

A close-up photograph of a hand holding a black pen with a gold tip, writing on a document. The document has some text and a date field. The background is slightly blurred, showing a laptop and other papers.

Factors to consider before switching loans

Switching loans can provide many benefits and savings but there are also a number of other factors to consider before you make a decision.

Interest rate savings

The most obvious reason to switch loans is to take advantage of a lower interest rate possibly equating to thousands of dollars in saved interest over the course of a loan. It is however important to ensure that these savings are not offset or diminished by the associated costs.

Deferred establishment fees

In 2011 deferred establishment fees were abolished, however this only applies to loans made after the legislation was introduced. If your current loan was established in or prior to 2011 you may have to pay an exit fee on your existing loan. It is important to ensure that these fees do not offset the potential savings in interest.

Application fees

When switching loans you will most likely need to pay application fees, valuation fees and other fees in establishing your new loan. These costs also need to be considered before switching loans.

Lender's mortgage insurance

If your loan is currently more than 80% of the value of your home it is likely that you will need to pay lender's mortgage insurance. This insurance is not transferable between lenders and a new policy would be required in this instance.

Loan terms and benefits

All loans are not equal. While it is easy to compare interest rates between loans there are often differences in loan terms and benefits. While one loan may have a lower interest rate it may not have the flexibility of another loan, for example a redraw facility or offset account. These benefits also need to be considered when switching loans.

It is important to determine all the potential savings and associated costs before switching loans to ensure that it is in your best interest.

Sometimes it is not necessary to switch loans to obtain a lower interest rate. We have on numerous occasions approached a lender on a client's behalf and been successful in negotiating a lower interest rate avoiding all the associated transfer costs and delivering the savings.

Need help in determining whether switching loans is your best option? Call the office and we will be happy to discuss your alternatives.