



# Property Management Newsletter

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## Making a smart financial move – refinancing your mortgage

Refinancing your home loan can be a smart financial move. Moving your mortgage to another bank could be a solution to reduce your monthly mortgage payments or pay off your loan faster.

### What is Refinancing?

Refinancing a home loan is the process of replacing your existing mortgage with a new one, usually with better terms or interest rates. This typically means moving your mortgage to a different bank or loan provider. The primary goal of refinancing is to save money on your monthly mortgage payments, reduce the length of your loan term, or both.

When you refinance your home loan, you may be able to take advantage of lower interest rates, switch to a fixed or variable rate mortgage, consolidate your debts, or access the equity in your home. By refinancing, you could potentially save thousands of dollars over the life of your loan.

### How to Refinance Your Home Loan

Here are the general steps involved in refinancing your home loan:

#### Check Your Credit Score

We don't hear much about credit scores in New Zealand, but they are definitely used by lenders, which is why it's important to check your credit score. Lenders will look at your credit history to determine your eligibility for a new home loan and the interest rate you qualify for. A higher credit score can result in better loan terms and lower interest rates.

A credit score is a number between 0 and 1,000 which indicates how credit worthy you are. This score is influenced by whether you pay your bills on time. Generally, a good credit score sits between 500 and

700. But the higher, the better.

You can check your credit score for free with credit reporting agencies like [creditsimple.co.nz](https://creditsimple.co.nz).

#### Compare Home Loan Rates and Fees

Once you know your credit score, it's time to start shopping around for a new home loan. Compare the interest rates, fees, and loan terms offered by various lenders in New Zealand. Some of the top lenders include ANZ, Westpac, BNZ, Kiwibank, and ASB. But don't underestimate the smaller, local banks, such as Heartland and TSB, as they tend to have very competitive rates.

Consider both fixed and variable rate mortgages and weigh the pros and cons of each option. A fixed-rate mortgage may offer more stability and predictability in your monthly payments, while a variable rate mortgage may offer more flexibility and lower interest rates over time.

#### Apply for a New Home Loan

Once you've found a home loan that fits your needs, you can apply for a new loan with the lender. You'll need to provide documentation of your income, expenses, and assets, as well as your credit history and current mortgage details.

The lender will review your application and determine your eligibility for the new home loan. If approved, they will provide you with a loan contract outlining the terms and conditions of the new loan.



### Pay Off Your Existing Mortgage

If your new home loan is approved, you'll need to use the funds to pay off your existing mortgage. This may involve paying early repayment fees, break fees, or other costs associated with terminating your existing mortgage.

Your new lender will work with your old lender to ensure that your existing mortgage is paid off and that the new loan is established.

### Start Repaying Your New Loan

Once your new home loan is in place, you'll start making repayments based on the terms of the loan. This may involve setting up automatic payments or making manual payments when they are due.

### Refinancing Tips

Here are some tips to keep in mind when refinancing your home loan:

#### Shop Around for the Best Deal

Don't settle for the first home loan you come across. Shop around and compare rates, fees, and terms from multiple lenders to find the best deal for your financial situation. Depending on the markets, the bank might be able to offer you a better rate than what they have listed online. Make sure you ask what's the best interest rate they can provide.

#### Consider All Costs

When refinancing your home loan, consider all the costs involved, including early repayment fees, break fees, application fees, and other expenses.

Make sure you understand the full cost of refinancing before making a decision.

#### Check Your Loan Term

When refinancing, it's important to check the loan term of the new mortgage. You may be able to save money on your monthly payments by extending the term of your loan, but this may also result in paying more interest over the life of the loan.

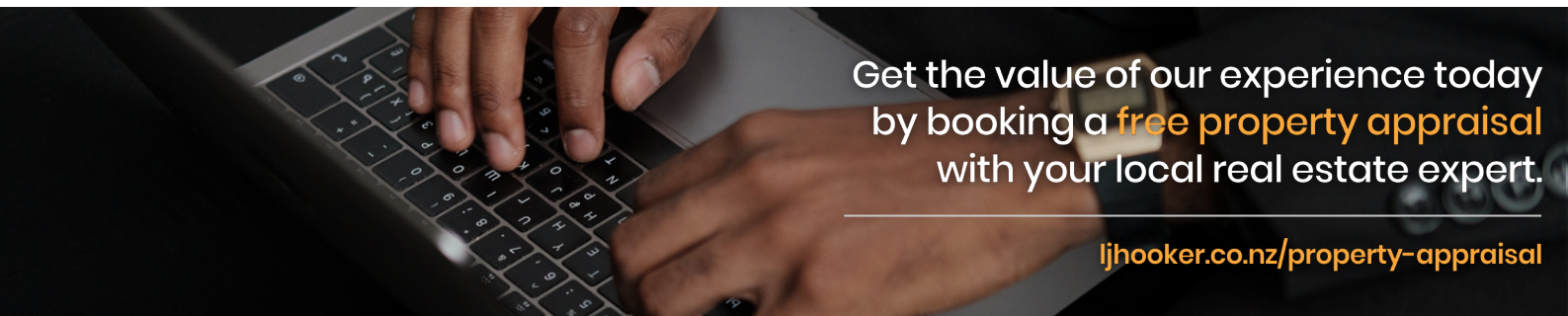
#### Consider Your Financial Goals

Before refinancing, consider your financial goals and how they align with the new loan terms. Do you want to save money on monthly payments or pay off your loan faster? Consider these goals when selecting the new loan terms.

#### Consult a Mortgage Broker or Financial Advisor

If you're not sure about refinancing or need help selecting a new loan, consider consulting a mortgage broker or financial advisor. These professionals can help you navigate the refinancing process and find the best loan for your financial situation.

Refinancing your home loan can be a smart financial move, especially if you're looking to save money on your monthly mortgage payments or pay off your loan faster. By following the steps outlined here and considering these tips, you can make an informed decision about refinancing your home loan. Remember to shop around, consider all costs, and consult with a professional if needed.



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