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Tips on Refinancing and what the Banks don't want you to know

Refinancing can be a fantastic thing for many, putting a stop to paying higher than necessary interest rates for money. Unfortunately many of us rely on the banks to tell us what we can and can't refinance.

We recently had a client with \$100,000 on 14 credit cards. Our clients had banked with one of the big 4 banks for a number of years and never missed a repayment on their loan. Meeting with the Bank the loyal clients wanted to consolidate the credit cards into the home loan. They owned 2 properties with loans of \$177,000 against value of \$380-400,000.



Can you imagine the surprise of the clients when their own bank turned around and declined their application because they had more than 5 credit cards?

Shattered they called us and fortunately soon realised that there was light at the end of the tunnel. Just because their own bank had turned them down didn't mean they wouldn't get a loan elsewhere.

What many fail to realise is that banks are a business whose purpose is to make money for the shareholders and investors. In the above case the bank concerned had handed out 4 credit cards to the clients and they had ten others. The bank was earning a healthy 16%+ on over \$50,000, this equals an interest bill of \$8,000 per annum compared to if the client had \$50,000 on home loan rates an interest bill of \$4000 approx.

Did you realise that if you only pay the minimum amount a credit card provider requires (usually 3% of the outstanding balance) it can take 8-10 years to actually pay out the debt. As you can see many banks don't want you to refinance all your cards/loans into your home loan as they make less money. Particularly if you are wise and make additional repayments on your home loan with some of the extra funds you free up by consolidating in the first place.



Tip 1

Consolidate all the debts you can into your home loan, taking advantage of the greatly reduced interest rate you get by using your home as security.

Tip 2

Cut up and cancel all the credit cards and under no circumstances apply for more credit cards. Get used to not relying on credit cards to fund your lifestyle.

Tip 3

Use a visa debit card that spends your real money from your own account when buying things. Having cash in your pocket is a sure fire way of spending more than you expected too when you go shopping.

Tip 4

Sit down and do a family budget, taking in to account all moneys coming into and all money going out of the house (we have a great budget planner which we can email to you if you would like to use it).

Tip 5

If you cant consolidate all your debts into your home loan then consolidate as many as you can, then make a concerted effort to use all the extra funds you have available to pay down the remaining cards/ loans as quickly as possible. Beginning with the one with the highest interest rate followed by the next highest when you pay out the first one.

Tip 6

Use the savings you have achieved by consolidating wisely. Make sure you use some of the money to pay extra off your new home loan as you can see from the example its amazing how a little extra saves you years and thousands of dollars off your home loan.

Tip 7

Enjoy your new found freedom make plans to invest part of your savings. For some this may mean planning to save enough to purchase an investment property for others it may be investing in shares, yet others may chose superannuation. Each individual situation is different and with differing means of getting there but at the end of the day we are all looking to achieve the same goal, financial freedom.

Tip 8

The last tip is the most important ENJOY LIFE AND THE JOURNEY. All too often we keep forgetting about enjoying life and concentrate on fighting like mad to make ends meet. Take the time to enjoy the journey even if its just a small thing, make sure you are rewarded for working hard to achieve your goal. It may be as simple as a special brand of coffee or taking time to read a favourite book in peace and quiet. What ever it is, do it. You will be surprised how much better things become when you become active and take control of your circumstances.

Everyone at Lifeline Financial Services understands the position of trust we are placed in when asked to assist in helping our clients refinance their loan or to get a loan to purchase a home, be it for investment or to live in. Naturally we take the trust given to us very seriously and are totally dedicated to assisting you achieve the best outcome possible for your individual situation.
