

5 REFINANCING CONSIDERATIONS

1

How does refinancing tie into my long term plans?

Before you read any further, make sure you're clear on your short term, medium term and longer term financial goals and how you're progressing toward them as of right now. Your goals six months ago will be different from the goals you have today. A regular review and refresh of your financial goals is part of your property investor job description.

2

What questions should I ask my mortgage broker?

Apart from reviewing your financial and lifestyle goals and your progress to date, you'll also need to ask your mortgage broker the following questions:

- What are the best interest rates available today?
- Of those offering the best interest rates, which offer the best loan product features?
- Of those loan choices shortlisted, what are the exit costs?
- What does my current lender offer to fix my interest rate for a while?
- Are there any decent incentives on offer that may make it worth my while to switch lenders?

3

How will a fixed rate help me achieve my financial goals?

If you get the timing just right and can land a better fixed interest rate than your current variable interest rate loan, then you'll gain immediate cash flow benefits. Often the fixed interest rate is higher than the current variable rate, but fixing the rate is your insurance against the variable interest rate going up. In a climate where interest rates are at an all-time low, it may be worthwhile considering locking a lower rate in for a while.

4

What are the fees associated with switching loans?

If you're looking at locking in to a fixed interest rate loan, be aware that there is usually a fee involved with locking a rate in and you'll need to factor this in, along with the period of time you can fix the rate for. Check the break fee too in case you decide to sell your property during the fixed interest rate term.

5

Think beyond the interest rate.

While the cheapest interest rate may appear to be an attractive option, don't overlook mortgage features that can support your financial goals. For example, does the lender offer:

- An offset account?
- Redraw facilities? Consider the limits and fees associated with a redraw facility.
- Interest only loan products?
- A fixed interest rate with an offset account?

It's really important to apply common sense here too. If overall you're only going to end up with a .25% interest rate improvement, are the benefits really worth the hassle?