

# Refinancing 4 Reasons Not To



There are plenty of good reasons to refinance, just as there are plenty of good reasons not to. Refinancing won't suit everyone all of the time, so here's 4 rules-of-thumb for why you might be better off staying where you are.

## 1. You won't own the property for much longer

When you take into account the costs of refinancing, you want to be sure you are in your property long enough to enjoy the benefits. Use an online refinance calculator, or ask your mortgage broker, to help figure out how long it will take for the refinancing to pay for itself based on how much you will be paying in upfront costs and exit fees (lenders are not allowed to charge exit fees on loans taken out after 30 June 2011 unless it is a fixed rate loan).

## 2. Change in financial situation

Since you initially obtained your mortgage you may have had a baby or moved to a freelance job, life events that can reduce your borrowing power in the eyes of the lender. A credit file showing late bill payments or outstanding debts may also impact your chances.

## 3. A small reduction in interest rates

If you are happy with your existing loan and lender, but are keen to refinance based on a small reduction in interest rates, you may find that a better option is to first talk with your existing lender. Some lenders are happy to waive fees and reduce their rates to keep customers, particularly if you have a positive history with them.

## 4. Lower interest rate but higher fees and charges

A lower interest rate does not necessarily mean the home loan will be cheaper than the one you already have. Fees and charges outlined in the fine print can more than make up for the lower interest rate, so be sure to check the comparison rate and compare apples with apples. Also think about what valuable features you might be giving up by the switch, such as an offset account or the ability to make extra repayments.



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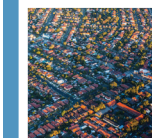
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**INVEST NOW,  
STUDY SHOWS**



**6 HOME LOAN  
FEATURES YOU NEED  
TO KNOW ABOUT**



**HOW TO INVEST IN  
PROPERTY INTERSTATE  
WITHOUT GETTING STUNG**



**REFINANCING:  
4 REASONS NOT TO**

Have you found a place to live that feels just right for you - maybe it's a chic apartment on the beach. Maybe it's a quaint cottage with a picket fence. A townhouse that is close to everything. Or an exclusive retreat in the best suburb.

If you're lucky enough to have found that special place, hold onto it tight. If not, keep looking, saving and dreaming until it's within your grasp. A place to call your own and a home that ticks all the boxes - it's this alluring promise that makes property such a hot commodity for so many Australians.

The Property Investment Sentiment Survey - outlined below - provides an insight into the popularity of property investment, with 58% per cent of respondents looking to buy a property in the next 12 months.

Enjoy this newsletter and feel free to pass it on to family and friends.

# Invest Now, Study Shows

There's no better time than now to invest in residential property. That's the message from more than 1,000 Australian property investors who took part in the 2016 PIPA Property Investor Sentiment Survey.

Up by five per cent on last year, 70 per cent of respondents think now is a good time to invest in property. Undeterred by media focus on negative gearing and price bubbles, investors prefer to view property as part of a long-term investment strategy.

Brisbane remains an attractive property market for investors, with 50 per cent believing it offers the best investment prospects. Although suffering an 8 per cent drop in popularity compared with last year,

Brisbane still remains far ahead of any other capital city (Melbourne 20%, Sydney 11%, Adelaide 9%). Refer to page 3 article 'how to invest in property interstate without getting stung' for advice about looking beyond your home state for investment opportunities.

The benefits of using a mortgage broker are clearly demonstrated in the survey. Some 65 per cent of respondents secured their last investment through a broker and 71 per cent plan to use a mortgage broker for their next investment loan.

Helping to securing appropriate finance and the best home loan deal is all part of the value that investors have come to expect of mortgage brokers.



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We're a member of the Mortgage & Finance Association of Australia (MFAA), the peak industry body. As a member, we adhere to the industry Code of Practice which requires high standards, fair business practices, ethical behavior and compliance with the letter and spirit of relevant laws and regulations.



# 6 Home Loan Features You Need to Know About

You wouldn't buy a car without considering features like parking sensors, cruise control and Bluetooth, just as you wouldn't choose a home loan without taking into account its features.

The trick is deciding what will add value, and what you can do without. Some features offer potential savings, while most others provide the certainty of added convenience and flexibility. As your mortgage broker, we can help explain the pros and cons of features like the following.

## 1. EXTRA REPAYMENTS AT NO EXTRA CHARGE

The ability to pay extra on top of the minimum repayment could reduce your loan principal and interest, helping you pay off your home loan quicker.

Be sure to check that unlimited extra repayments come at no charge – some loans will cap the amount you can repay or will charge you a fee for paying off the loan early.

## 2. REDRAW TWO BENEFITS IN ONE

Redraw gives you the ability to make additional payments towards your loan, with the added bonus that you can access this cash. This enables you to reduce the amount of interest you pay, with the security of knowing the money can be withdrawn if required.

Not all redraw facilities are free, some lenders charge a fee and impose limits on the amount you can withdraw.

## 3. OFFSET ACCOUNT REDUCES LOAN INTEREST CHARGE

This is a transaction account linked to your loan that uses your savings to 'offset' your home loan balance. You pay interest on your home loan balance minus the amount in that account, which means that every dollar you leave in a 100% offset account reduces interest due.

Depending on the type of loan you choose, you might want to consider a full (100%) or partial offset.

## 4. PORTABILITY LESS HASSLE WHEN MOVING HOUSE

Allows you to take the loan with you when you sell your home and purchase a new one, which means you can avoid costs like break fees (if you have a fixed rate loan) and application fees.

## 5. SPLIT FACILITY GREATER CHOICE

A split features allows you to allocate a portion of your home loan to a fixed rate and another portion to a variable rate – you can usually choose what portion to split.

## 6. REPAYMENT HOLIDAY RELIEF WHEN YOU NEED IT MOST

The conditions vary from lender to lender, but the general idea of a repayment holiday is to provide a break from repayments. This can help you out of a tight spot but keep in mind that interest will keep accruing on your loan while you're not making repayments.

FINANCE  
FOOTNOTES

Credit cards often have very high interest rates.

If you have **credit card debt**, it may be wise to use equity in your home loan to pay your credit cards off, saving you considerable money. Talk to your broker about this today.

Did you know there is **\$1.2 billion dollars of lost super** and unclaimed money in Australia? Moneysmart makes it easy to search and find any unclaimed money you may have, check it out here:

<https://www.moneysmart.gov.au/tools-and-resources/find-unclaimed-money>.

## Did you know?...

The process for buying a property is slightly different in each state and territory.

Costs can vary, particularly when it comes to government charges like land tax, stamp duty and registration fees. There are also differences in offer and acceptance procedures and the length of 'cooling off' periods.

# How to Invest in Property Interstate Without Getting Stung



We often get asked whether investing in interstate property is worth the risk. Tales of property spruikers and the hassles of buying in an unfamiliar area have turned many investors off looking beyond their home state.

While it's true that there are traps for unwary investors, there are also a number of very good reasons to buy interstate. As the property market cycle can move differently state by state, when properties are slowing down in some states, in other states they may be growing. By diversifying your assets to include interstate properties, you could expand your potential to enjoy strong capital growth and healthy rental yields.

As with any property investment, research is the key to making a success of your interstate purchase. Start by reading these four strategies and speak to us if you need professional advice – such as which investment property loan is right for your needs.

## 1. RESEARCH THE FULL PICTURE

Strike the right balance between doing your own internet research and talking to industry professionals. The more research conducted from a variety of sources, the more likely you are to gain an understanding of both positive and negative aspects of the property.

Internet searches, property reports, virtual property tours, buyer's agents, real estate agents and other investors are all valuable ways to find out whether this property is likely to perform.

## 2. FACTOR IN THE COST OF A PROPERTY MANAGER

You might not think you need a property manager, but it's wise to factor in the cost upfront. Screenings tenants, conducting inspections and organising repairs has its challenges when the property is nearby, let alone thousands of kilometres away. Including the fees of a property manager in your budget will ensure you are prepared should you choose not to self-manage.

## 3. VIEW IT AS A LONG-TERM INVESTMENT

Look not just at the qualities of a property but instead hunt for suburbs that show potential for capital gain and rental growth over a longer period. Positive signs include strong rental demand, population growth, adequate transport links, shops, schools and planned developments.

## 4. CONDUCT BACKGROUND CHECKS ON THE PROFESSIONALS YOU HIRE

It might not be feasible to make numerous interstate trips, in which case you'll need to rely on local talent such as conveyancers, solicitors, real estate agents, buyer's agents, building inspectors, pest inspectors and property managers. To find people you trust, it's imperative not to be sucked in by sales talk – always request and follow up on references when hiring a professional.