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Guide To Refinancing

WELCOME

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Life doesn't stand still, nor does the property loan market.

Life throws up challenges and rewards us with opportunities. Babies arrive and children age in the blink of an eye. Our perspective and priorities change. And as they do, it makes sense to ensure that your property loan is keeping up with your life and giving you all the flexibility, features and value that it should.

If you're thinking about refinancing, congratulations, you've come to the right place!

There are many good reasons to consider refinancing – starting with a better rate, more flexibility to build your investments or simply owning your home sooner. We think anytime is the right time to give your property loan a health check, especially if you've had your current loan for a few years, your circumstances are changing or you're looking to improve your financial situation. It can be easy to put 'refinancing' in the 'too hard and costly' basket. We'd be very pleased to show you it doesn't have to be. Spending a little time with an expert broker could be the best investment you could make. It's an easy way to find out how your propety loan could be working harder for you.

Your broker can show you how changing your property loan could change your life! We can save you valuable time by searching and comparing hundreds of loans from over 30 leading lenders including the big banks and other financial insitutions. And remember, we get paid commission by lenders which means our expertise is at no cost to you.

Let's start making plans.
Visit **www.FinanciallySorted.com.au** or call 03 9888 3175

How refinancing could work for you.

There are many good reasons to consider refinancing:

Get the latest loan features.

Life doesn't stand still and nor does the property loan market. Lenders are constantly introducing new loan features and packages. Maybe you're missing out on ways to make your property loan work harder for you with features such as:

- Flexible repayments — if you can pay a little extra without being penalised, you could save on interest and own your home sooner,
- Redraw — withdraw any extra repayments when you need a little cash,
- Flexible rate options — switching between variable and fixed rates or splitting your loan, may help you manage your mortgage as interest rates move,
- Portability — Can your loan move with you? This could make life easier down the track and help you save on fees, and
- Repayment holiday — some loans give you the ability to take a break from repayments or switch to interest-only payments for an agreed period. Great if you're having a baby or taking an extended trip.

Find a lower rate.

While a great rate alone shouldn't be the only factor in choosing a property loan, it can certainly make a move worthwhile. The mortgage market is always competitive and with thousands of loans from many lenders, your broker may be able to pinpoint a better deal for you. As your life situation changes, perhaps you're paying for features you don't really use or need.

Consolidate other debts.

Some loans will let you fold other debts such as credit cards or personal loans into your property loan. You'll be saving with a property loan rate that's usually much lower than other credit and only have one set of paperwork to deal with.

Unlock your home equity.

You could be sitting on the funds for your next investment. If your home is worth more than the balance on your loan, then you have home equity. Refinancing could let you unlock that equity to invest in shares, managed funds or even your next property. Equity can also be used to invest in other things that are important to you — paying for your children's education, renovating your kitchen or even going on a holiday. Of course, borrowing to invest (also known as gearing) is not without its risks — see the pros and cons on the next page. Your broker will be pleased to discuss your goals and we'd always recommend you speak with your financial advisor or accountant before you decide it's the right move for you.

Borrowing to invest. Is it for you?

Pros:

- It gives you greater buying power, whether you're looking at a share portfolio or an investment property, and
- Returns are magnified if your investment rises in value, and
- The interest charged on money borrowed to invest is usually tax deductible, and
- Your investment may provide additional income.

Cons:

- Even if your investment falls in value you'll still have to pay off the loan, and
- Losses are magnified if your investment falls in value, and
- Your investment returns should be higher than your loan interest rate to provide long term benefits, and
- Even if your investment fails to deliver regular returns, you still need to meet your loan repayments.

Knowing your borrowing capacity.

If you're thinking of refinancing and increasing your borrowings, lenders will be looking for many of the same things you had to provide when you applied for your current property loan. Needless to say, you need to know how much you can afford to repay each month. That's why it's essential to consider all your current and future outgoings to be sure you're not over-committing.

To decide how much you can borrow, lenders will typically consider:

Your income — which should comfortably cover all your living costs as well as the repayments on your new loan, and

Your repayment record — how you've managed your past financial commitments, including your current property loan repayments, and

Other financial commitments — personal loans, credit and store cards, car repayments, hire purchase agreements, etc, and

Your living costs — including but not limited to household bills, council rates, strata fees, transport and petrol, school fees, entertainment, insurance — they all add up! When you deduct all of these expenses from your take home pay, you're looking for a figure that will comfortably cover your repayments and give you some room to move too. There are always unexpected costs down the track and your lender may even want to see that if interest rates go up, you could comfortably meet the higher repayments.

Your choices at a glance.

So which loan type might work for you?
Let's look at some of the pros and cons of each.

Fixed.

- The interest rate is fixed for the term you choose — usually anywhere from 1-5 years. It may be higher or lower than then prevailing variable rate at the time and may vary depending on the fixed term you select.
- Your repayments will stay the same for the fixed period of time you select.
- Fixed repayments make it easier to budget, though may limit the opportunities to pay more off your loan.
- If you want to switch to a variable rate or refinance, you could be asked to pay 'break charges'. These can be costly.
- Some, but not all, fixed rate loans will allow extra repayments up to a set amount each year. Some also offer a redraw. facility.

Variable.

- The interest rate can vary as factors such as the official cash rate can have an impact. It can be higher or lower than fixed rates.
- As interest rates change, your repayments may fluctuate up or down. You need to be sure you could cope with rising rates and higher repayments.
- You can usually make extra payments to help pay off your loan sooner.
- Since 1 July 2011, exit fees have been banned on variable loans taken out after that date.
- There is usually no limit to the extra payments you can make and typically no extra charges.

Split.

- One part of your loan will have a fixed interest rate while the other may fluctuate with the market.
- Only the variable part of your loan will be impacted by any rate rises or falls. Your fixed rate repayments remain the same throughout the fixed term.
- You generally have some flexibility to make extra repayments, balanced with the reassurance of fixed repayments. Most lenders provide flexibility in setting the fixed and variable portions to best suit your needs.
- You can access loan features like redraws and extra payments while the fixed portion gives you a little more certainty around your long-term budget.

Other loan types to understand.

Your choices aren't just limited to the interest rate. In addition to those choices, here are some other loan types you are likely to come across.

Basic versus Standard.

'Basic' home loans come with a lower rate by giving you fewer features (and maybe less flexibility) than a 'standard' loan. The definition o f ' basic' varies between lenders, so it's worth checking that a basic loan won't limit your ability to make extra repayments and pay off your home loan sooner. You only want to pay for features you're actually going to use, but keep in mind that the cheapest loan isn't necessarily the one that's right for you. Your broker should always be able to explain to your more.

Offset.

If you have some extra cash or 'rainy day' savings, you may be able to put that money to work for you. A savings or transaction account can be linked to your home loan and a positive balance can offset your outstanding loan balance to help reduce your interest. For example, say you have $20,000 in your linked offset account and an outstanding loan amount of $350,000. Instead of receiving interest on your savings, your monthly interest repayment will be calculated on a loan balance of $330,000. It can be a powerful way to lower your repayments and pay off your property loan sooner.

Package loan.

Also known as an 'ongoing discount' loan, a package loan bundles your home loan with other financial products such as a transaction account and a credit card, often with fee waivers or discounts. Packages may also offer a discount on the interest rate that usually applies for the life of your loan. An annual package fee may apply so you need to be confident t hat any fee waivers and the rate discount outweigh the cost of the package fee. Your broker will show you how a package loan could work for you.

When you have some equity in your home, a line of credit could let you tap into that equity.

Unlike a traditional home loan, a line of credit doesn't provide you with funds in one lump sum payment. It gives you access to funds up to your pre-approved limit with the freedom to withdraw the money when you need it – for home improvements, investing or even a holiday. Think of it like a credit card with a big limit with your home as the security. You only pay interest on the funds you actually use but keep in mind that at some point you'll need to repay the principal amount, too.

Weighing up the potential costs of refinancing.

While refinancing should deliver the combination of flexibility, features and savings that's just right for you, it's important to ensure that the benefits will outweigh the potential costs.

Here are some costs you may need to consider:

Borrowing costs.

While they are not charged by all lenders and some may be negotiable, you may need to think about these costs:

- Loan application fee – usually charged when your loan settles,
- Valuation fee – the lender may charge to have your property valued, or
- Settlement fee – your current lender may charge a fee for the payout of your current mortgage. Your broker can advise what, if any, costs may apply to your loan.

What does the refinancing process look like?

Your local broker will be with you every step of the way to help make refinancing as straightforward as possible... and to make sure you get the home loan with the flexibility and features you need with the value you want. There are five key steps involved:

01. Your expert broker will take the time to get a clear picture of your needs and your current situation. With that understanding we can provide options and recommendations that match your needs and even help you complete your application.

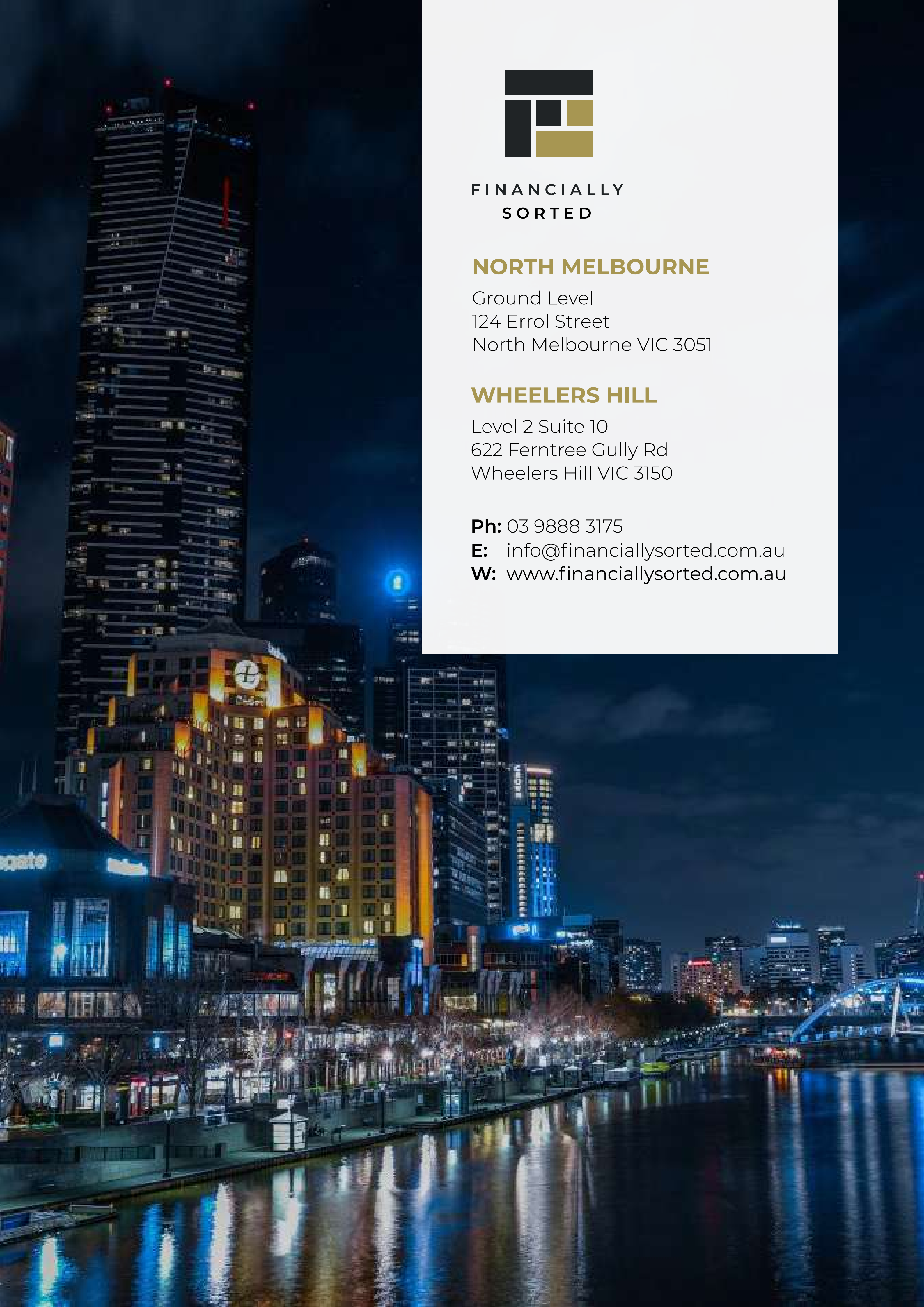
02. Once you're approved for your new loan, you, your solicitor or conveyancer can let your current lender know that you'd like to pay out — or discharge— your current loan.

03. When your current lender knows the exact date of settlement, you'll be given a final payout figure.

04. Your new lender pays out your outstanding loan and title deeds to your property (your security) will be transferred to your new lender.

05. On settlement, your new lender will lodge a Discharge of Mortgage document with the Land Titles Office in your state or territory. After this, you start making repayments on your new loan.

That's all folks! Five easy steps to flexibility, features and savings with your new home loan. Once you've settled, expect a call from your Broker who'll be keen to know that everything is working just the way you want.



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