

Refinancing - tips & traps

November 2016



If you haven't had an independent review of your property loans in the last few years, there's a high probability you are currently paying more than you need to.

Residential real estate owners in Australia currently sell their properties after an average 7.5 years of ownership. Residential property finance borrowers currently discharge their loans after an even shorter average period of just 4 years. Which means, there's plenty of refinancing going on.

Like betting on a horse race

Refinancing is a bit like betting on a horse race, you might back the short odds now only to find that your choice doesn't win in the long run. There's actually no such thing as the "best" home loan, because the "best" loan today may not be the "best" loan for you in a few years from now.

Lenders can change their standard variable rate (SVR) however they want, and a good discount off a fantastic SVR today may not equate to a fantastic "all up" rate in a few years from now. It's simply the law of economics, no single lender can afford to offer the lowest home loan rates all the time.

Don't sweat it, there's a way to make sure your home loans stay competitive and that's by having an independent credit advisor review your loans at least every 2 years. It doesn't cost you anything and there's no obligation.

There's strength in numbers

The term "there's strength in numbers" applies more to a review of your loans than anything else, but only if the numbers are detailed enough to help you make an informed decision about the most suitable loan refinance product for you.

A loan Product Comparison is not just about interest rates, it's also about; your current and future objectives, the loan features that may help achieve your objectives, the effect of loan features on product costs, and entry & exit fees that may be incurred at different points in time. Most importantly, a Product Comparison will take all the loan products you have selected and compare their "all up" costs over varying periods of time.

The power to negotiate

A loan Product Comparison results in 1 of 3 outcomes; no change, a refinance or a re-negotiation with the existing lender. Whatever the outcome, the benefits should outweigh the costs to you over an agreed timeframe.

Matt Deegan of Unity Finance says, “Of course we like helping borrowers save significant amounts of money through refinancing, however it’s not always achieved through refinancing. Great client outcomes are sometimes achieved when our detailed Product Comparison provides the evidence and power to negotiate a better deal with an existing lender. The thing is, if borrowers don’t have an independent review they may never know what’s possible”.

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