



REFINANCE EBOOK

A Comprehensive eBook Guide



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UNDERSTANDING REFINANCING – WHAT IS IT AND WHY CONSIDER IT?

When people hear the term “refinancing,” many immediately think of chasing a lower interest rate. While that’s often the starting point, refinancing can serve a range of financial purposes, making it a key tool in managing home ownership costs over time.

Put simply, refinancing is the process of replacing your existing home loan with a new one – either with your current lender or a different one. The new loan pays off the old one in full, and you then make repayments on the new agreement. For many homeowners, this is a chance to secure a better deal, adjust repayments, access equity, or consolidate other debts.

One of the most common reasons Kiwis refinance is to lock in a lower interest rate. With the ever-changing market, rates that seemed competitive a few years ago may no longer be the best available. Even a small reduction in interest can have a meaningful impact on repayments over the life of a mortgage. However, it’s crucial to weigh any potential savings against the costs of refinancing, which we’ll cover in detail later.

Another strong motivation is to change the structure of a mortgage. Homeowners might want to move from a floating rate to a fixed rate for certainty, or split their mortgage into different portions with varying terms. This flexibility can make budgeting easier and protect against future rate rises.





Refinancing can also be a tool to unlock equity - the difference between your property's market value and the mortgage owing on it. Homeowners often tap into this equity to fund renovations, invest in property, or support other financial goals. By restructuring their loan, they may be able to release funds while keeping repayments manageable.

Finally, some homeowners choose to refinance as a way to consolidate other debts, such as personal loans or credit card balances. Rolling these into a home loan can reduce the interest rate applied to the debt and simplify repayments. However, it's important to understand the long-term implications, especially if spreading out repayments leads to higher total interest paid over time.

Refinancing isn't a one-size-fits-all solution. While it offers real opportunities, it also comes with potential costs and risks. The key is making an informed decision that aligns with both your current situation and long-term financial goals. Working with a mortgage adviser helps ensure you're not just getting a cheaper rate, but making the right choice for your circumstances.





THE REFINANCING PROCESS – STEP-BY-STEP FLOWCHART

A simple visual flow showing:

- Review your current mortgage
- Compare lenders and offers
- Check costs (break fees, legal, valuation)
- Submit application
- Approval and documentation
- Settlement and new repayments begin

5 SIGNS IT MIGHT BE TIME TO REFINANCE

- Your fixed rate is expiring soon
- You're paying a higher rate than current market offers
- You need to access equity for a big project
- You want to consolidate high-interest debts
- You're unhappy with your current lender's service



THE TRUE COSTS OF REFINANCING

Refinancing is often promoted as a way to save money, but it's important to look beyond the interest rate headline. There are real costs involved in switching your mortgage, and understanding these up front can help avoid unwelcome surprises.

One of the most significant costs to be aware of is the break fee, sometimes called an early repayment charge. If you are on a fixed-term mortgage and refinance before that term ends, your lender may charge a fee to compensate for the interest they lose. The exact amount can vary dramatically depending on the remaining fixed period, your interest rate, and how rates have moved since you locked in. It's not uncommon for break fees to run into the thousands - sometimes wiping out any savings you hoped to achieve by refinancing.

On top of that, there are usually legal costs to consider. Although these aren't always high, you may need a solicitor or conveyancer to complete the paperwork for your new mortgage. Some lenders offer to cover basic legal fees as part of a refinancing deal, but this isn't guaranteed and may come with conditions.



Don't forget discharge fees - the cost of closing your existing mortgage with your current lender. These are often modest, but they still add to the total. Some lenders also charge an application or establishment fee on the new loan, particularly if they're offering a special rate or cash incentive.

Speaking of cashbacks, while many lenders promote refinancing offers with upfront cash incentives, it's important to check the fine print. Most cashback deals come with a clawback period - if you refinance again or repay your loan within a certain timeframe (often two or three years), you may be required to repay all or part of that cashback.

Finally, think about the less obvious costs: your time and effort. The process of refinancing involves gathering documents, meeting with advisers, and potentially going through a full credit assessment again. While a mortgage adviser can make this easier, it's still a commitment of your time and energy.

Refinancing often makes sense when the long-term savings outweigh the upfront costs, but it's never a guaranteed win. The key is to get clear on the total picture - not just the advertised interest rate - before making your move.





CASHBACKS AND SPECIAL OFFERS – WHAT'S THE CATCH?

Cashbacks, free legal offers, and discounted rates are common tactics used by banks and lenders to attract refinancing customers. These can seem like an easy win, but it's important to look beyond the headline offer and understand how they work.

Cashbacks are essentially a lump-sum payment given to the borrower when a mortgage settles. These can range from a few hundred dollars to several thousand, depending on the size of the loan. While this can be useful for covering refinancing costs, lenders almost always include a clawback clause. If you refinance or repay your loan within a certain period – typically between two and four years – you may have to pay that cashback back in full.

Then there are special rates. These might be advertised as limited-time offers for new clients or refinancing customers. While the rate itself may look attractive, it often comes with conditions such as a minimum loan size, a short fixed term, or limits on structuring options. Some special rates may even revert to higher-than-market rates at the end of the fixed period.





Lenders may also offer free legal fees or cover valuation costs as part of a refinancing deal. While this can be helpful, it's worth asking whether these costs are being subsidised by a slightly higher interest rate or reduced flexibility in your loan terms.

The key with any cashback or special offer is to check the fine print. A good deal will still make financial sense after you've considered clawbacks, lock-in periods, and future rate options. A mortgage adviser can help you weigh up whether the offer genuinely benefits you, or if it's a short-term perk that could cost you more in the long run.





REFINANCING IN A CHANGING INTEREST RATE MARKET

Interest rates don't stand still. They move in response to a complex mix of factors - from inflation and economic growth to Reserve Bank decisions and global market shifts. For homeowners, this means that the timing of a refinancing decision can make a significant difference.

When rates are falling, homeowners often look to refinance to lock in lower rates and reduce repayments. However, refinancing too quickly can sometimes backfire if the costs of switching outweigh the savings. On the other hand, waiting too long in a rising rate market could mean missing the chance to secure a favourable deal.

The Official Cash Rate (OCR) set by the Reserve Bank of New Zealand is a key driver of mortgage interest rates. Changes to the OCR influence how much banks pay to borrow money - and in turn, what they charge customers. When the OCR moves, mortgage rates often follow.

It's not just about timing, though. Competition between lenders also plays a role. Some banks may offer sharper rates or cashback deals in certain market conditions to win market share. Keeping an eye on both the broader interest rate environment and individual lender offers is part of making a smart refinancing choice.



Ultimately, refinancing in a changing market is about balancing the risk of rates moving against the potential costs of switching. A mortgage adviser can help assess whether refinancing now is likely to deliver meaningful benefits, or if holding off might serve you better.

WHEN TO CONSIDER REFINANCING – DECISION TREE

Questions like:

- Is your interest rate higher than current market rates?
- Are you planning a renovation or investment?
- Is your fixed term about to expire?
- Do you have high-interest debt to consolidate?



DEBT CONSOLIDATION AND REFINANCING - IS IT A GOOD IDEA?

Many people carry personal loans, credit card debt, or hire purchase agreements alongside their mortgage. Refinancing offers the opportunity to consolidate these debts into one home loan - often at a lower interest rate.

The big appeal is simplicity. Instead of juggling multiple payments with varying due dates and interest rates, everything is rolled into your mortgage. This usually results in a lower overall monthly payment, making budgeting easier.

However, there's a catch. By stretching consumer debt over the remaining term of your mortgage - which could be 20 or 30 years - you may end up paying more in total interest. What seemed like a money-saving move in the short term can become costly over time.

It's also important to be disciplined. Debt consolidation only works if you avoid racking up new consumer debt after consolidating. Without changes to spending habits, you risk increasing your total debt load rather than solving the problem.

Used wisely, refinancing for debt consolidation can help simplify finances and reduce pressure. But it should always be done with a clear understanding of the long-term implications - ideally with advice from a mortgage adviser who can help structure the loan appropriately.





USING REFINANCING TO ACCESS HOME EQUITY

As property values increase, many homeowners build up equity - the difference between the home's market value and the amount owed on the mortgage. Refinancing offers a way to tap into this equity for other purposes.

Home renovations are a common reason. Whether it's a new kitchen, an extension, or maintenance work, using home equity can be a more cost-effective way to fund projects compared to personal loans or credit cards.

Some use equity to invest - buying a second property, investing in a business, or even purchasing shares. While this can open new financial opportunities, it also increases risk, especially if property values or investment returns don't go as planned.

When accessing equity, lenders still apply responsible lending standards. They'll assess your income, expenses, and ability to service the increased borrowing. You may also need a registered valuation to confirm the home's current value.

Accessing equity through refinancing isn't free money - it increases your total borrowing and must be repaid. But for those with a clear purpose and a sound repayment plan, it can be a powerful financial tool.





FIXED VS FLOATING – CHOOSING THE RIGHT STRUCTURE WHEN YOU REFINANCE

One of the biggest decisions when refinancing is how to structure your mortgage. The choice between fixed, floating, or a combination of both can affect your repayments, flexibility, and long-term costs.

A fixed-rate mortgage offers certainty. Your interest rate, and therefore your repayments, stay the same for the length of the fixed term - usually between six months and five years. This stability makes budgeting easier and protects you if interest rates rise. However, fixed loans come with less flexibility. You'll often face break fees if you want to pay off the loan early, refinance, or restructure during the fixed term.

A floating (or variable) rate mortgage moves up and down with market rates. This gives you flexibility - you can make lump sum repayments, increase your regular payments, or even pay off the loan entirely without penalty. But it comes with the risk of rising rates, which can increase your repayments at any time.



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Many homeowners opt for a split loan structure, fixing part of the mortgage while leaving the rest on a floating rate. This allows them to lock in certainty on a portion of the loan while keeping flexibility on the other. It's a common strategy for those wanting the security of fixed repayments but still keen to make additional payments without penalty.

The right structure depends on your financial goals, risk appetite, and plans for the property. Refinancing provides a perfect opportunity to review your current structure and make sure it still suits your situation.





REFINANCING FOR PROPERTY INVESTORS

For property investors, refinancing can be more than just a chance to get a better rate - it can be a strategic move to optimise cash flow, access equity, or restructure for tax efficiency.

Investment property loans often come with different terms and interest rates than owner-occupied loans. Investors might use refinancing to access sharper rates, or to switch to a lender more comfortable with their portfolio size.

Equity release is a key tool for investors looking to expand their holdings. By refinancing an existing investment property, they may be able to access funds for deposits on new purchases or renovations to improve rental income.

Debt structuring is also an important consideration. Some investors refinance to split lending across different banks, manage risk, or segregate loans by property. In some cases, refinancing may help with tax planning - though it's important to seek professional tax advice, as tax laws can change and differ depending on the investment strategy.

Refinancing for investors often involves a more complex assessment process, especially if multiple properties are involved. Working with a mortgage adviser experienced in investment lending can make a significant difference in securing the right deal and ensuring the structure aligns with investment goals.





HOW A MORTGAGE ADVISER HELPS YOU REFINANCE

Refinancing might sound straightforward, but the reality is often more complicated - especially when juggling costs, lender offers, and the fine print of mortgage terms. This is where a mortgage adviser becomes an invaluable resource.

A good adviser doesn't just find you a low rate. They assess your overall financial position, your goals, and your plans for the future. This helps ensure the refinancing solution they recommend is genuinely in your best interest, not just a quick win.

Advisers have access to a range of lenders - often far more than you'd easily approach on your own. This means they can compare offers, negotiate rates, and explain lender incentives like cashbacks or discounted legal fees. They also know how to navigate the clawback terms and hidden conditions that sometimes catch borrowers out.

Importantly, a mortgage adviser manages the application process. They help you prepare the required documents, liaise with lenders, and oversee the paperwork through to settlement. This can save you time, reduce stress, and increase your chances of approval - particularly if your situation is a bit out of the ordinary.

Refinancing with the support of an adviser gives you confidence that you're not just chasing a headline rate, but securing a solution that fits your needs both now and in the future.



STEP-BY-STEP GUIDE TO REFINANCING YOUR MORTGAGE

Refinancing might seem daunting, but the process can be broken down into clear, manageable steps.

It starts with a review of your current loan. This means checking your current interest rate, repayments, fixed terms, and any applicable break fees. A mortgage adviser will typically assess this for you, comparing it against current market offers to see if refinancing makes financial sense.

Next comes the lender selection. This involves looking at interest rates, loan features, cashbacks, and other incentives. The adviser will weigh up both the costs and benefits to find the most suitable lender for your needs.

Once you've chosen a lender, you'll need to submit an application. This usually includes proof of income, details of your assets and liabilities, and information about the property. The lender will assess your financial position, just as they would for a new mortgage.

If approved, you'll receive loan documents, which need to be signed – often with legal advice or through a solicitor. The new lender will then pay out your existing loan, and your repayments will begin under the new arrangement.

From start to finish, refinancing can take anywhere from two to six weeks, depending on the complexity of your situation. A mortgage adviser can help keep things on track, making sure no details are overlooked along the way.





REFINANCING TRAPS TO AVOID

While refinancing offers real benefits, it also comes with potential pitfalls. Understanding these can help you make smarter decisions.

One of the most common traps is focusing only on the interest rate. A lower rate is attractive, but if it comes with high break fees, clawbacks, or limited flexibility, the overall deal may not be in your favour. Always look at the total cost - not just the advertised rate.

Another risk is refinancing too often. Chasing cashbacks or special offers repeatedly may seem clever, but most lenders have clawback clauses. If you refinance again within the clawback period, you may have to repay the cashback - wiping out your gains or even costing you money.

Ignoring break fees is another frequent mistake. Refinancing a fixed loan before the term ends can result in hefty charges. Before making any move, it's essential to get an accurate break fee calculation and factor this into your decision-making.

Some homeowners consolidate debt into their mortgage without addressing the behaviours that led to the debt in the first place. This can create a cycle of increasing borrowing without solving the underlying issue. Refinancing is most effective when paired with a clear financial plan.





Finally, refinancing with the wrong structure - for example, fixing the entire loan when you need flexibility - can limit your options later. Structuring your loan thoughtfully with professional advice can help avoid costly mistakes down the track.

TOP 5 REFINANCING MISTAKES TO AVOID

- Refinancing without checking break fees
- Chasing cashback deals without reading the clawback terms
- Ignoring the long-term cost of debt consolidation
- Overlooking flexibility in loan structure
- Refinancing too often



IS NOW THE RIGHT TIME FOR YOU TO REFINANCE?

Deciding whether to refinance comes down to your personal circumstances. While low rates and special offers are tempting, refinancing only makes sense when it aligns with your broader financial goals.

Start by considering your current loan. Are you on a high interest rate? Is your fixed term due to expire? Are you unhappy with your lender's service? These are all valid reasons to explore your options.

Next, think about your future plans. Are you planning to renovate, move house, or invest in property? Do you expect your income or expenses to change? Refinancing can help position you for these events, but only if it fits your long-term goals.

Take stock of the costs. Have you checked for break fees? Do you know the legal and valuation costs involved? Have you assessed whether any cashback offers come with clawbacks that might catch you out later?

Finally, reflect on your current financial habits. If you're looking to consolidate debt, will you be able to avoid taking on new debt? If you're accessing equity, do you have a plan for repaying the additional borrowing?

Refinancing isn't a decision to rush. Taking the time to review your position - ideally with the help of a mortgage adviser - can ensure that when you do refinance, it's for the right reasons and at the right time.

