



Refinancing

Your step-by-step guide

Equipping yourself to make the right decisions.

Refinancing to a lower interest rate on your home loan can save thousands of dollars over the course of your loan. Sometimes, it might also be the easiest way to get money to renovate your home.

1 Current mortgage - understanding what you have

It's essential that you're aware of your current position. Take the time to find out what your current mortgage balance is, what interest rate you're paying and what other features and benefits are available to you. These may include a redraw facility or the ability to apply for a credit card with no fees. While looking at your current mortgage, talk to your lender and ask them for a payout figure. The figure will include any accumulated interest charges, discharge fees and any other fees that may apply.

2 Credit report - understanding your credit history

To better understand your full current position, request a copy of your credit report. Your credit report is an important piece of information that a lender will look at before deciding whether to approve your home loan. Once you have your credit history, look at what you can do to improve it, such as paying down or contesting any debts.

This will help improve your chances of having your home loan application approved.

3 Current property value - understanding what your home is worth

Try working out approximately how much your home would be worth on the market. This is useful because it can mean a better rate if you have a lower loan-to-value ratio (LVR). Speak to your local real estate agent and look at similar properties in the area to see how much they are being advertised for.

4 Do your sums - understanding the amount of money you need

It's important to work out how much you want to borrow for your refinance and whether doing this will make financial sense for you after the costs involved. You will need to borrow enough to pay off your existing loan. If you're raising cash for renovations or consolidating other debt into your home loan, add this to your total. You may also like to add any fees or charges covered in the loan amount as well. Add up the amounts to reach a total loan figure that you are likely to require. Then divide this number by the approximate value of your house. This will give you the LVR.

5 Homework and research - understanding your needs

Do a little homework and think carefully about what type of mortgage you need, especially if your current home loan is not working the way you would like.

6 Comparison - understanding your options

Spend time using one of the many comparison sites online and look for the type of mortgage you would like. From the comparison tables, you'll get an idea of the types of products on the market and the types of features you can expect, along with fees and interest rates. See if you can narrow down your search to a few favourable lenders.

Save some time and hassle. Contact a specialist broker who will do all the hard leg work for you and come back to you with the most competitive options for your needs.

7 Broker assistance - understanding your broker's role

A mortgage broker puts in a lot of work behind the scenes and can save you time, effort and plenty of stress at a time that can push you to the limit. A broker will have access to hundreds of home loan product options with a wide range of lenders and credit providers across Australia. They'll be able to show you at a glance what rates and fees apply for the loan type you are interested in.

8 Paperwork - preparation is key

All lenders will require very similar documents to proceed with an application to refinance your home, so it pays to get this out of the way. A mortgage broker can help you to gather all the correct paperwork so the application process runs smoothly.

9 Application - begin the process

Once you've chosen your preferred lender and your paperwork is in order, it's time to begin the application process. If you're going to the lender directly, you'll need to complete their application form. If you've decided to get a mortgage broker's assistance, they'll ask you for the required documents and submit the application for you.

10 Valuation - knowing your value

When your application has been conditionally approved by the lender, the lender will arrange for your home to be valued. Lenders conduct their own valuation to ensure they are happy with the value of the property. Provided your loan amount is within the lender's allowable LVR compared to your home's value, your application will proceed to the next stage.

11 Mortgage documents - the formal approval

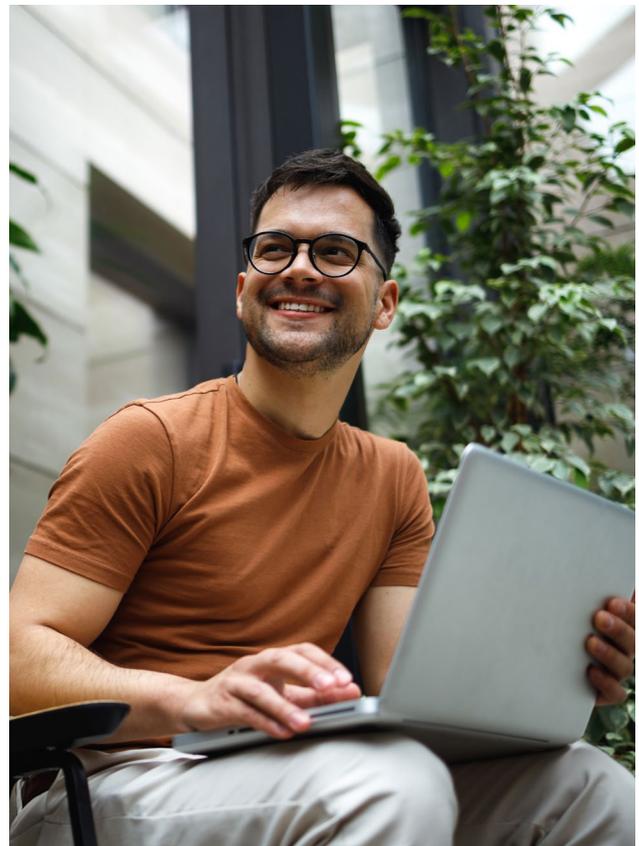
After the valuation is complete you'll be given formal loan approval. The lender will issue the loan contract that outlines the terms and conditions of your loan, this will include any fees and charges that may apply.

12 Certificate of currency - the cover

It's important that you make your current home building insurer aware that you are changing mortgage provider as the name of the interested party will need to be updated to your new lender. Ask them to send you a copy of the updated Certificate of Currency.

13 Settlement day - refinance success

On settlement day the funds will get drawn down for the new home loan, which means the funds for your new home loan will pay out your old home loan so that account can be closed. When this is complete, you have successfully refinanced your home loan.



Important information

The information contained on this document is general information. It does not constitute legal, tax, credit or financial advice, and is not tailored to a borrower's specific circumstances. Home buyers should consider their own personal circumstances and seek advice from their professional advisers before making any decisions that may impact their financial position.

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