Hello, everyone, and welcome to this week's Flash Friday Finance Update. My name is Louise from The Property Education Company. Thank you for listening in.

I thought we should help and send out a message, not just for our first home buyers, but our second, third, and fourth home buyers this week, just to see what's available and some of the options that are happening with refinancing. It's not on interest rates, because interest rates are varying widely, but one of the key things is the changes in servicing that's been happening lately.

So what are certain lenders offering? There's a new refinance criteria and usually, they were having to apply a 3% buffer on top of their variable rates. So a lot of those rates were then now looking at your servicing at 10%, which is crazy because that's not helping anyone. If you need to refinance from a higher rate and you've been paying your bills, why shouldn't you get a lower rate? And so, because you couldn't afford that extra 3%, it was actually penalizing people.

So, the lenders have come up with a cute way of getting around that. Here are some of the rules around it:

1. They are implementing a buffer of 1% for certain criteria instead of three. You still have to be able to service with a 1% buffer, but what does that tell you about where they think interest rates are going? Maybe not so much higher. It sort of would indicate that the banks may be considering that we're almost at the peak of the interest rate rising cycle, so that's of interest too, and might give someone some reassurance about where rates are heading in the future.

2. They may extend the term of your loan back out to 30 years, but your initial loan must be older than twelve months. So if you have had your loan further than twelve months, maybe five years, you may get that loan extended back out to 30 years. And you might think, *Oh, gosh, do I have to repay now in over a longer period?* No, you may always pay it quicker, that's no issue at all. You can always put more loan and more money into your loan, except when it's fixed, then there's a rule, you can generally only put in $10,000 extra per year. But on a variable loan, you can pay it off the next day if you so choose. But they are letting you extend back to 30 years, and the benefit of that can be that the repayment can be reduced. So that may take some of the pressure off for you so that you can actually not be obliged to pay extra, and that can help through certain periods, particularly when paying school fees or there are lots of issues coming up or ill health or whatever. So it's often advisable from our point of view to help you get the lowest repayment possible, but you can always pay extra. So note that's a good rule to work with.

3. They are looking for good conduct, so you need to pay your bills on time, not go into the red on your accounts. You want to always be in the black. What I mean by that is always run a positive balance and pay your loans on time, pay your credit card on time, and never be a day late and say, *Oh, my pay is coming the next day*. You need to get those things sorted so that they're always paid on time. So they're looking for people who have no trouble and that's why they're making it easy for you to refinance for a lower rate.

4. They are only doing LVRs or loan-to-value ratios up to 80%, so loans up to the 80% mark on a property. So if you owe more than that because you paid Lenders' Mortgage Insurance, or you didn't, maybe because you were a first home buyer and got some help with that, then it might be harder for you unless your property has grown dramatically. So they are only doing these 1% buffers up to 80%, generally, that's what's offered. And they add a small amount extra for fees, but they are not refinancing other debts into this loan. So if you have a credit card or a car loan, you think, *oh, good, I'll refinance that, and with a buffer of 1%, then I can make it happen*. The banks aren't generally keen on that scenario.

5. They will consider interest-only terms for investment. So that may be really handy because if you've got multiple investment properties all coming off interest-only terms somewhere else, you can refinance on a 1% buffer and get them back onto interest-only. And to possibly save yourself from having to pay principal interest when your intention is just to hold the properties and let them do their thing in growth and not worry so much about paying them off, well, that might be what your accountants advised you, so that may be really useful to extend the term of the loan and get it back onto interest-only and potentially save your repayments and manage your lifestyle a bit better.

So if you need any help with any of that, please feel free to reach out to us. I'm actually on holiday for the next month, but the team is all there, ready and keen and willing to help you. Just email in and you can email me even, but email Caitlyn or Claudia or Quena or any of the team and they will be all over it. So, have a wonderful August. I am pleased to be leaving the Melbourne cold and I will see you after. Bye!