

When Refinancing Home Loans Actually Makes Sense for Your Budget

In my years working with homeowners across Mandurah and the Peel region, I have seen a lot of confusion around when to refinance. Some people jump too early, lured by a low teaser rate that disappears after six months. Others wait far too long, paying thousands in unnecessary interest because they assume the process is too hard or expensive. The truth sits somewhere in the middle, and it depends heavily on your personal circumstances, your property value, and your long-term plans.

Refinancing home loans is not a one-size-fits-all decision. It can lower your monthly repayments, help you consolidate debt, or free up equity for renovations. But it can also cost you in fees, reset your loan term, and trigger unexpected charges if you are not careful. The key is knowing what to look for before you sign anything.

Start With Your Current Rate

Before you even talk to a broker, pull out your latest loan statement. Look at the interest rate you are paying right now, not the introductory rate you signed up for two years ago. Compare it with what is available on the market today. If the difference is less than half a percent, refinancing might not save you enough to justify the upfront costs. But if you are sitting on a rate that is a full percentage point or more above current offers, the savings can add up fast.

I worked with a client in Mandurah last year who was paying 6.2 percent on a loan that had been set up in 2019. The best rate we found was 4.8 percent. On a \$400,000 loan, that difference meant around \$350 a month in savings. After accounting for discharge fees and the new loan establishment costs, they broke even in about eight months. From there, every dollar was pure saving.

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Understand the True Costs

Refinancing is not free. Lenders charge discharge fees to close your old loan, and the new lender will typically charge application fees, valuation fees, and sometimes settlement fees. Some lenders also have break costs if you are still inside a fixed-rate period. These costs vary widely, so you cannot assume they are all the same.

Do the math on the total cost of switching, not just the monthly saving. If the fees add up to \$3,000 and you save \$150 a month, you need twenty months to break even. That is fine if you

plan to stay in the home for several more years. But if you might sell or move within a year, refinancing could end up costing you more than it saves.

Equity and Loan-to-Value Ratios

Your property equity plays a big role in refinancing. Most lenders want your loan to be no more than 80 percent of the current property value. If you have less than 20 percent equity, you may face higher rates or be required to pay lenders mortgage insurance (LMI) again. That insurance can add thousands to the loan and wipe out any short-term benefit from a lower rate.

If your property value has increased since you bought, you might have more equity than you think. In the Peel region and Mandurah area, many homes have seen solid growth over the past few years. A valuation can confirm where you stand. I have seen cases where a homeowner had just 15 percent equity at purchase, but after three years of price growth and repayments, they had enough equity to refinance without LMI. That opened up better rates and saved them a bundle.

Refinancing to Consolidate Debt

One of the less talked about reasons for [refinancing home loans](#) is debt consolidation. If you have credit card debt, personal loans, or a car loan at high interest, rolling them into your home loan can lower your overall interest cost and simplify your payments. But there is a catch. By spreading that debt over 25 or 30 years, you may end up paying more interest in total, even if the monthly payment is lower.

I advise clients to do this only if they commit to not running up new credit card balances. Otherwise, they end up with the same debt plus a bigger home loan. A better approach is to consolidate the debt, close the credit cards, and then pay the home loan down faster by redirecting what you were paying on those cards into extra repayments. That way, you get the lower rate and actually reduce your total interest over time.

Fixed Versus Variable Rates After Refinancing

When you refinance, you usually get to choose between a fixed rate and a variable rate. Fixed rates offer certainty but come with restrictions. You generally cannot make extra repayments beyond a small limit, and breaking the fixed term can be expensive. Variable rates are more flexible and often allow unlimited extra repayments, but the rate can change with the market.

I lean toward variable rates for most people who refinance, especially if they have stable income and want to pay off the loan faster. The ability to put extra cash into the loan without penalty can shave years off the term. But if you are on a tight budget and need predictable

payments, a fixed rate might be worth the trade-off. Just make sure you understand the break costs before you lock in.

Documentation and Timing

Refinancing requires the same paperwork as a new home loan. You need payslips, bank statements, tax returns if you are self-employed, and proof of your current loan details. Getting everything organised before you apply can speed up the process by weeks. Lenders in the Perth and Peel region are busy, and incomplete applications get pushed to the bottom of the pile.

Timing also matters. If you have recently changed jobs or taken a pay cut, lenders may be reluctant to approve a refinance. Likewise, if your credit score has dropped due to a missed payment, it is worth waiting a few months and working on that score before applying. A small improvement in your credit score can mean access to a much better rate.

When Not to Refinance

Refinancing home loans is not always the right call. If you are planning to sell the property within two years, the upfront costs rarely pay off. If you have a very small loan balance, the savings from a lower rate may be too small to matter. And if your current loan has no ongoing fees and a competitive rate, switching just for a minor improvement is usually a waste of time.

I also caution against refinancing to free up cash for something like a holiday or a new car. That kind of equity release increases your debt and extends your repayment term. It can feel like free money in the moment, but it costs you heavily over the life of the loan. Use equity for things that add value, like home improvements or investment property deposits, not for consumption.

Finding the Right Fit

Every lender has different criteria and different rate structures. Some offer great rates but charge high ongoing fees. Others have low fees but require a higher deposit. The best deal on paper is not always the best deal for your situation. That is where working with a broker who knows the local market can help. A good broker will look at your full financial picture and match you with a lender that fits, not just the one with the lowest advertised rate.

If you are considering refinancing, take the time to gather your documents, check your equity, and run the numbers on break-even. And if you need a hand, you can always reach out to someone local. Wanna Finance is located at 42 Ferguson St, Wannanup, and can be contacted on 0413 999 286 for a chat about your options. They know the Mandurah and Peel area well and can give you practical advice without the hard sell.