



The Benefits of Refinancing Your Home Loan

Buying a home is usually the most expensive purchase that people will make. Depending on the size of the deposit saved towards the purchase, it is likely that a home loan is required to complete the purchase.

Typically, once a home loan is in place people tend not to review their mortgage to take advantage of the deals available on the market. Refinancing has a perception that can seem time consuming, overwhelming, and difficult. However, refinancing does not have to be like this if you have a mortgage broker that is willing to act in your best interest and to make this process as simple and seamless as possible to get the best outcome for your situation. Here are some reasons to consider refinancing your home loan.

Save on Interest Charges

This is the most common reason for borrowers to want to switch from one loan to another. You may be able to save money by transferring to a mortgage that comes with a lower interest rate than your current loan. Would you want to pay a higher rate to a lender if you didn't have to? By refinancing you can have the saved interest in your pocket instead.

Lower Repayments

With a lower interest rate, your monthly repayments will decrease. However, do take note that opting for lower repayments will usually mean a longer loan period. The longer it takes to finish paying up the debt, the higher the accumulated interest you'll pay.

Lengthen (or Shorten) Your Loan Period

Refinancing can extend the life of your mortgage or cut it shorter – it depends on what suits your circumstance. It doesn't always mean looking for a reduced interest rate; it can also be used to make use of a much higher repayment rate (if you can afford it), so that you won't have to be tied up to your loan for, let's say, 30 years. It's possible to cut it down to 15 years.

Make Use of Your Home Equity

Home equity is the difference between the market value of your home and what's still remaining to be paid on your home loan.

For example, if your property is worth \$800,000 and you have a total of \$500,000 remaining balance on your loan, your home equity would be \$300,000.

The value of your home equity is the amount that you could potentially have access to should you choose to refinance. Assuming you have a sufficient level of equity in your home you can use this value as security for a loan for other big ticket purchases and investments such as renovating your home, paying for your education costs, or simply use the funds for a redraw for any unexpected emergencies.

Streamline all your debt into one loan

Debt consolidation is another benefit that can be completed upon refinancing. For example if you had existing credit cards, a car loan and a home loan you could refinance your home loan and consolidate all other debts into the one loan, in one package, with one interest rate. This will make it easier to manage going forward.

If you would like to discuss your personal situation and circumstances do not hesitate to contact a Nexia Adviser for more information.



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