



WHEN WOULD I REFINANCE MY MORTGAGE?

Whenever it makes financial sense to do so

Heard about mortgage refinancing? In the past, most people who took out a mortgage doggedly continued with it until they had paid it off. These days, people refinance their mortgage much more frequently. The average duration of a home loan in Australia now is just 4-5 years. Here we look at some of the reasons people in Australia refinance their home loan.

Lower rates

The most common reason for people to refinance their mortgage is to get a better deal. But be careful you don't become interest rate-fixated. When you refinance your home loan, you need to consider fees and charges as well as the interest rate. You often have to pay charges for exiting your current home loan, plus charges for taking out the new mortgage. You need to be sure that in refinancing your home loan that you'll be better off in the long run after taking into account all costs.

More flexibility

Many people only discover the full details about their mortgage when it's too late. They try to do something and get told by their lender that either they can't do it, or they will incur a hefty charge if they do. An example is a redraw facility – the ability to pay extra money into a mortgage and then redraw it later. This feature is not possible with a basic home loan, so many people refinance their mortgage to give themselves this sort of increased flexibility.

Renovation

If you carry out renovations, it often makes sense to refinance your mortgage and take out a construction loan so you only pay interest as building progresses. Once construction is over, it might make sense to refinance your home loan again so that you consolidate the total amount you owe into a loan that minimises your interest bill, while giving you a degree of liquidity.

Home equity

Over recent years in the property market houses have appreciated at a significant rate. e.g. a home you bought for \$300,000 five years ago, might now be worth \$500,000. Refinancing your mortgage with a home equity loan might let you tap into that extra \$200,000 equity.

Defaulting

Some people find they have borrowed more than they can comfortably repay, and they're in danger of defaulting. There's no shame in that. But don't suffer in silence. If you're having trouble making your mortgage repayments, talk to your MFAA member about refinancing your home loan to make it more manageable.

Talk about mortgage refinancing with us today by calling 1300 857 762.

