http://loanselect.smartonline.com.au/how-to-make-a-smart-switch/

Switching home loans could help pay down your mortgage sooner, providing you are refinancing for the right reasons and understand what's involved. Here's our guide to refinancing to help you make the right move when the time comes.

Know the costs

Paying 0.5 per cent less per annum on a $250,000 principal-and-interest mortgage will save you around $23,000 over the life of a 25-year loan1. That's a sizeable chunk of change back in your pocket over the long term, but there are usually up-front costs associated with switching loans, especially if moving to a new lender.

Know the costs of exiting your current mortgage loan before switching. Depending on the type of variable rate loan you have, the lender may apply fees if you choose to bow out. If you are on a fixed rate loan, a cost will usually apply when paid ahead of the agreed timeframe.

You should also factor in any set-up costs for your new loan, which can be several hundred dollars, and any ongoing account fees.

Only once you have factored in all of the associated costs will you be able to assess whether you gain financially by refinancing, and that's where we can help you make the right decision.

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Compare products and service

A lower interest rate is a great reason to switch but it shouldn't be the only deciding factor. Make sure the new loan is flexible enough to meet your needs and help you get ahead as quickly as possible. Some benefits to consider:

- Can you make fortnightly repayments? You could pay off your loan quicker making payments every two weeks instead of monthly.
- Can you make lump sum payments? Any extra repayments above and beyond your regular schedule will shave dollars and time off your loan.
- Does the new loan offer a redraw facility? It's great to stash extra cash in your mortgage to pay it down quicker but if you think you may need it back at some point, make sure your new loan lets you access those excess funds.

- To fix or not to fix? We're still enjoying low interest rates on the back of the historic lows the Reserve Bank of Australia cash rate is at, but make sure with any change you consider you have some wriggle room for if rates do rise. Make sure you're future–proofing at every turn.
- What features are important to you and think about the ones you could do without. Why pay for the bells and whistles attached to a loan if you don't use them? Different features when it comes to technology, service and availability rank differently for everyone, so figure out what's important to you and we'll help you match it with the right product and the right lender.
- Working with us to sharpen the pencil. Just one of the benefits of having us on side when it comes to your finance is our ability to work with the right lenders on the right price when it comes to things like your rate and your ongoing fees.

Switch to save

Many borrowers refinance to consolidate debts, bundling credit card balances, personal loans or car payments into their mortgage, which usually carries a much lower interest rate. The benefit is lower minimum payments on your debts overall, which can be a benefit for cash flow. But that doesn't mean you are saving on your home loan. Try to make the most of the lower rate to knock down the total debt quicker so you are not simply adding to the duration of your mortgage. And make sure you cancel any credit cards once you have transferred the balances into your mortgage so you are not tempted to rack up more debt.

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Direct your debits

If you switch to a new loan, make sure you also switch any direct payments and debits. It's easy to lose track of what's being paid, and how and when. Run through the most recent three months of statements for your original loan to identify any direct payments, and notify the biller as soon as possible so you don't jeopardise your credit rating. You should also give your employer your new account details if your wages are paid directly into your mortgage.

Check your borrowing power

One of the biggest oversights borrowers can make when shopping for the right home loan deal is their current financial situation. Has it changed since you took out your original loan? If the answer is yes, and it's not for the better, you may find your borrowing power has shrunk, which could limit your refinancing options.

You may have: started a family and no longer have two full-time incomes; switched careers and now earn less; started your own business, creating a less regular income stream; accumulated other debt, such as credit cards or car finance; or eroded your credit rating through late payments. Any of these factors can impact your borrowing credentials, and may give you fewer bargaining chips than when you took out your original loan.

Do a thorough assessment of your total income, expenses, outstanding debts and credit rating so you understand your true financial position before shopping around.

Talk to your broker

Take the time and stress out of shopping for a new loan by letting us as your mortgage broker handle it for you, at no cost to you. We have access to multiple lenders with multiple products, allowing us to cast a wider net than you probably can on your own to find a home loan deal that suits your needs and circumstances. Brokers can also often gain access to lenders who are happy to take on self-employed borrowers, or those who don't advertise heavily to consumers, but still offer competitive home loans. The benefits of having us onside are numerous; and the reason that now more than 52 per cent of Australian borrowers use a mortgage broker to arrange their finance.

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