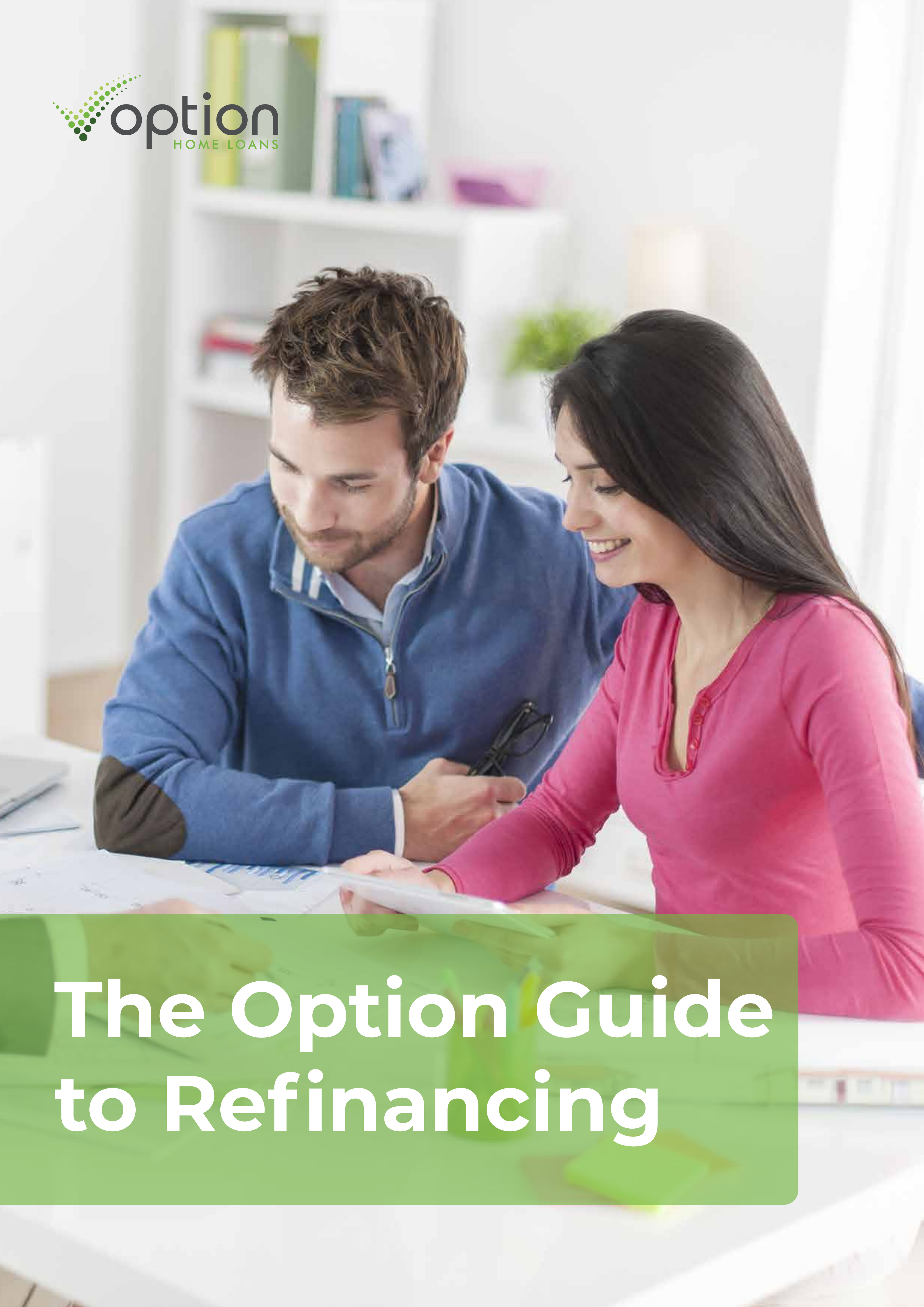

The Option Guide to Refinancing

Welcome to
Option Home Loans

Contents.

Life doesn’t stand still, why should your home loan?

Life throws up challenges and rewards, and over time our plans and persepectives change. It makes sense from time to time to reconsider if your home loan is suited to your changing lifestyle and are you getting the best deal? Have you considered if refinancing is worthwhile? Do you know what is takes to refinance your existing loan?

Let us find you a better home loan.

Talk to an Option Lending Specialist on 1300 848 848.

Visit option.com.au

Many Australians fail to realise the importance and advantages of reducing their mortgage debt burden to increase the amount of extra cash, they could free up by restructuring their loans or looking to lock in repayments which may be an advantage to them over the life of their loan.

At Option, we think anytime is the right time to give your home loan a health check, especially if you’ve had your current loan for a few years, your circumstances are changing or you’re looking to improve your financial situa tion. It can be easy to put ‘refinancing’ in the ‘too hard and costly’ basket.

Your Lending specialist can show you how changing your home loan could change your life! We save you valuable time by searching and comparing hundreds of loans from over 30 leading lenders including the big banks.

The work we do, to find you a new home loan, is provided at no charge to you. We get paid a commission by the lender when we secure a loan with them.

At Option, our mission is simple. We want to make theprocess of finding the home loan that will work for you as pain-free and straight forward as possible.

To do that, your Lending specialist will first take the time to get to know you and get a clear picture of where you’re at now and where you want to be in the future.To help you plan the right refinancing solution for you, we will show you how much you may be able to borrow and what your repayments would be.

What to expect when at your first meeting with us.

Your first meeting could be at our office, your place, or anywhere else that suits you. Our first meeting usually takes no more than an hour.

Our Lending specialists are fully accredited and industry qualified. To help you plan the right refinancing solution for you, your experienced broker will:

- Show you how much you may be able to borrow and what your repayments would be.
- Discuss different loantypes and features that might be the right match for your needs.
- Explain what's involved in applying for a loan and what fees (if any) and associated costs you can expect to pay.
- Explain Lender's Mortgage Insurance and if it might apply to your loan.
- Show you how you might be able to save by consolidating any other debts through your home loan finance.

Once you've got a better idea of what's possible, your Lending specialists will provide options and recommendations from our wide choice of loans. When you're ready, we can help prepare your application and let you know what paperwork and documentation will be required. f

A lender may want to see:

- Proof of your income
- Statements for the last six months of any existing home loans or personal loans
- Most recent rates notice and building insurance policy on the property offered as security
- Your most recent strata notice (if applicable)
- Records of living expenses.

How refinancing could work for you.

There are many good reasons to consider refinancing:

Get the latest loan features

Lenders are constantly introducing new loan features and packages. Maybe you're missing out on ways to make your home loan work harder for you with features such as:

Flexible repayments

If you can pay a little extra without being penalised, you could save on interest and own your home sooner.

Redraw

Withdraw any extra repayments when you need a little cash.

Flexible rate options

Switching between variable and fixed rates or splitting your loan, may help you manage your mortgage as interest rates move.

Portability

Can your loan move with you? This could make life easier down the track and help you save on fees

Repayment holiday

Some loans give you the ability to take a break from repayments or switch to interest-only payments for an agreed period.

Find a lower rate

While a great rate alone shouldn't be the only factor in choosing a home loan, it can certainly make a move worthwhile.

The mortgage market is always competitive and with thousands of loans from many lenders, your Lending specialist may be able to pinpoint a better deal for you. As your life situation changes, perhaps you're paying for features you don't really use or need.

Consolidate other debts

Some loans will let you fold other debts such as credit cards or personal loans into your home loan. You'll be saving with a home loan rate that's usually much lower than other credit and only have one set of paperwork to deal with.

Unlock your home equity

You could be sitting on the funds for your next investment. If your home is worth more than the balance on your loan, then you have home equity.

Refinancing could let you unlock that equity to invest in shares, managed funds or even your next property.

Equity can also be used to invest in other things that are important to you — paying for your children's education, renovating your kitchen or even going on a holiday.

Of course, borrowing to invest (also known as gearing) is not without its ris. We always recommend you speak with your financial advisor or accountant before you decide if this financing option is right option for you.

Borrowing to invest. Is it for you?

Pros:

- It gives you greater buying power, whether you're looking at a share portfolio or an investment property.
- Returns are magnified if your investment rises in value
- The interest charged on money borrowed to invest is usually tax deductible
- Your investment may provide additional income.

Cons:

- Even if your investment falls in value you'll still have to pay off the loan.
- Losses are magnified if your investment falls in value.
- Your investment returns should be higher than your loan interest rate to provide long term benefits.
- Even if your investment fails to deliver regular returns, you still need to meet your loan repayments.

Knowing your borrowing capacity.

If you're thinking of refinancing and increasing your borrowings, lenders will be looking for many of the same things you had to provide when you applied for your current home loan. Needless to say, you need to know how much you can afford to repay each month. That's why it's essential to consider all your current and future outgoings to be sure you're not over-committing.

To decide how much you can borrow, lenders will consider:

Your income
Should comfortably cover all your living costs as well as the repayments on your new loan.

Your repayment record
How you've managed your past financial commitments, including your current home loan repayments.

Other financial commitments
Personal loans, credit and store cards, car repayments, hire purchase agreements.

Your living costs
Including but not limited to household bills, council rates, strata fees, transport and petrol, school fees, entertainment, insurance.

When you deduct all of these expenses from your take home pay, you're looking for a figure that will comfortably cover your repayments and give you some room to move too. There are always unexpected costs down the track and your lender may even want to see that if interest rates go up, you could comfortably meet the higher repayments.

Keeping it real

No one. including lenders, wants to be overstretched, so it's important to be realistic and consider all the ins and outs when you're working out your budget.

Having this information on hand will be very helpful for your Broker in finding the loan that might work best for you.
You can also use our onlineLoan Repayments calculator to see how much you may be able to borrow and what your repayments will be. Check them out at **option.com.au**

Your choices at a glance.

So which loan type might work for you?
Let's look at some of the pros and cons of each.

Fixed

The interest rate is fixed for the term you choose — usually from 1-5 years. It may be higher or lower than the prevailing variable rate at the time and may vary depending on the fixed term you select.

Your repayments will stay the same for the fixed period.

Fixed repayments make it easier to budget though may limit the opportunities to pay more off your loan.

If you want to switch to a variable rate or refinance, you could be asked to pay 'break charges'.

Some, but not all, fixed rate loans will allow extra repayments up to a set amount each year. Some also offer redraw.

Variable

The interest rate can vary as factors such as the official cash rate can have an impact. It can be higher or lower than fixed rates.

As interest rates change, your repayments may fluctuate up or down. You need to be sure you could cope with rising rates and higher repayments.

You can usually make extra payments to help pay off your loan sooner.

Since 1 July 2011, exit fees have been banned on variable loans taken out after that date.

There is usually no limit to the extra payments you can make and typically no extra charges.

Split

One part of your loan will have a fixed interest rate while the other may fluctuate with the market.

Only the variable part of your loan will be impacted by any rate rises or falls. Your fixed rate repayments remain the same throughout the fixed term.

You generally have some flexibility to make extra repayments, balanced with the reassurance of fixed repayments. Most lenders provide flexibility in setting the fixed and variable portions to best suit your needs.

You can access loan features like redraws and extra payments while the fixed portion gives you a little more certainty around your long-term budget.

Other loan types to understand.

Your choices aren't just limited to the interest rate. In addition to those choices, here are some other loan types you are likely to come across.

Basic vs Standard

'Basic' home loans come with a lower rate by giving you fewer features (and maybe less flexibility) than a 'standard' loan.

The definition of 'basic' varies between lenders, so it's worth checking that a basic loan won't limit your ability to make extra repayments and pay off your home loan sooner.

You only want to pay for features you're actually going to use, but keep in mind that the cheapest loan isn't necessarily the one that's right for you.

Offset

If you have some extra cash or 'rainy day' savings, you may be able to put that money to work for you.

A savings or transaction account can be linked to your home loan and a positive balance can offset your outstanding loan balance to help reduce your interest. For example, say you have $20,000 in your linked offset account and an outstanding loan amount of $350,000. Instead of receiving interest on your savings, your monthly interest repayment will be calculated on a loan balance of $330,000. It can be a powerful way to lower your repayments.

Package loan

Also known as an 'ongoing discount' loan, a package loan bundles your home loan with other financial products such as a transaction account and a credit card, often with fee waivers or discounts.

Packages may also offer a discount on the interest rate that usually applies for the life of your loan. An annual package fee may apply so you need to be confident that any fee waivers and the rate discount outweigh the cost of the package fee. Your local lending specialists will show you how a package loan could work for you.

Line of credit

When you have some equity in your home, a line of credit could let you tap into that equity.

Unlike a traditional home loan, a line of credit doesn't provide you with funds in one lump sum payment.

It gives you access to funds up to your approved limit with the freedom to withdraw the money when you need it – for home improvements, investing or even a holiday. Think of it like a credit card with a big limit with your home as the security. You only pay interest on the funds you actually use but keep in mind that at some point you'll need to repay the principal amount, too.

Low-doc loans

If you're self-employed or don't have all the documents normally required as proof of your income, a low-doc loan offers a solution for you.

Rates either fixed or variable are generally higher than standard loans but may be reduced over time if you make all the required repayments on time.

It's not necessarily your only option if you're self-employed. Many lenders will consider self-employed borrowers just like regular borrowers provided you have good records (including tax returns) for your personal income.

With so many choices to think about, your Lending specialists can help streamline the process by comparing a wide range of loans from a wide range of lenders.

Visit option.com.au or call

1300 848 848

Weighing up the potential costs of refinancing.

While refinancing should deliver the combination of flexibility, features and savings that's just right for you, it's important to ensure that the benefits will outweigh the potential costs.

Here are some costs you may need to consider.While refinancing should deliver the combination of flexibility, features and savings that's just right for you, it's important to ensure that the benefits will outweigh the potential costs. Here are some costs you may need to consider.

Borrowing costs.

While they are not charged by all lenders and some may be negotiable you may need to think about these costs:

Loan application fee – usually charged when your loan settles.

Valuation fee – the lender may charge to have your property valued.

Settlement fee – your current lender may charge a fee for the payout of your current mortgage. Your Lending specialist can advise what, if any, costs may apply to your loan.

What does the refinancing process look like?

Your Lending specialist will be with you every step of the way to help make refinancing as straightforward as possible and to make sure you get the home loan with the flexibility and features you need with the value you want. There are five key steps involved.

01.

Your Lending specialist will take the time to get a clear picture of your needs and your current situation. With that understanding we can provide options and recommendations that match your needs and even help you complete your application.

02.

Once you're approved for your new loan, you, your solicitor or conveyancer can let your current lender know that you'd like to pay out or discharge your current loan.

03.

When your current lender knows the exact date of settlement, you'll be given a final payout figure.

04.

Your new lender pays out your outstanding loan and title deeds to your property (your security) will be transferred to your new lender.

05.

On settlement, your new lender will lodge a Discharge of Mortgage document with the Land Titles Office in your state or territory. After this, you start making repayments on your new loan.

Five easy steps to flexibility, features and savings with your new home loan. Once you've settled, expect a call from your Lending specialist who'll be keen to know that everything is working just the way you want.

If you require more help, try reading our other useful guides.

www.option.com.au/needhelp

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