

Mortgage Refinancing



Refinancing is where a client obtains a new mortgage often to reduce monthly payments, lower interest rates, take cash out for large purchases or simply to change mortgage companies. Often people refinance when they have equity in their home, which is the difference between the amount owed to the mortgage company and the value of the home.

Whilst there are many advantages to refinancing your home loan, there are also disadvantages and you should consider both before deciding whether refinancing is right for you.

Advantages –

- Reduce monthly repayment
- Acquire better loan features
- Use equity in your home to get additional cash
- Save money by paying a lower interest rate
- Allows you to consolidate multiple debts into one repayment

Disadvantages –

- If getting cash out this will increase your mortgage repayment and the size of your mortgage and reduce the equity in your home
- May increase or extend the length / term of your mortgage (often resetting to 30 years)
- There may be fees or costs to refinance
- The valuation of your property may come back lower than you expected
- Short term debts consolidated into a refinance are paid out over a longer period of time
- Potentially higher long-term costs of repayment of a loan resulting from extending the loan term
- Default risk on unsecured loans is transferred onto the family home when consolidating debts

Before making a decision on whether this type of loan is suitable for you it is important for you to consider the above information and discuss the suitability of this loan type with your Mortgage Professional.