

# Fact sheet

# Refinancing

## What is refinancing?

Refinancing your loan means you are switching to a new loan, usually with a new lender. You essentially pay out your old loan with the money from your new loan.

## When should you refinance?

One common reason for refinancing is a change in plans or circumstances; you may be able to access a loan that is more suitable for your new situation. For example, perhaps you are renovating or building, looking to invest or buy another property, wanting to reduce your interest and/or loan repayments, or going through big life changes such as marriage, divorce or moving. Alternatively, you may want to access a loan that offers a better financial outcome for you than your existing loan.

## How can a refinance help you?

You may be able to:

- access a lower interest rate and save interest over the term of your loan
- access loan features that are more suitable for your current circumstances, such as an offset account or unlimited repayments, redraw facilities, a higher Loan to Value Ratio (LVR) or a fixed rate
- access lower fees, better customer service or a better online or mobile interface
- consolidate your debts to simplify your budget and save money
- access a bigger loan amount or a different type of loan

## What to consider when refinancing:

- **Fees.** Be aware of the potential fees involved in refinancing – such as discharge fees, application fees, valuation fees, land registration fees, Lenders Mortgage Insurance and new loan fees – as these can negate the financial benefits.
- **Return on investment.** If you are refinancing to increase your loan for the purposes of investing (including shares, property or a home renovation), make sure your return on investment is more than the cost of the additional interest of your new loan.
- **Long-term debt.** Avoid turning short-term debts (such as credit cards) into long-term debt by ensuring your new repayments are set up correctly.
- **Default.** If you are transferring debt onto your home loan, make absolutely sure you can make the new repayments – if you default, your home could be at risk.

## Get expert advice

The objective of a refinance is to move to a loan that will improve your financial position, or is more suitable to your personal situation. In some circumstances, you may not be able to get a better deal on a new loan and may be better off with your existing loan. Refinancing can be complicated as there are many things to consider, so it is highly recommended you refinance through your Smartline Adviser. They can assess your personal circumstances and help you determine if a refinance is right for you.

## Need more information?

This sheet provides general information only and everyone's circumstances are unique. Please refer to your Smartline Adviser for more details and personalised advice.