Learn about refinancing your home loan and how it can save you money

By replacing your home loan with a new one, you could take advantage of a better deal

Even if you secured a competitive package when you first took out your home loan, it's worth reviewing each year[1] to ensure the interest rates, fees and features continue to meet your needs.

By refinancing you may be able to pay off your home loan sooner.

What is refinancing?

Refinancing is where you replace your existing home loan with a new one that's ideally more cost-effective and flexible.

It may involve changing your home loan product with your current provider, but often it will mean switching to a different lender who can offer you a better deal[2].

Why should you refinance?

Some of the reasons you may look to refinance include:

1. **You want to pay less.** If you can find a lower interest rate, you could save money and reduce your repayments. Even a 0.5% reduction on your interest rate could save you tens of thousands of dollars over the life of your loan.
2. **You want a shorter loan term.** When interest rates are down, you may be able to reduce the term of your loan—from 30 to 25 years for instance— without too much change to your repayments, meaning you may be able to pay off your home loan sooner.
3. **You want access to better features**. You may be looking for further cost savings and greater flexibility with the help of added features, such as unlimited additional repayments, redraw facilities, an offset account or the ability to tap into your home equity.

4. **You want a better deal, more flexibility or security**. Converting to a fixed, variable or spit-rate interest loan may provide you with these things.
5. **You want access to your home equity.** Equity can be used to secure finance for big ticket items such as an investment property, renovations or your children's education. This can be risky though because if you don't make the repayments, you could lose your home as a result.
6. **You want to consolidate existing debts.** If you have multiple debts, it could make sense to roll these into your home loan if you're diligent with your repayments. This is because interest rates associated with home loans are generally lower than other forms of borrowing.

What you need to think about when refinancing

Do you know what you want?

If you're looking to refinance, do you know what you're after-a lower interest rate, added features, greater flexibility, better customer service or all of the above? It's important to determine these things so when you're researching other loans, you know exactly what you're after.

Do the financial benefits outweigh the costs?

You might be able to save money over the long term by refinancing, but the upfront costs can still be expensive. For this reason, it's a good idea to investigate where costs may apply, or be negotiable—think discharge fees, registration of mortgage fees and break costs if you have a fixed-rate loan[3].

Also think about application costs if you swap lenders—establishment fees, legal fees, valuation fees, stamp duty, and lender's mortgage insurance if you borrow more than 80% of the property's value[4].

Have you spoken to your current lender?

Before you jump ship, it may be worth a chat with your current lender as they might be willing to renegotiate your package to retain you as a customer.

Has there been any change to your personal situation?

An application process if you want to refinance will apply. This means your lender will take into account things like your employment situation, additional debts you've taken on, or if you've got a growing family as all these things can impact your borrowing potential.