



Monthly Information Newsletter – Tax & Super

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Switching home loans

With interest rates increasing quite rapidly, homeowners are being encouraged to look around for a better deal on their home loan. ASIC has recently released some tips if you are doing so.

Ask your current lender for a better deal

Tell your current lender you are planning to switch to a cheaper loan offered by a different lender. To keep your business, your lender may reduce the interest rate on your current loan.

If you have at least 20% equity in your home, you'll have more to bargain with. Having a good credit score will also help with negotiations.

Compare any loan they offer you with the other loans you're considering switching to.

Negotiate the length of the new loan

Some lenders will only refinance with a new 25- or 30-year loan term. You could end up with a longer loan term than the years left to pay off your current mortgage.

The longer you have a loan, the more you'll pay in interest. If you do decide to switch, negotiate a loan with a similar length to your current one.

Weigh up the cost of lender's mortgage insurance

If you have less than 20% equity in your home, you might have to pay lender's mortgage insurance (LMI). This can increase the cost of switching and outweigh the savings you'll get from a lower interest rate.

If you decide to switch, ask for a refund of some of the LMI from your current loan.

Multiple comparisons

Get at least two different quotes on home loans for your situation.

Compare the fees and charges

A [mortgage broker](#) or a comparison website can help you find out what's available.

Comparison websites can be useful, but they are businesses and may make money through promoted links. And they may not cover all your options. [See what to keep in mind when using comparison websites.](#)

Compare these fees and charges:

Fixed rate loan	You may be charged a break fee if you are on a fixed loan
Discharge (or termination) fee	A fee when you close your current loan
Application fee	Upfront fee when you apply for a new loan. You can perhaps ask your new lender to waive this in order to get your business
Switching fee	A fee for refinancing internally (staying with your current lender but switching to a different loan)
Stamp duty	You may be liable for stamp duty when refinancing. Check with your lender

Check if you'll save by switching

Once you have a short list of potential loans and the fees involved, use the mortgage switching calculator to work out if you'll save money by changing home loans. It also shows how long it will take to recover the cost of switching by accessing the mortgage switching calculator at www.moneysmart.gov.au

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