

Refinancing / Debt Reconsolidation FAQs

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What is refinancing?

Refinancing lets you change your home loan to suit your new circumstances. Coastal Lending Services recommends an annual Home Loan Health Check to assess whether the original home loan you chose is still the most suitable option.

How does refinancing work?

When you take out a new loan, you use some or all of the funds to pay out your existing loan. The new loan often comes from a different lender, but many people refinance with the lender they've been using for years. If you move to a new lender, that lender will take care of paying out your existing loan.

What type of things do people refinance for?

Home loan refinancing may be used for different reasons including:

- **Renovating** your home or other home improvements such as a pool.
- **Paying off your debts** such as credit cards by rolling them into your home loan.
- Obtaining a **cheaper rate**, even if it means giving up a few loan features.
- To **raise cash** for a purchase such as a car
- You are paying a high interest rate – for example, if you arranged a low-start, rising-rate loan from your homebuilder.
- You want to **switch from** a variable rate to a fixed rate, perhaps because you can want to reduce the risk of higher repayments.

How will refinancing benefit me?

Refinancing can be a smart way to manage your money. Here are a few reasons why you may want to refinance:

- To get a peace of mind with a fixed rate
- To obtain a lower interest rate so as to reduce your monthly payments
- To gain the flexibility to pay off your loan faster
- To consolidate credit cards, personal loans or other debts to reduce your interest rate and monthly repayments
- To unlock the equity in your current property to finance a renovation, purchase an investment property or free up some extra cash.

Our refinancing checklist can help you decide if refinancing is right for you.

Should I refinance with interest rate rises?

When the Reserve Bank raises interest rates, banks and other lenders usually follow suit by increasing your mortgage repayments. Refinancing your home loan from a variable to a fixed rate can provide certainty with your repayments.

I have a lot of credit card debts and personal loans. What is the benefit of consolidating?

By consolidating various smaller debts like credit cards or personal loans into one large debt, you may be able to reduce interest rates or lower your monthly repayments. Plus you only have one loan to keep track of.

Why should I refinance with a Coastal Lending Services broker and not my bank?

When done properly, loan refinancing can save money and work very well. However, there are drawbacks involved – namely the cost. The reasons for refinancing should be legitimate and the cost benefits in the long run should definitely outweigh the short-term costs. At Coastal Lending Services we have no home loans of our own to sell, so you can be sure we will provide you with a number of options to suit your needs – not the needs of a lender.