>

You can use our [refinance calculator](#) to find out how much you will save if you refinance.

**Broker Tip:** Remember to take note of any break fees, establishment fees, etc, when you refinance to a new lender. These costs must be calculated to determine if the refinancing deal is worth doing for you.

# Get An Offset Account

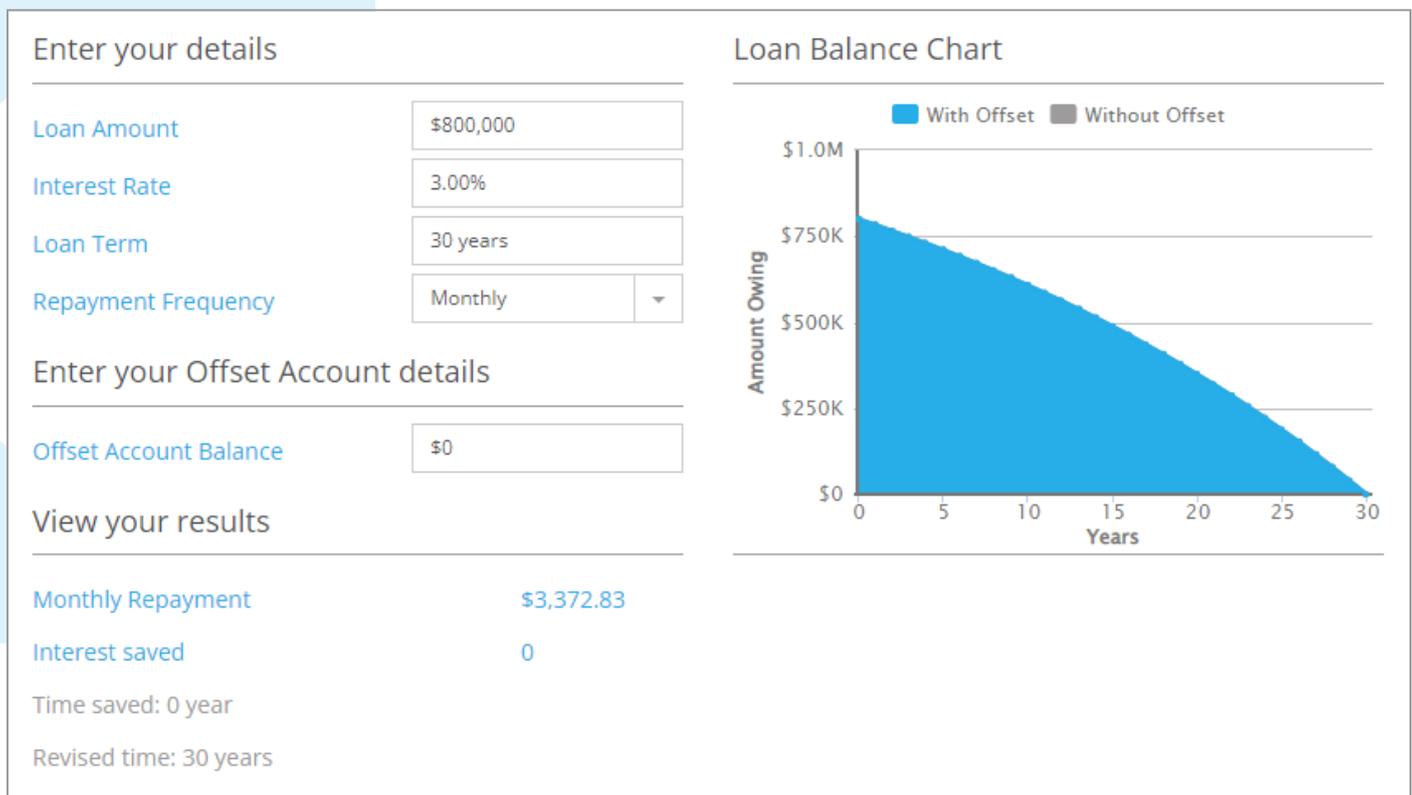
# 02

You can refinance to a home loan that features an offset account to lower the amount of interest you pay each month.

An offset account is a transaction or savings account linked to your home loan. The balance in your offset reduces the outstanding balance on your home loan for the purpose of calculating the amount of interest in your repayments. This will lower your repayments and the total interest you pay over the life of the loan. A 100% offset account will subtract the entire balance in the account from the amount owing on your home loan when the bank calculates your repayment.

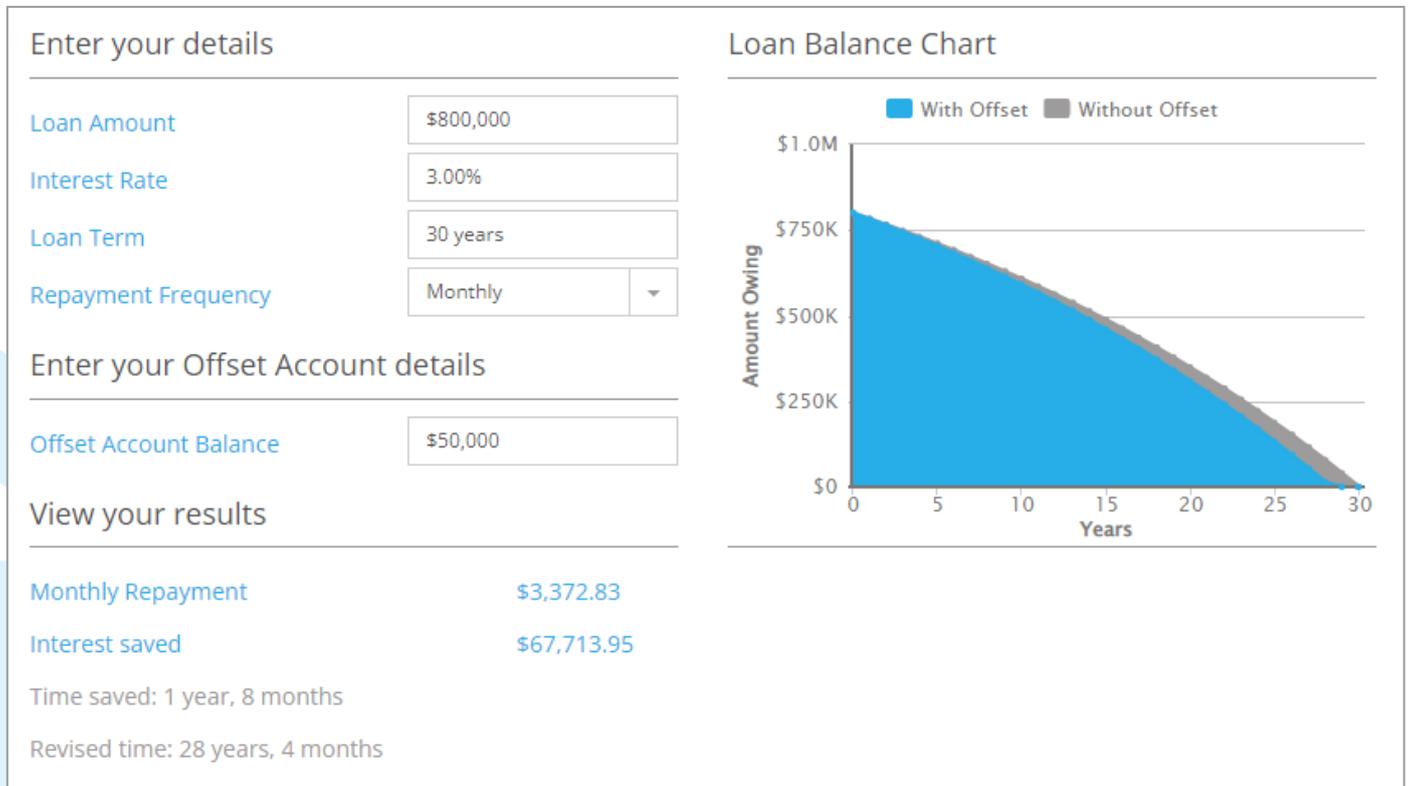
## An example:

Without an offset account, your monthly repayment for an \$800,000 loan at a 3.0% interest rate is \$3,372.83. Without an offset account



Now, if you were to put \$50,000 into a 100% offset account:

With an offset account



You would save over \$67,000 in interest and pay off your home loan almost two years faster, provided you kept the amount of your monthly repayments the same.

You can use our [offset calculator](#) to determine how much interest you save by using an offset account.

# Switch From Fixed To Variable Or Vice Versa

# 03

If you are currently on a fixed-rate term, you will revert to a variable rate once that fixed term expires. If it is due to expire within the next six months to a year, and good variable rates are available, compare your current revert rate to other rates on offer and see if it is competitive. If not, prepare to make a switch to a new lender that offers a great variable rate.

On the other hand, if you anticipate that interest rates will rise over the next several months, then you might want to refinance to the best fixed interest rate available and have the assurance of fixed monthly repayments.

If your fixed term ends in less than six months, be sure to take into account [break fees](#) when determining whether refinancing will save you money.

## Split Mortgage

A split mortgage is a feature that lets you divide your home loan into a fixed-rate loan and a variable-rate loan – you get the best of both worlds.

For example, if you have a home loan of \$800,000 and choose to split it 60/40, \$480,000 of it (60%) can be charged a fixed interest rate, while the remaining \$320,000 would have a variable rate.

If you have extra money, then you can use it to pay your variable loan. Most lenders will not allow additional repayments on the fixed portion but some do.

# Switch From Fixed To Variable Or Vice Versa

03

Enter your details

Loan Amount	<input type="text" value="\$800,000"/>	Variable Interest Rate	<input type="text" value="3.00%"/>
Fixed Portion	<input type="text" value="60.00%"/>	Loan Term	<input type="text" value="30 years"/>
Fixed Period	<input type="text" value="5 years"/>	Repayment Frequency	<input type="text" value="Monthly"/>
Fixed Interest Rate	<input type="text" value="2.00%"/>	<input type="button" value="Reset"/>	

View your results

Fixed monthly repayments:	\$1,774.17
Variable monthly repayments:	\$1,349.13
Total monthly repayments:	
before 5 years:	\$3,123.31
after 5 years:	\$3,334.09
Total Interest Payable	\$387,626
Total Interest Payable if loan was at variable rate only	\$414,220

Loan Balance Chart

The chart displays the amount owed over a 30-year period. The y-axis represents the amount owing in thousands of dollars, ranging from \$0 to \$750K. The x-axis represents years from 0 to 30. A legend indicates that blue represents the variable rate and grey represents the fixed rate. The fixed rate portion (grey) starts at \$500K at year 0 and decreases linearly to \$250K at year 5. The variable rate portion (blue) starts at \$250K at year 0, increases to a peak of approximately \$650K at year 5, and then decreases linearly to \$0 at year 30.

Using the [split mortgage calculator](#), we can determine that, in this example, a split mortgage could save you more than \$26,500 in interest, compared with a variable-rate mortgage alone.

This option is not available with all lenders. Be sure to check with Home Loan Experts to see which lenders provide split mortgages and how much you can save with one.

# Make Additional Repayments

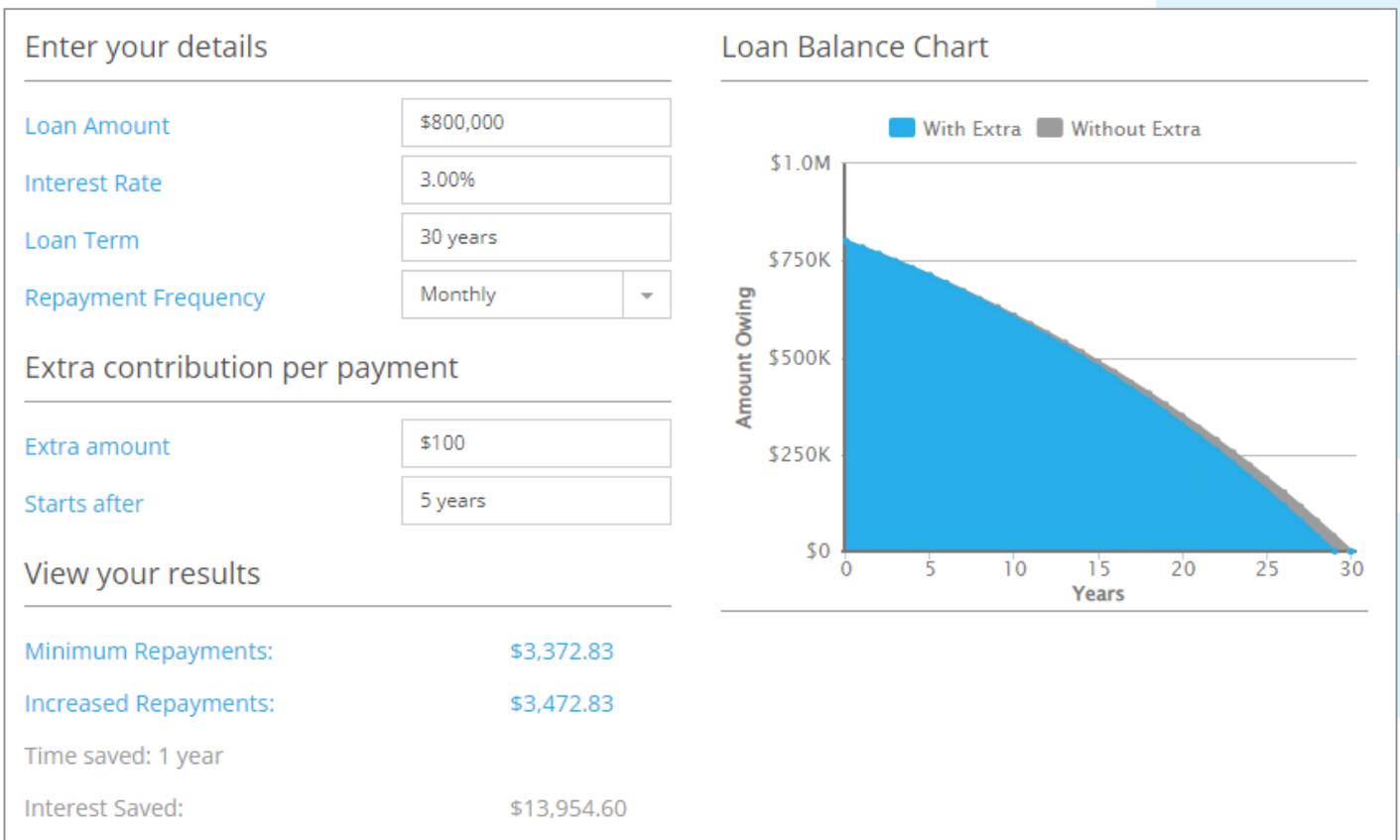
# 04

If your earnings increase, then you may want to make extra repayments on your home loan.

When interest rates are low, making extra repayments can save you thousands of dollars in interest and pay off your home loan faster.

Using the extra repayment calculator, we see that if you pay an extra \$100 each month, then you save almost \$14,000 in interest and pay off your home loan a year earlier.

Most fixed home loans either do not allow additional repayments or place a cap on how much you can repay each month. If the option to make repayments is available, however, using it will save you money in the long run.



# Debt Consolidation

# 05

If you have several debts to repay, then rolling them all over into a new home loan is another use for refinancing.

When you [consolidate your debts](#), you put them all into your home loan, so that you make just one repayment, at one interest rate, on all your debt. You will lower your total monthly debt repayment this way, as interest rates are usually lower on mortgages than on personal loans or credit cards.

## An Example:

Type Of Debt/Frequency Of Repayments	Amount
Home Loan	\$500,000
Monthly repayments	\$2,245 (3.5%)
Personal loan	\$10,000
Personal loan monthly repayment	\$193 (6%)
Credit card	\$5,000
Credit card repayment	\$150
Total debt	\$515,000
<b>Total monthly repayments</b>	<b>\$2,588</b>

Details	Amount
New loan amount	\$515,000
<b>Monthly repayments</b>	<b>\$2,035</b>

This saves \$553 each month, while helping you manage your debt.

**Caution:** Debt consolidation adds to the total amount owing on your loan. That means your loan term may be longer, which means a greater cost over the life of the loan. Other ways to lower your debt burden include:

- Try to make extra repayments so you can pay off the debt faster
- Cancel credit cards that are relatively small
- Do not fall into more debt in the future

# Is Refinancing Worth It?



While refinancing can cost more money at first, your long-term savings usually outweigh the [cost](#) as long as you make sure to find the right home loan deal.

## What Are The Costs Of Refinancing?

- A home loan application or establishment fee anywhere from \$500-\$1,000 may apply.
- Upfront switching fees can range anywhere from \$1,000-\$2,000.
- Exit fees have been banned by the government but can still be applied if your mortgage has been with the same lender since before 1 July 2011; these fees cost about \$350-\$395.
- The lender may charge a final discharge fee, termination fee or settlement fee, ranging from \$150-\$400.
- The lender will charge you about \$400-\$500 to perform a professional valuation of your property.
- Break costs, or fees for early termination, deferred establishment or early discharge typically apply when you refinance within a fixed-term period and they total upwards of \$400.
- Stamp duty may apply if you increase your mortgage for [equity release](#) purposes.
- [Lenders Mortgage Insurance](#) applies if your new mortgage is for more than 80% of the property value.

## Other Costs You Need To Consider

- Some lenders charge account keeping fees of \$100 or more a year, particularly if you're on a professional package with an offset account or you have an [investment loan](#).
- Some lenders charge \$50 or more for each withdrawal from a redraw facility, while others don't charge any fee.



## Is it Worth Paying The Break Costs?

Depending on how much you stand to save by switching to a [cheaper interest rate](#) with another lender, it may be worth paying the break costs.

Speak to one of our mortgage brokers today to calculate your long-term savings from a cheaper interest rate, rather than waiting for your fixed term to end first. Try our [break costs calculator](#) to get an idea of how much your break costs will be before talking to our mortgage broker.

Alternatively, fill in our [online enquiry form](#) to discuss your refinancing plans or call one of our expert brokers on 1300 889 743 today!

## Do You Qualify for A Refinance Rebate?

A number of major banks and lenders offer [refinance rebates and cash back](#) if you move your current mortgage over to them.

**Note:** You usually have to move quickly, and specific requirements apply.

## Experts At Refinancing

At Home Loan Experts, we take care of the legwork, so refinancing is straightforward and easy for you. We will refinance your home loan to a competitive rate, so you save throughout the life of the loan. Call us on **1300 889 743** or [enquire online](#) today.

# Contact us



## Head office location

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**Fax:** +61 2 9475 4466



**Receive a call back** within 24 hours by filling in our online assessment



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