



# The 10 most important tips when refinancing your mortgage or consolidating debts

A free E-Book by

**Phoenix Mortgage Solutions - specialists in Mortgage Refinance & Debt Consolidation mortgage loans  
Licenced Finance Brokers No 3354**

[www.phoenixmortgages.com.au](http://www.phoenixmortgages.com.au)

Call Phoenix Mortgage Solutions on

**08 9481 7281**

## **Important Notice**

If you have a family member, friend, or business associate who you feel would benefit from this e-book, please pass it on, or alternatively you can tell them to visit our website to receive a free copy for themselves at [www.phoenixmortgages.com.au](http://www.phoenixmortgages.com.au)

Also, if you have any question or concerns, please feel to immediately email us at [admin@phoenixmortgages.com.au](mailto:admin@phoenixmortgages.com.au)

Remember, we are here to help you with any mortgage refinance or debt consolidation solution that you may require.

## Introduction

Do you remember the time when...

you first purchased a new home or investment property?

Wasn't it an exciting time for you and perhaps your family as well?

Finally, the opportunity to move into your new home (or first home), gave you the freedom to decorate and improve your own chunk of real estate, without worrying about landlords or property managers saying what you could or couldn't do!

This is the dream of most Australians!

Of course, unless you are one of only 1% of the Australian public that can afford to purchase their home with cash, most of us had to go to the bank, building society or credit union to obtain mortgage finance to purchase a home.

Probably like many others, you went through the daunting task of trying to find the right home loan for you. Some of the things you probably considered when selecting the appropriate loan were, the interest rate, the fees as well as the loan product features, such as redraw facilities and offset accounts.

Finally your loan was approved and your property settled. You probably never spent too much time thinking about your future mortgage finance requirements at this time, other than making sure your monthly mortgage payment was made.

However, like most things in life, things don't remain static forever. Changes in our personal circumstances or needs are inevitable! Changes like....

- Starting a new business
- Home improvements / extensions
- Purchasing a new or additional property
- Funding a holiday
- Purchasing a boat / caravan or a new car
- Funding requirements for school fees

And the list goes on.....

However, there are also some difficult personal circumstances or changes that affect many Australians that can also include

- Financial over commitment
- Marital breakdown
- Business failure &
- Unemployment or retrenchment

Of course, not everyone will encounter all of these life changes, however most of us will, at some stage, need to assess our financial circumstances to address one or two of these issues.

One of the key solutions or strategies that many Australians use to address these issues, often incorporates either a mortgage refinance strategy, or a debt consolidation solution.

If you believe that a debt consolidation or mortgage refinance strategy is appropriate for your needs, read on.

**Tip number 1**  
**Be aware of the costs involved in Refinancing Your  
Mortgage or Debt Consolidation loan**

Critical to the success of any mortgage refinance or debt consolidation loan is being aware of all the costs associated with

- a) getting out of your current mortgage arrangement &
- b) establishing a new mortgage finance / debt consolidation arrangement.

Costs incurred can include, early discharge penalty fees, legal fees, stamp duty, valuation fees and a range of establishment fees.

Only when you have a firm understanding of the costs involved, can you be sure that your refinancing / debt consolidation solution is the correct approach.

**Tip number 2**  
**Should I fix the interest rate or should you take a variable  
rate loan (or both?)**

It all depends on what you feel comfortable with. For many borrowers, fixing their new mortgage rate offers a degree of 'comfort', in that the monthly repayment will not change during the fixed period.

With historically low interest rates, this may seem like a good idea for many, however if for any reason the mortgage is paid out early (eg a sale or otherwise), there can be some stiff early penalty fees that may apply.

Conversely, when rates are higher (or when a borrower believes that rates may drop in the short term), many feel quite comfortable in accepting a floating or variable rate of interest.

For others again, there are also options to split the total loan into both fixed and variable options.

Underpinning any decision as to whether to fix or not to fix, an understanding of how much 'interest rate risk' a borrower is able to accept in making this decision is vital.

### **Tip Number 3**

#### **Should I consolidate all my debts into one loan?**

There is no hard and fast rule here. For many borrowers who are struggling with loan commitments such as credit cards, car loans, store cards and personal loans PLUS a mortgage repayment, a debt consolidation loan is often the answer.

The two key benefits of a debt consolidation strategy must incorporate two key benefits:

1. A reduced interest cost compared to their existing unsecured debts (Personals Loans, Credit Cards etc) &
2. A reduction in the overall monthly loan commitment to ensure borrowers do not fall behind in their repayments and have adequate disposable income to budget for household needs.

Sometimes though, a debt consolidation strategy is not for everyone. Some borrowers may simply have too much debt and not enough equity in a property for lenders to secure against.

In some instances, borrowers who have taken on too many commitments, genuinely do not have the financial capacity to repay and may in fact be technically insolvent.

In these circumstances, alternative solutions may be available through an insolvency specialist.

However, for the vast majority of borrowers considering a debt consolidation loan, the strategy is very effective.

#### **Tip number 4**

**Make sure your consolidated loan repayment is lower than your previous total commitments**

This is a must. The whole purpose of a debt consolidation mortgage, is to ensure a reduced monthly repayment schedule for all loans in aggregate. If this is not the case, the strategy should not be considered.

#### **Tip Number 5**

**Weekly &/or fortnightly payment facilities can cut the term of your mortgage by several years**

We have often heard about the benefits of paying mortgage installments on a weekly or fortnightly basis, but some loans do not allow this type of repayment schedule.

If paying your loan off sooner rather than later is mandatory, then careful consideration of the loan product and features must

be considered before entering into any refinance or debt consolidation strategy.

### **Tip Number 6**

#### **Don't accept the first mortgage refinance / debt consolidation proposal offered without an adequate awareness of alternatives**

Too often, borrowers grab the first mortgage refinance / debt consolidation proposal put to them, without realising that there may be better and more suitable financing strategies available.

By locking into the first mortgage refinance / debt consolidation proposal offered, could mean the difference in thousands of dollars in loan repayments over several years. Also, the costs of rearranging future finance could be significant, if the correct solution isn't secured first.

### **Tip Number 7**

#### **Can I consolidate my 'bad credit' loans?**

Yes you can, however refinancing or consolidating your 'bad credit' loans depends on the state, extent and nature of your current or past credit history.

In most cases, borrowers who have encountered financial difficulties have not done so intentionally. For a whole host of reasons, many borrowers have found themselves in financial difficulty for reasons including temporary unemployment, marital breakdown, business failure, unforeseen medical expenses etc.

For many borrowers, all that is required is a fresh start with a specialist lender who is prepared to assess their mortgage refinance or debt consolidation proposal with a greater understanding of the factors that caused the adverse credit history in the first place.

### **Tip number 8**

#### **Alternatives to 'Debt Consolidation' loans Bad Credit / Arrears**

In some circumstances, no matter which way you look at it, mortgage refinance or debt consolidation will not be the answer for everyone.

In some cases, borrowers have found themselves in such a poor financial position, that assistance to refinance or consolidate their loan outstandings is unlikely to succeed.

This may be due to:

- A permanent loss of their income source
- Reduced earnings capacity
- Financial over commitment or
- Inadequate equity in the property being offered as security

Of course there are many other circumstances that may preclude a mortgage refinance or debt consolidation strategy to be employed effectively, however topping the list is a state of insolvency.

What this means is that whichever you look at your personal financial circumstances, you are unable to meet your loan commitments in a regular and timely manner.

For these reasons, the assistance of a professional insolvency practitioner or a Financial Counsellor would be essential. These professionals can then identify alternative strategies such as:

- Advocating on your behalf, debt repayment plans
- Seeking a moratorium on your payments
- Formal Part IX, Debt Agreement proposals
- Part X & Bankruptcy advice

### **Tip Number 9**

#### **Using a mortgage refinance strategy to purchase additional property**

If you are considering the purchase of an investment property, not only will you be seeking appropriate mortgage advice for the purchase, you should assess your current home loan position for its appropriateness as well.

By structuring the two loans (home & investment) in the most effective manner, can save you money and effectively allow you to address any future funding needs for your property portfolio as well as additional requirements in the future.

Too often, borrowers assess their current mortgage needs, without reference to anticipated funding requirements in the future.

Simply put, each 'financial transaction' is treated in isolation, hence the need to reappraise and restructure their mortgage position continually.

Not only is this a laborious and time consuming task, it may also cost you significant dollars each time a new financial decision is made.

By structuring your funding requirements with future needs in mind today, you will then have a more seamless and effective approach in place for your next 'investment' decision.

### **Tip number 10**

#### **Professional advice**

This is perhaps the most important factor in developing an effective mortgage refinance &/r debt consolidation strategy.

There are many sources of mortgage advice available to borrowers; however the level of professionalism is variable.

What should you know more about your mortgage adviser?

- Qualifications
- Experience
- Licence
- Complaints resolution scheme
- Code of Ethics
- Peak body membership

These issues need to be discussed to ensure that you are dealing with a professional mortgage advisory firm that has your interest in mind.

We believe that at Phoenix Mortgage Solutions, our offer is second to none, for personalised and professional service.

Our service is free to you, as we are paid by our lender panel.

Please call Phoenix Mortgage Solutions on 1300 554 850 for an obligation free discussion regarding your mortgage refinance and/or debt consolidation needs.

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## **CASE STUDY**

### **Jumbo Loans: Big loans - Big Plans**

One of Phoenix's more recent cases found us dealing with an entrepreneurial client who required significant borrowings to secure an adjoining property that was ripe for development and sub division. The plan was to purchase the \$500,000 property, develop it over a 12 month period, sub divide and sell.

In simple terms, this plan was sound. It only required the expertise of the 'developer' and the capital to fund the project. Obviously, not everyone has \$500,000 lying around, so our intrepid client approached his bank (and another), just to get a feel for what he could borrow and on what terms.

He tabled a fairly comprehensive written plan to the banks regarding his strategy and put up his own house as security (valued at \$640,000 with only a small mortgage of \$65,000) plus the security of the new to be acquired property.

The two Bank's response: No & No! - It can't be serviced in the 12 month development period.

Dumbfounded, our client emphasised the point that comparable subdivided properties in the area (prime beach frontage) were being developed & subdivided, with plenty of current sales evidence to demonstrate profitable sales on completion. With the substantial equity in his own property, he would only require 12 months interest capitalised / or funded to manage the interim loan serviceability issue and there was more than enough equity in the properties to protect any unanticipated downside.

Bank response - No! & No! - We can't do that!

With the property being listed for sale in only a week or so, and knowing that it would be snapped up, our client chanced upon one of our advertisements in his local newspaper. With nothing to lose (except the opportunity of a lifetime), he contacted **Phoenix Mortgage Solutions** and explained his situation.

Our response after consulting with our panel of non bank lenders, particularly those that specialise in large '**Jumbo**' loans was,

- \$500,000 purchase finance - approved
- Capitalised interest cost for 12 months - Yes!
- Development capital for subdivision - Yes!

The non bank lenders terms and conditions were more than favourable for our client and his subdivision project can now proceed. A great win for 'commonsense' credit assessment!