The Macquarie refinancing guide

Refresh your home loan
with our step-by-step guide

I bank with Macquarie

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Firstly, what is refinancing?

Quite simply, refinancing is the process of taking out a new home loan to replace an existing one, typically because the terms of the new loan are more favourable.

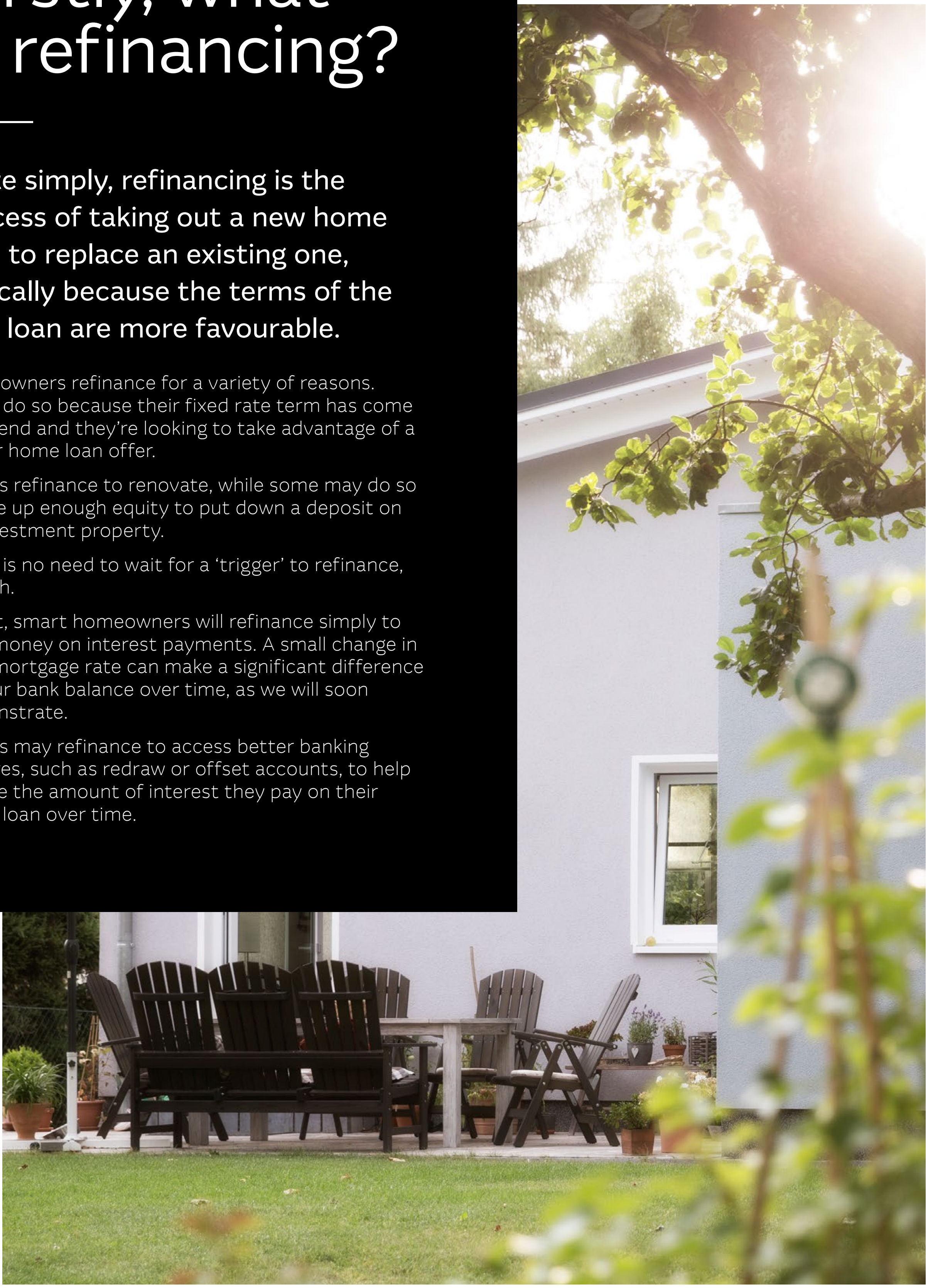
Homeowners refinance for a variety of reasons. Some do so because their fixed rate term has come to an end and they're looking to take advantage of a better home loan offer.

Others refinance to renovate, while some may do so to free up enough equity to put down a deposit on an investment property.

There is no need to wait for a 'trigger' to refinance, though.

In fact, smart homeowners will refinance simply to save money on interest payments. A small change in your mortgage rate can make a significant difference to your bank balance over time, as we will soon demonstrate.

Others may refinance to access better banking features, such as redraw or offset accounts, to help reduce the amount of interest they pay on their home loan over time.



Over the following pages, we tackle some of the key questions refinancers have and explore how the refinancing process works.

We'll also take you through several case studies of borrowers who have successfully refinanced, to help you better understand how it could work for you.

Why do people refinance?

There are many reasons why homeowners may refinance their home loan.

Over the following pages, we'll outline the main ones.

To get a better deal

Everyone likes to get a good deal, but when it comes to home loans, it seems many of us would rather set and forget. The Australian Competition & Consumer Commission suggests that Australians with loans between 3-5 years old are paying on average 0.58% more than they need to.[1] A percentage point here and there may not seem like it'd make much of a difference, but let's put it into perspective.

If you have a $500,000 home loan at a rate of 3.2%, and you're paying 0.58 percentage points more than the best rate available to you, you're paying more than you need to be in interest. An average of $155.39 more a month, on a 30 year loan term.*

Wouldn't it be better to put that money into savings, not interest payments? It could soon add up to a family holiday, the first year of school fees – or even a deposit on an investment property!

Australians with loans between 3-5 years old are paying on average 0.58% more than they need to.

Same loan, different rate

$500,000 home loan over a **30 year** loan term with principal and interest repayments.

Original loan	Refinanced loan	What you could save
3.2% Interest rate	**2.62%** Interest rate	**$155.39** Per month
$2,162.33 Monthly repayment	**$2,006.94** Monthly repayment	**$55,914.65** Over life of loan

View our latest home loan rates

[1] Australian Competition & Consumer Commission. Home loan price inquiry report, November 2020, https://www.accc.gov.au/publications/home-loan-price-inquiry-final-report; Reserve Bank of Australia, Statistical Table F6—Housing Lending Rates, https://www.rba.gov.au/statistics/interest-rates/

* The calculations are based on a principal and interest repayment type only. Principal and interest repayments are calculated based on the loan term, interest rate and loan balance. We have assumed one year is 52 weeks, or 26 fortnights. This therefore assumes a year has 364 days not 365 or 366.

To access more useful banking features

It's not all about the interest rate when refinancing. Different lenders offer different home loan products and features, so it's important to consider which ones you'll need when you're looking to refinance.

Some lenders may bundle products, such as a transaction account or credit card, into a home loan package. Others will allow you to make extra repayments on your home loan, which can significantly reduce the amount of interest you pay over the life of the loan.

Offset accounts can be another way to reduce interest payments over time. An offset account allows you to reduce the loan balance you pay interest on, but you can still access any money you put into an offset account with a debit card.

An offset account allows you to reduce the loan balance you pay interest on.

With **Macquarie's offset account** you can open up to 10 offset accounts† for each of your variable interest rate loan accounts to help you manage your money.

Find out more

Something that shouldn't be overlooked is a bank's digital capabilities. **Macquarie's mobile banking app** helps you stay on top of your finances 24/7, and you can make use of budgeting tools to better manage your home loan and monthly spending.

Download app

† Open up to 10 offset accounts per loan account if you have an individual or joint borrower home loan. Company and trust borrowers can open up to 4 offset accounts which must be opened at application.

To release equity to renovate or invest

Whether you want to renovate your current property, buy a rental property, or diversify your wealth portfolio by investing in another asset class, refinancing could enable you to free up the equity you've built up in your property and put it to better use elsewhere.

Renovate

Invest

Diversify

Equity is the difference between the current value of your property and the amount you have left on your loan.

Typically, you'll need at least 20% equity in your home to refinance your loan. The more equity you have, the more your loan to value ratio (LVR) may have improved.

Say, for example, your property is valued at $700,000 and you owe $250,000 on your home loan. In this case, you have $450,000 equity in your home.

Banks will usually lend up to 80% of your property's value, subject to serviceability. In the case of our example, you may be able to release up to $310,000 to invest elsewhere.

It's important to remember that the value of your property is subject to current market conditions. You may be able to release more equity in a market where house prices are rising, than in one where they're falling.

Banks may lend up to 80% of your property's value, subject to serviceability.

How do I work out my equity?

Subtract the amount you owe on your home loan from your current estimated property value, and then divide the result by your property value. Multiply the answer by 100 to get the percentage.

$250k
Home loan

$700k
Property value

$$\frac{(700-250)}{(700)} \times 100 = 64\%$$

Equity

What is LVR?

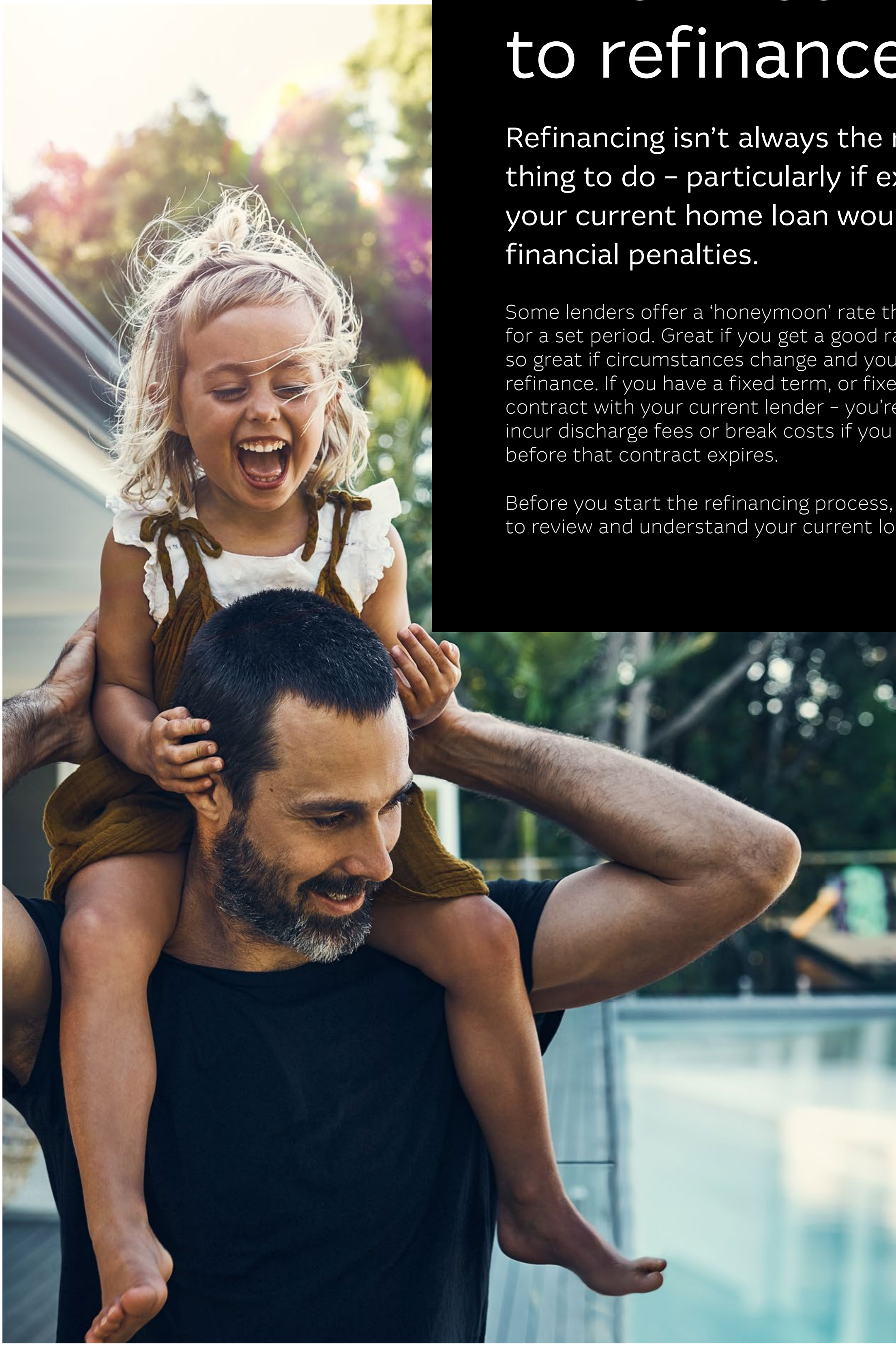
Your loan-to-valuation ratio (LVR) is the amount remaining on your home loan, as a percentage against the current value of your property. As your LVR goes down, your probability of securing a better rate may go up because your loan may be seen as less risky.

When not to refinance

Refinancing isn't always the right thing to do – particularly if exiting your current home loan would incur financial penalties.

Some lenders offer a 'honeymoon' rate that's fixed for a set period. Great if you get a good rate, not so great if circumstances change and you want to refinance. If you have a fixed term, or fixed rate, contract with your current lender – you're likely to incur discharge fees or break costs if you refinance before that contract expires.

Before you start the refinancing process, take time to review and understand your current loan obligations.



REFINANCE READINESS QUIZ

Is now the right time to refinance? Take our refinancing readiness quiz on page 21 and find out for yourself.

Take quiz

How does the refinancing process work?

Greater competition among lenders hasn't just led to lower interest rates and better products, it has also made the loan application process much more straightforward.

Today, refinancing can be a relatively painless process with less paperwork than you might think.

Read on to find out how it works at Macquarie.

Step 1. Personalised rate and repayments

At Macquarie, if you're an individual or joint borrower refinancing online is easy.

We start by finding out a little about you and what features you would like with your loan so we can give you a personalised rate quote – this takes less than two minutes to complete.

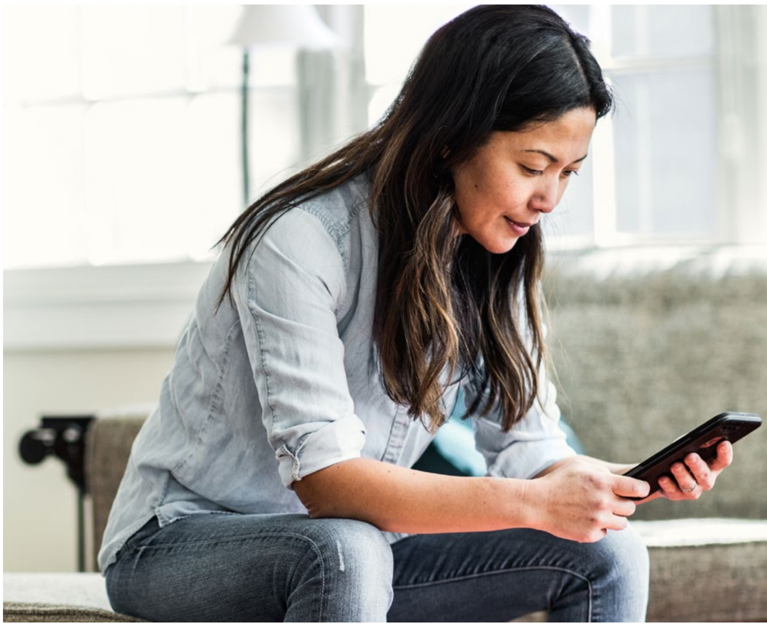
To make things simple, have a few details about your current situation ready, including an estimated market value of your property, your proposed borrowing amount, the purpose of your loan (owner occupied or investment), what type of repayment you would prefer (principal and interest or interest only) and your preferred interest rate (fixed or variable).

You can do this all online, but if you'd like to speak to someone directly, our home loan specialists are available for a conversation.

Gather initial information

Answer a few simple questions online and we'll provide a tailored quote with your rate and repayments

To make things simple, have a few details about your current situation ready



Step 2. Submit your application and supporting documents

Once you've reviewed and are happy with your tailored quote, you can proceed to apply online securely and get an answer, faster. Your application could take as little as 20 minutes and will save as you go, so you can pick up where you left off at any time.

As part of the online application, we'll need some details on your financial circumstances. This includes your income, employment details, monthly expenses and any debt you hold (including credit card balances, limits and monthly repayments) plus any other relevant information.

Once you submit your online application, we'll also need you to verify your identity and upload a few supporting documents. Both steps can be completely through our online and mobile solutions. Our dedicated Macquarie home loan team will also be available to guide you through the process.

Following your submission, if we move forward Macquarie will also arrange to have your property valued. In many circumstances, a valuation can take place electronically (without the need for a valuer to visit the property in person). This is done at no cost to you.

Select your home loan

Submit your application

Verify your details

How we verify your ID

Macquarie uses a service called ZipID. ZipID arranges for an authorised representative (typically a Toll service agent) to come to your home or office at a time convenient for you to conduct an ID check.

Find out more

Refinancing application checklist

- [ ] Current loan limit and balance
- [ ] Current interest rate
- [ ] Whether your rate is fixed or variable
- [ ] Remaining loan term
- [ ] Payment frequency
- [ ] Repayment amount
- [ ] Your income (and the income of any co-borrowers, if it's a joint application)
- [ ] Monthly expenses (and your co-borrowers, if it's a joint application)
- [ ] Any debt - including credit card balances, car loans, student loans etc. (and your co-borrowers)
- [ ] Your employment details (and your co-borrowers's, if it's a joint application)
- [ ] Your last two pay slips
- [ ] PAYG summaries for the previous year
- [ ] If self-employed, you'll need the last two years of tax returns and full financials for companies or trusts – including your individual tax returns and notice of assessments for those corresponding years.
- [ ] If it's an investment property, you'll require your most recent rental statement or your most recent year's tax return.

Step 3. Loan approval and settlement

If your loan application is approved, then you're on the home straight to a Macquarie home loan. Most of your loan documentation can be signed online, and we'll make the process of discharging your current home loan easier by sending you a pre-filled discharge authority.

After you sign the discharge authority we will contact your current lender to complete the process.

Once your loan has been formally approved, any accounts linked to it (such as an offset account or credit card) will be opened for you, and you'll receive a Macquarie ID and instructions on how to set up your mobile and online banking profile.

Depending on your current lender's discharge process, you could be enjoying the benefits of your Macquarie home loan within four weeks.

Formal approval

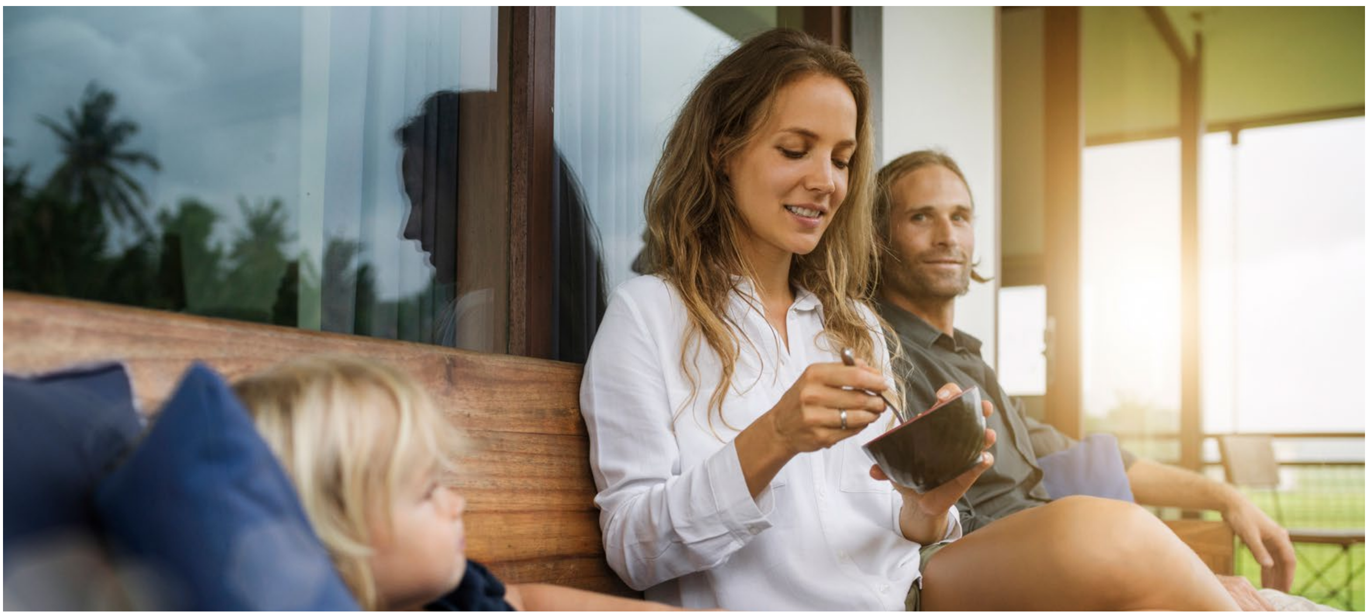
Sign online

Set up your profile

An approval to refinance can be completed in as little as five business days.

Use our repayments calculator to test scenarios and compare home loans.

Try calculator



Buyer beware: always look at the comparison rate

Look at the loan's comparison rate rather than the headline rate, because that's the real cost of servicing your loan. The comparison rate factors in ongoing fees, such as account fees or annual package fees. Lenders must advertise comparison rates so that consumers can make an educated decision on the true cost of servicing a loan and easily compare home loan products from different lenders.

If the rate looks too good to be true, it might only be in effect for an introductory or 'honeymoon' period. Check the loan's terms and conditions carefully. Is there a standard variable rate (SVR) that your loan will revert to at the end of a fixed period? It might be significantly higher than you were expecting!

On top of this, you should also consider any upfront fees you'll need to pay for switching, such as establishment fees, valuation and legal fees and even lenders mortgage insurance (LMI) or low deposit fees (LDF).

Consider the other features you currently receive or are being offered too. Your loan may be bundled with other products such as credit cards or offsets with linked transaction accounts. When assessing your options, it's important to factor in the cost of replacing these.

If the rate looks too good to be true, it might only be in effect for an introductory or 'honeymoon' period.

A home loan – more than just a rate?

If you are thinking of refinancing, it's wise to consider other loan features – such as offset accounts or redraw facilities – that might be useful to you.

It's important to understand how these features can help you reduce the amount of interest you pay over the term of your loan.

Our offset calculator and repayments calculator allow you to run scenarios. If you would like more information, speak with your mortgage broker or one of our banking specialists.

Try our calculators

CHANGING BANKS MADE EASY

Of course, if you're changing lender, you may also be moving all your banking – and that can be a daunting prospect.

At Macquarie, we take some of the pain out of that process, with our Easy Switch feature. Our mobile banking app makes it quick and easy to import payees and billers from another bank – so you can be right where you left off in seconds.

Download app

Case studies

There are many different reasons why people refinance.

Over the following pages we explore two case studies:

Renovate

Invest

Mark and Jessica

Case study 1: Refinancing to renovate

Mark and Jessica have a property worth $1.2m, with an outstanding home loan of $400,000.

They are planning to have another child; however, they need more room. Rather than move, they have decided to add an extra bedroom to their current property.

Mark has a transaction account with Macquarie and, after seeing their home loan rates advertised, he decided to refinance his mortgage over to Macquarie too.

With Mark and Jessica's financial circumstances in mind, their Macquarie banking specialist worked out that they could borrow an additional $400,000 on top of their current loan to renovate.

Mark and Jessica decided to borrow only an additional $250,000 to enable them to freely and flexibly manage their renovation, without needing to take out a construction loan.

They now have a Macquarie home loan worth $650,000 and are keeping their renovation funds in an offset account, so they pay less on interest while the construction work is being completed.

> Rather than move, they have decided to add an extra bedroom to their current property.

	$400k	33%	$1.2m
Before	Home loan	LVR	Property value

	$650k	54%	$250k
After	Home loan	LVR	Renovation budget

Case studies are based on real-life client scenarios. Names have been changed for privacy reasons. All figures are approximate.

Michael

Case study 2: Refinancing to invest

Michael had an $800,000 loan on a property worth $1.5m. He was looking to buy an investment property and was considering using some of the equity in his home to fund the purchase. He approached Macquarie about his options.

After considering his financial circumstances, Michael's banking specialist explained that he would be able to borrow up to 80% of the value of his current property – in this instance, $1.2m in total.

Michael decided to refinance his existing loan so that he could put $400,000 towards the purchase of the investment property. He's looking to rent the place out at a weekly rate of $670.

Michael likes the convenience of having both of his properties under the one loan facility and plans to get the rental income paid directly into an offset account linked to his home loan.

Before

Home loan	LVR	Property value
$800k	53%	$1.5m

After

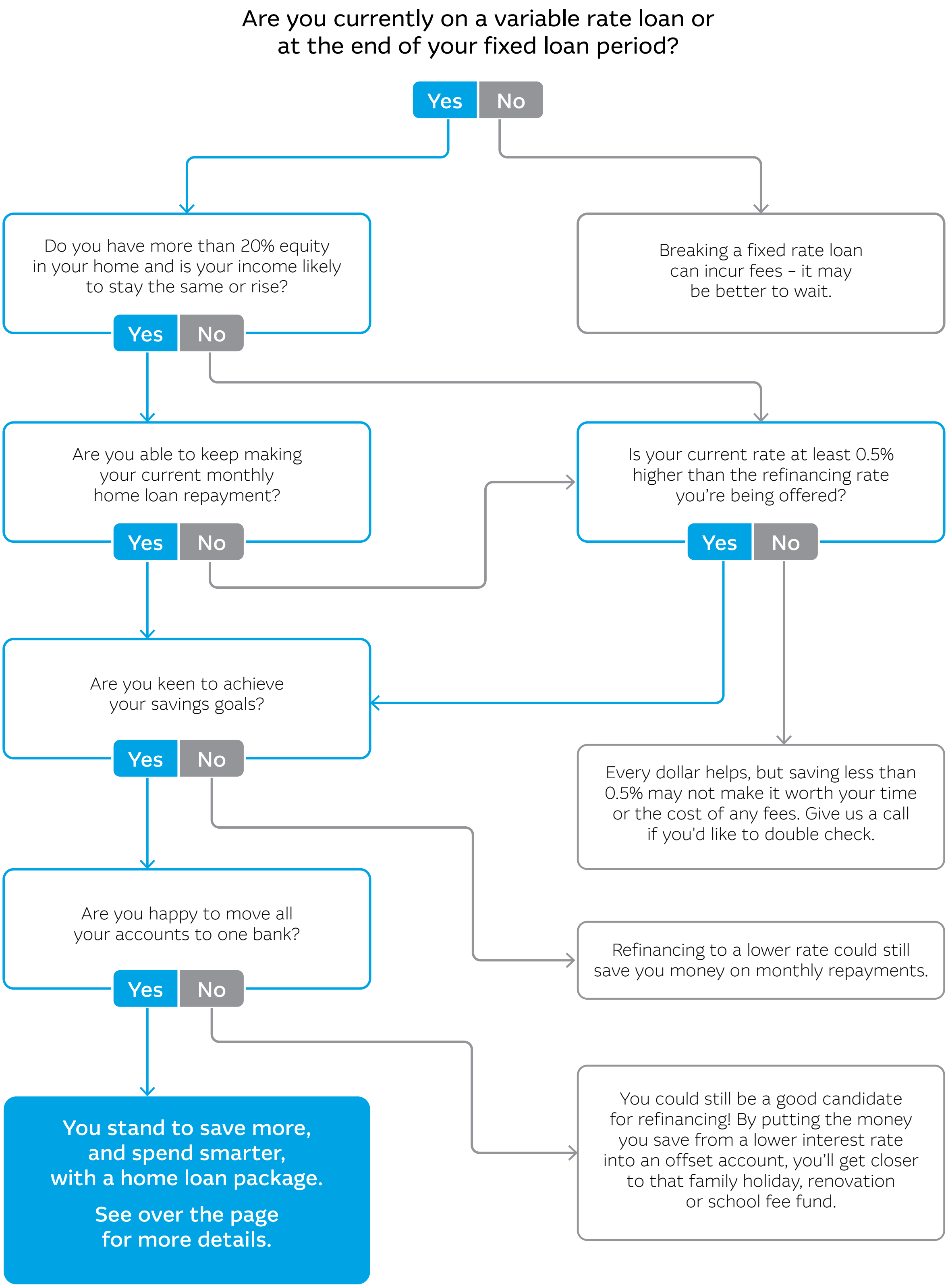
Home loan	LVR
$1.2m	80%

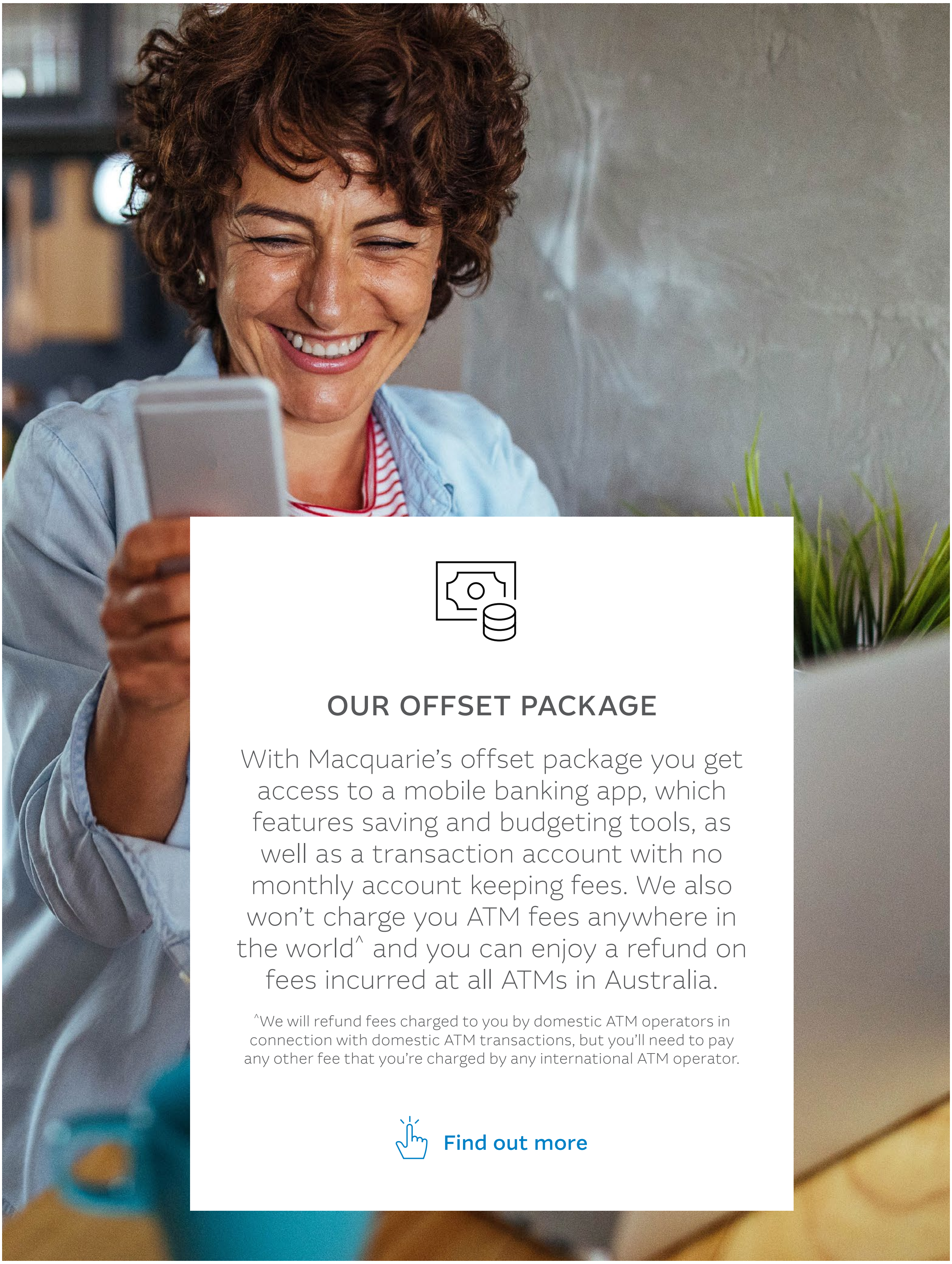
Case studies are based on real-life client scenarios. Names have been changed for privacy reasons. All figures are approximate.

Refinance readiness quiz

Make sure now is the right time to refinance – and that you're doing it for the right reasons. Take our quick quiz to check your best next steps.

Refinance readiness quiz



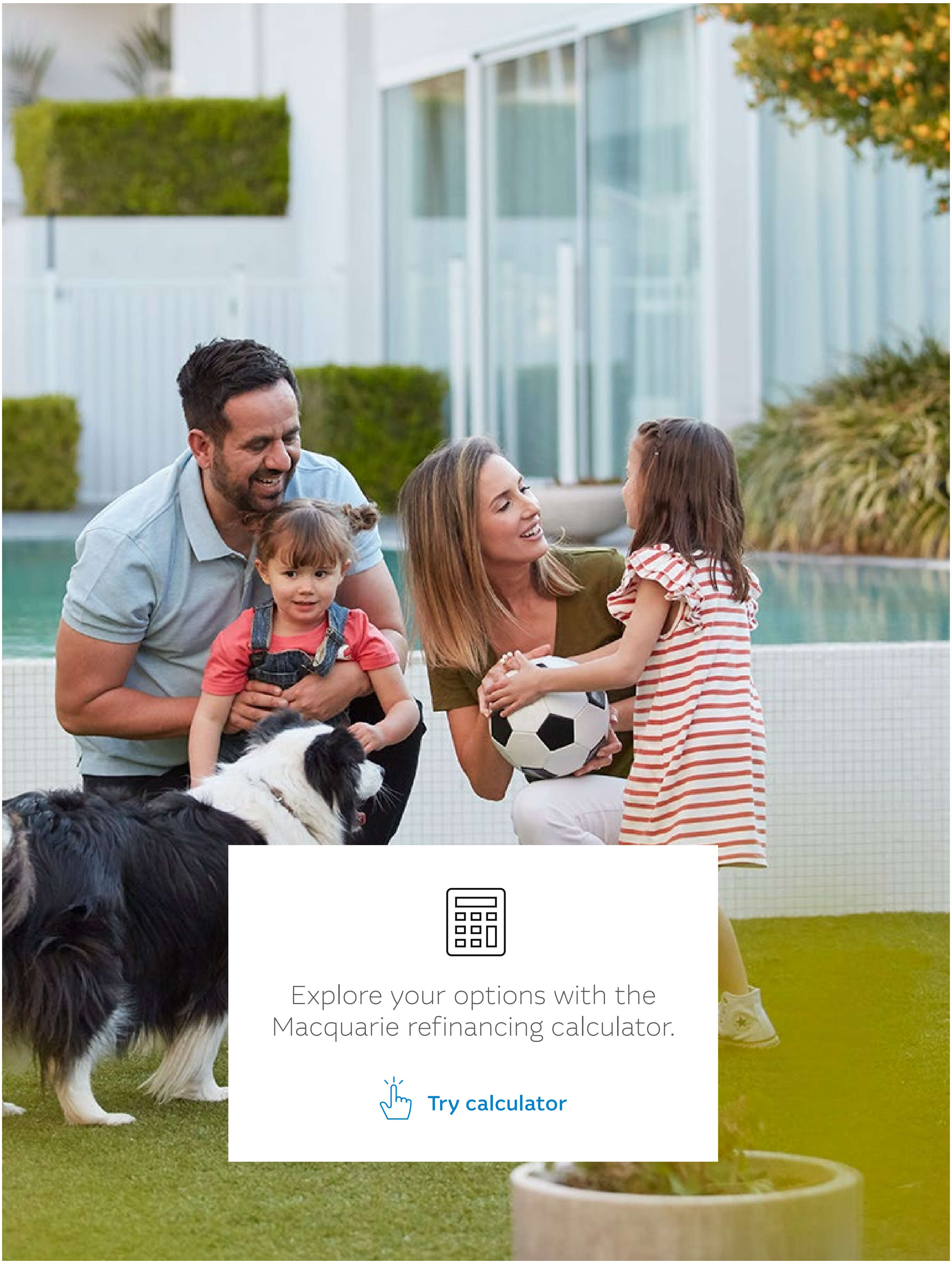


OUR OFFSET PACKAGE

With Macquarie's offset package you get access to a mobile banking app, which features saving and budgeting tools, as well as a transaction account with no monthly account keeping fees. We also won't charge you ATM fees anywhere in the world^ and you can enjoy a refund on fees incurred at all ATMs in Australia.

^We will refund fees charged to you by domestic ATM operators in connection with domestic ATM transactions, but you'll need to pay any other fee that you're charged by any international ATM operator.

Find out more



Explore your options with the Macquarie refinancing calculator.

Try calculator

Next steps

If you're ready to consider refinancing your home loan, jump online today and enjoy our quick application process

Refinancing has never been easier, apply online

You can also speak with your mortgage broker, or with one of our banking specialists, who'll be able to walk you through the process.

You can get in touch with our specialists by calling 13 62 27, or simply request a callback and we'll call you.

Request callback

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