
FREE REPORT — FOR AUSTRALIAN HOMEOWNERS

How To Avoid The Most Costly Refinance Mistakes In 3 Easy Steps

How to save upwards of \$100k and become debt-free years earlier

(Without increasing your repayments)

In this guide we cover the most costly refinance mistakes and exactly how to avoid them — while saving upwards of \$100,000 in interest and becoming mortgage-free years ahead of schedule.

What's inside:

- ✓ The rate-chasing trap that costs you \$10,000s — and how to escape it
- ✓ Why resetting to 30 years without a plan is a costly mistake
- ✓ How to protect your redraw funds when refinancing
- ✓ The fortnightly repayment structure that saves up to \$100k+ and 5 years
- ✓ Bonus: offset account — feature or expensive trap?

General information only. This guide does not constitute a recommendation or substitute for speaking with a licensed mortgage broker.

THE TRAPS MOST HOMEOWNERS FALL INTO

Are you making these costly mistakes?

Most Australian homeowners refinance with good intentions — lower repayments, better rates, access to equity. But two deeply common habits quietly cost them tens of thousands of dollars and keep them trapped in mortgage debt far longer than necessary.

COSTLY MISTAKE #1

Rate chasing every 2–5 years

Chasing a lower rate every few years may ease the immediate strain on your repayments — but it is quietly costing you \$10,000s to \$100,000s in extra interest over the life of your loan. Each time you refinance without a structured debt-reduction plan, you reset the interest clock and extend how long you stay in debt. Many borrowers end up with a 35+ year mortgage without ever realising it, trapped in an endless cycle of refinancing.

COSTLY MISTAKE #2

Resetting your loan term to 30 years — without a plan

Resetting to a fresh 30-year term without a debt-reduction strategy is one of the most expensive mistakes a borrower can make. Yes, your repayments drop — but you are paying interest for far longer, and the total cost of your loan skyrockets. Before accepting a 30-year reset, ask your broker: can we keep the loan term the same as what I currently have, while still getting a lower rate and lower repayments? A debt reduction strategy is the key to a truly successful refinance — regardless of your reason for refinancing.

The good news? Both mistakes are completely avoidable. The following 3 steps show you exactly how.

THE 3-STEP SOLUTION

1

Find a broker who works for you — not the bank

Not all mortgage brokers are created equal. Many brokers benefit from keeping you in the rate-chasing cycle — every time you refinance, they earn another commission. A good broker structures your loan in a way that serves *you*, not the bank's interest book.

What to look for in a broker:

- They ask about your long-term goals, not just your current rate
- They model total interest paid over the life of the loan — not just the monthly repayment
- They have a clear debt-reduction strategy as part of the refinance
- They explain the fortnightly repayment structure and its impact on your loan term
- They are transparent about their commission and how they are paid

TIP: Ask any broker you speak with: "Can you show me the total interest I will pay over the life of this loan, and how does the debt-reduction strategy work?" Their answer will tell you everything you need to know.

2

Protect your money — redraw funds and fixed rate exit fees

This is one of the most overlooked — and expensive — mistakes borrowers make when refinancing. Two areas where money can disappear if you are not careful:

Redraw funds

Your redraw account balance often does not appear on your standard bank statements. If your broker is unaware of it, they will write the loan for the balance they can see — and when the refinance settles, your old lender will keep every dollar sitting in that redraw.

Here is how to protect it:

- Tell your broker exactly how much is in your redraw before they submit anything
- The broker should structure the new loan to include the full redraw amount in the borrowing
- Once settled, the excess funds from the new loan go straight back into your redraw or offset
- Your balance is back where it was — and you still have full access to those pre-paid funds

Fixed rate exit fees

It is rarely worth exiting a fixed rate loan before the term ends. Break fees are calculated by the lender based on wholesale interest rate movements and can easily reach \$10,000s — sometimes more. Always ask your broker or accountant to calculate the break cost before making any decision to exit a fixed rate early.

TIP: Always ask your current lender for the exact break cost figure in writing before your broker submits a new application. This number changes daily and can make or break the case for refinancing.

This is where the real magic happens — and most borrowers never hear about it. When you refinance, choose a lender that offers fortnightly repayments calculated as your monthly repayment divided by 2. Here is why that matters:

The maths behind the strategy

There are **26 fortnights** in a year — but only **12 months**. When your fortnightly repayment is exactly half your monthly repayment, you make 26 half-payments per year.

26 half-payments = 13 full monthly payments per year.

That extra payment goes entirely to reducing your principal — every single year. No budgeting changes. No extra sacrifice. It is all done through the loan structure.

You can refinance to get a lower rate, reducing your repayments, while setting up this fortnightly repayment structure to save you upwards of \$100,000 and save you up to 5 years on your loan term.

What this looks like in real numbers:

Loan details	Monthly repayments	Fortnightly repayments
\$600,000 at 6.0% over 30 yrs	\$3,597/month Paid off: 30 years Total interest: ~\$694,000	\$1,799/fortnight Paid off: ~25 years Total interest: ~\$574,000
		You save ~\$120,000 and 5 years — without paying a dollar more per fortnight

Important: not all lenders offer true fortnightly repayments. Some calculate fortnightly as annual ÷ 26 — which means you pay the same total per year as monthly, with no acceleration benefit. Ask your broker to confirm the lender uses the monthly ÷ 2 method.

BONUS — Offset account: helpful feature or unnecessary cost?

An offset account reduces the balance your interest is calculated on — so if you have \$20,000 sitting in offset against a \$600,000 loan, you only pay interest on \$580,000. For people who consistently hold a large cash balance, this can be genuinely valuable.

But offset accounts usually come with an annual package fee (\$300–\$400/yr) and sometimes a higher interest rate. If your offset balance is low, the fee eats up the savings and then some.

Offset is worth it if:	Offset may not be worth it if:
You consistently hold \$5,000+ in the account	Your balance is low or irregular
Your income goes into the offset and sits there	The annual fee exceeds your interest saving
You need flexible access to savings	A redraw facility would give you the same access for free



This guide is for general information purposes only. Results are illustrative and will vary based on loan amount, interest rate, lender, and individual circumstances.