

When Refinancing Home Loans Makes Sense for Your Property Goals

Refinancing a home loan is one of those financial moves that seems straightforward on paper but gets complicated the moment you look at your own situation. I have sat down with dozens of property owners over the years, and the conversation almost always starts the same way: "I think I should refinance, but I am not sure if it is worth the hassle." That hesitation is fair. Refinancing is not a one-size-fits-all solution, and the decision involves more than just comparing interest rates on a comparison site.

To make a sound call, you need to understand what refinancing actually does to your loan structure, your monthly cash flow, and your long-term equity. And you need to look past the marketing hype that promises you will save thousands overnight. The truth is more nuanced. Refinancing works brilliantly in some scenarios and is a waste of time and money in others. Let me walk through the practical side of refinancing home loans so you can judge where you sit.

Understanding the real cost of switching

Every time you refinance, you effectively close your current loan and open a new one. That process triggers a set of costs that many borrowers underestimate. Application fees, valuation fees, settlement fees, and sometimes early exit penalties on your existing loan can add up to a few thousand dollars. A lender might offer you a lower rate, but if the break-even point sits two years away and you plan to move or sell in eighteen months, you are going backwards.

I have seen people refinance for a rate reduction of 0.3 percent and feel good about it, only to realise later that the fees ate up any saving in the first year. The rule I always come back to is simple: calculate the total cost of refinancing, divide it by the monthly saving, and that tells you how many months you need to stay in the loan to break even. If that number is longer than your expected time in the property, it is usually not worth the paperwork.

[View the location on Google Maps](#)

When rate is not the whole story

Rate matters, but it is not the only reason to refinance. Sometimes the structure of the loan matters more. I worked with a couple a few years ago who had a basic variable loan with no offset account and no redraw facility. They were disciplined savers and kept a decent emergency fund sitting in a low-interest savings account. By refinancing to a loan with a 100 percent offset account, they effectively reduced the interest they paid on their mortgage

without changing their repayment amount. Their rate stayed almost the same, but the effective interest cost dropped because their savings were working against the loan balance.

That is a situation where [refinancing home loans](#) made sense even though the headline rate was not dramatically better. The value came from the product features matching their behaviour. If you are the type of person who keeps a large buffer in your transaction account, an offset loan can be a hidden goldmine. If you tend to spend what you see, the offset feature might not help as much, and a simple low-rate loan could be the better bet.

Debt consolidation and cash flow relief

Another common trigger for refinancing is the desire to consolidate other debts. Credit cards, personal loans, and car loans often carry much higher interest rates than a mortgage. Rolling them into your home loan can lower your total monthly repayment and simplify your finances. But there is a catch. By doing that, you stretch the repayment of those debts over the full term of the mortgage, which means you pay more interest in the long run unless you increase your repayment amount.

I have seen people use this strategy well when they pair it with a commitment to pay off the loan faster. If you consolidate and then keep paying the same total monthly amount you were paying before, the extra goes towards the principal and you clear the debt sooner. If you consolidate and drop your payment to the minimum, you are effectively taking a step backwards. The discipline after the refinance matters more than the refinance itself.

Key questions to ask before consolidating debt into a home loan

- What is the total interest cost over the full loan term if I extend the debt?
- Am I able to increase my repayment amount to offset the longer term?
- Will the new loan allow extra repayments without penalty?
- Am I closing the credit cards after the balance is paid, or will I reuse them?
- Does the new loan have an offset or redraw facility to help me stay ahead?

Going through these questions honestly will save you from a refinancing regret six months down the track.

Investment property owners have extra layers to consider

If you own an investment property, refinancing home loans takes on another dimension. The interest on an investment loan is often tax-deductible, but only if the loan is structured correctly. If you refinance and pull equity out for personal use, that portion of the loan may lose

its tax deductibility. I have seen investors accidentally contaminate their loan structure and end up with a messy tax situation at year end.

It pays to separate the investment loan from your personal affairs. Some lenders offer products specifically designed for investors, with interest-only periods and flexible offset accounts that work well for managing cash flow between tenancies. The rate on an investment loan is typically a bit higher than an owner-occupied loan, but the tax treatment can make up for that difference if you structure it right. Always talk to your accountant before signing anything. The few hundred dollars you spend on advice can save you thousands in unexpected tax bills.

Timing the market versus timing your own situation

People often ask me whether they should refinance now or wait for rates to drop further. That is a hard question to answer because nobody can predict the cash rate with certainty. What I can tell you is that trying to time the market perfectly usually leads to paralysis. If the numbers work today and you are comfortable with the new loan structure, there is no need to wait for a hypothetical better deal six months from now. Rates move in both directions, and what looks like a low rate today could be average tomorrow.

On the other hand, if you are only a year into your current loan and the break costs are high, it might be smarter to wait until you are past the early exit period. Many lenders scale down their break costs over the first few years, so the penalty gets smaller as you go. Checking the fine print on your current loan contract will tell you exactly what you would owe if you left today.

How to prepare for a refinance application

Lenders have tightened their assessment criteria in recent years, especially for borrowers with variable income or multiple properties. Before you apply, get your paperwork in order. That means recent payslips, tax returns if you are self-employed, bank statements showing your spending patterns, and a clear picture of your other debts. The smoother your application, the faster the turnaround and the less likely you are to get a conditional approval that falls over at the last minute.

One thing I see people overlook is their credit score. A single late payment on a credit card or a forgotten utility bill can knock your score down and affect the rate a lender offers you. Check your credit report a few months before you plan to refinance so you have time to fix any errors or address any issues. A clean report can mean the difference between a standard rate and a premium rate.

Another practical step is to calculate your loan-to-value ratio. If your property has increased in value since you bought it, you might be sitting on equity that gives you access to better rates.

Lenders generally offer their best rates to borrowers with less than 80 percent loan-to-value. If you are above that threshold, you might need to factor in lenders mortgage insurance or wait until you have paid down more of the principal.

Documents to gather before you start shopping for a new loan

- Two most recent payslips or profit-and-loss statements
- Last three months of bank statements for all accounts
- Copy of your current loan contract and recent statement
- Council rates notice or recent property valuation
- Photo identification and proof of address

Having these ready will speed up the application and show the lender you are organised. It also makes it easier to compare offers because you can submit the same information to multiple lenders at once.

When refinancing is not the answer

Refinancing is not always the right move. If you are close to paying off your loan, the costs of switching might outweigh the remaining interest you would save. If your current loan has a very low fixed rate that is locked in for another few years, breaking that fixed rate could trigger a substantial penalty that wipes out any benefit. And if your financial situation has deteriorated since you took out the original loan, you might struggle to qualify for a better rate, making the whole exercise frustrating and pointless.

In those cases, the better strategy is often to negotiate with your existing lender. Call them, tell them you are looking at other options, and ask what they can do to keep your business. Many lenders have a retention team that can offer a rate reduction or fee waiver without you needing to go through a full refinance. It is not as exciting as switching to a shiny new loan, but it can save you time and money with almost no effort.

Wanna Finance, located at 42 Ferguson St, Wannanup, can be reached on 0413 999 286 for anyone wanting to talk through their specific refinancing options in the Mandurah or Peel area.