



# EXPLAINER:

## *Exit Costs when Refinancing*



**REFINANCING CAN BE A GREAT WAY TO SAVE MONEY IF YOU BELIEVE YOU ARE PAYING TOO MUCH FOR YOUR LOAN, BUT THERE IS MORE TO IT THAN JUST FINDING A LOAN WITH A LOWER INTEREST RATE AND MAKING THE CHANGE.**

Before making the switch, ensure the savings you could make outweigh the fees involved. Here are the different exit costs to consider:

### **EXIT FEE**

Although loans taken out after 1 July 2011 are not subject to deferred establishment, or exit, fees, those taken out prior may still be. Also known as 'early termination' or 'early discharge' fees, they can sometimes be paid by your new lender but are normally applied to an early contract exit.

### **ESTABLISHMENT FEE**

Also known as 'application', 'up-front' or 'set-up' fees, these cover the lender's cost of preparing the necessary documents for your new home loan. They are payable on most new loans, and the alternative to not paying this particular fee is being charged higher ongoing fees for the life of the loan.

### **MORTGAGE DISCHARGE FEE**

Covering your early legal release from all mortgage obligations, this

fee is not to be confused with an exit fee. Also known as a 'settlement' or 'termination' fee, its purpose is to compensate your lender for the revenue it may lose due to the contract break.

### **LENDER'S MORTGAGE INSURANCE (LMI)**

The non-transferrable premium means that if you hold less than 20 per cent equity at the time of your refinance, you may have to pay LMI even if you paid it on the original loan. Extra care is also needed here because, whether or not you hold 20 per cent of the original valuation of the property, you may not if the property's value has decreased and; while LMI may not have been a consideration at all in the original loan, it may be payable on the refinance.

### **STAMP DUTY**

If your purpose for making the switch is to increase your loan amount, for example to fund renovations, then stamp duty will apply only to the difference between the original loan amount and the refinanced loan amount. Different rules apply in different states, so it's worth speaking to your broker to see if this charge applies.

### **OTHER GOVERNMENT CHARGES**

Fees are applied for the registration and deregistration of a mortgage

so that all claims on a property can be checked by any future buyers. Varying from state to state, these can potentially add up to \$1000 or more.

### **BREAK FEE**

If you were on a fixed rate loan, your lender is likely to charge you a fee for 'breaking' out of the loan term. This fee varies depending on the amount owed, the interest rate you were locked into, the current interest rate and the duration of your loan.

Link Finance Group can ensure that refinancing will help you achieve your goals while maintaining your capacity to service the debt. Link Finance Group can also ensure you are only paying the relevant fees for your unique circumstance.

### **LINK FINANCE GROUP**

**P:** 02 9629 9648

**E:** [info@linkfinancegroup.com.au](mailto:info@linkfinancegroup.com.au)

**W:** [www.linkfinancegroup.com.au](http://www.linkfinancegroup.com.au)