



# THE REFINANCE BIBLE 2021

THE FINANCE  
ALLIANCE

# The Steps Of A Refinance Application

1. Discovery Zoom Meeting or Face to Face
2. Digital Fact Find Form
3. Establish Serviceability
4. Product selection and Refinance Strategy
5. Credit Proposal Document via DocuSign
6. Finance Application pre-filled form via DocuSign
7. Upload all required documents straight to platform
8. Submission
9. Liaising with lender to achieve Formal Approval
10. Loan Contracts via DocuSign
11. Settlement

# Introduction

Refinancing, for as long as we can remember this word has given us hope, excitement, dread and loath. The idea always sounds so good:

“Just do a quick and easy refinance and save thousands a year, sometimes even a month.”

It's a very exciting proposal and it sounds amazing, but when the process has started, it ends up being a process that drags on and on, often months upon months and a surprising amount of refinances die a slow death and never get completed.

In this book we go through the psychology of refinancing, look at the flaws of the Pre-Covid process and offer a simple and easy solution for anyone willing to embrace innovation and technology.



# Part 1: The Psychology of the Refinance

# Time

In today's age, time is our most valuable asset. There is so much being thrown at us on a daily basis, that it's challenging to cope with it all. We cherish the moments where we can take a break and briefly step out of it all. A moment where we don't have to think about all the tasks and responsibilities competing for our time. We call this 'Escapism'.

We assign a lot of value to these moments of tranquillity and it's those moments the refinance exercise competes with.

Ask someone about their experience and there will be a mixture of stories. Some will be good, some average, some were a nightmare.

The question therefore is: What contributes to a good experience? Here is our two cents:

- Financial benefit
- Suitable product and features
- Financial Strategy
- Minimal impact on time

Our experience is that a negative impact on time negatively impacts all other contributors, which is why there are so many refinance applications that die a slow death and never reach the finish line.

A good mortgage broker is worth it's weight in gold as they are able to tick all the boxes, where banks in most cases can't. Sure, they may provide a financial benefit but they are limited in product offering (biased) and don't determine whether the products are in your best interest, let alone the provision of proper Financial Strategies.

Even though mortgage brokers facilitate a larger portion of the 'refinance pie', there are still a significant amount of people going to their bank for a refinance. Why?

The answer is simple: minimal impact on time, convenience. The banks have your income and expense details handy at the push of a button, often requiring minimal documentation from you, hence minimising the amount of time you are spending on gathering all the statements.

The fact that you are most likely not on a carefully considered product with the best financial benefit and fitting in with a sound financial strategy is all swiped under the carpet because we get to spend more time on other things and we trust that our bank has our best interest in mind (even though they give better rates to new clients).



## **Benefits of a good mortgage broker:**

- Proper Needs Analysis
- Financial Strategy
- Unbiased Product and Lender Comparisons
- Suitable products and features
- Independent recommendations
- Free upfront valuations through multiple lenders
- Financial Benefit
- Annual Financial Health Check
- Minimal impact on time (more on this later)

Want to get an idea of what we could do for you? [Click here](#) to arrange a free of charge Discovery chat with one of our Finance Specialists.

# How Much?

The question we ask ourselves when considering a refinance is: “how much money do I need to save monthly, before I am comfortable going through the ‘pain’ of refinancing?”

”Is it \$50 per month? \$100? \$250? \$500?”

We run some numbers in our head and often end up thinking, “mwah, \$50 per month, I pay more than that for the gym which I never use.

”But with a strategy in place we could be thinking: “\$50 per month, If I pay that extra into my mortgage, I would pay off my mortgage 1 year and 10 months faster.”

\*This example is calculated on a \$300,000 home loan, 3% interest, 30yr term.

We’ve used [this calculator](#) to establish this, go ahead and try for yourself, perhaps explore what a \$250 per month extra repayment reduces the loan term by, or a \$500 per month extra repayment, it will blow your mind, we promise.

# Strategy

Often, the lack of strategy results in “False Perceived Information”.

What we mean by that is that by establishing a monthly benefit of a proposed refinance, we focus too much on the short term benefit (more to spend), rather than the long term benefits that a Financial Strategy would provide visibility on.

We perceive the effort and pain of going through the process of refinancing one property or multiple properties as ‘not worth spending our precious time on’.

We’ve explained the benefit of making extra repayments into your mortgage and reduce the loan term, what else could be part of a financial strategy?

# Investing

A common item that gets discussed as an option is investment. Why not utilise the savings of a refinance towards an investment property? With record low interest rates, buying an investment property could very well be possible for you and will likely not cost you much out of pocket, in particular if combined with a cash flow reducing refinance.

It deserves noting, however, that buying an investment property involves an elaborate investment strategy and you would do good to speak to us when you are considering investing.

[Click here](#) for more information and guidance regarding investing.

# Structure

The way you structure your debt can make a big difference, especially when investment properties are involved. If there's room for improvement in your debt structure, you are leaving money on the table.

Did you know that a properly structured investment property can assist you in paying your home loan off faster?

# Master Facility

A Master Facility is a structure through which numerous strategies all work together to pay off non-tax-deductible debt as fast as possible, utilising tax benefits, rental income, offset accounts and a couple of other tricks we have up our sleeves.

Each Master Facility Structure is different and is based on your current assets, liabilities and your goals and ambitions.

Your Master Facility will be carefully documented and regular follow ups are part of our service to ensure clarity and most importantly to ensure you're not leaving any money on the table.

# Conclusion of Part 1: The Psychology Of The Refinance

In part 1 of this book we have answered the question why most of us have a negative bias over refinancing and why we often feel it's not worth the effort by suggesting that there has not been enough focus on the real value of a refinance.

We further explained the significant benefit of utilising the services of a mortgage broker over going to a banker and we trust that you now agree that a refinance is something that should always be explored (through annual reviews of your financial strategy) and the benefits outweigh the discomfort of spending time gathering all required documentation.

The one thing that a banker has over a mortgage broker is the convenience of having access to some of your financial data, minimising impact on your time.

But what if 2021's mortgage brokers are able to provide for the same?

## Part 2: The Mortgage Broker of The Future



# Royal Commission

In the years leading up to 2020, the Royal Commission has made a big impact on the Financial Services Industry and gradually more and more regulations have been introduced.

Those regulations are there to protect you and your needs.

The Government passed further legislation to create a duty for mortgage brokers to act in the best interests of their consumers (Best Interests Duty) and requires mortgage brokers to prioritise their consumers' interests when providing credit assistance ([read more here](#)). Mortgage brokers, and, where relevant, other credit licensees, must comply with these obligations from 1 January 2021.

Good mortgage brokers don't have to change anything as they already act in your best interest. What the introduction of new regulation does, however, is filter out the mortgage brokers that do not act in your best interest. Call it a 'cleansing of the industry'.

With this in mind, we look at the years leading up to 2020 and witnessed an exodus of mortgage brokers which have been, and are currently being, replaced with a new breed of mortgage brokers.

# Innovation

The introduction of new and innovative ways to conduct business has always come at a slow and steady pace, in line with the demand from the customer. With the appearance of the Covid-19 virus, things have ended up in the fast lane and innovations had to be introduced in a rapid pace.

# Online Meetings

Take online meetings, for example. Pre-Covid the online meeting was commonly used for private matters, with family and friends, and much less for business purposes.

When Australia went into the first lockdown, in March 2020, businesses were forced to include the online meeting in their offerings in order to ensure the availability of a line of communication for their customers beyond the phone call.

Fast forward and we see that the online meeting now forms an integral part of our daily live and there are plenty of benefits for the consumer that come with it. If you feel comfortable with a virtual meeting with a mortgage broker, you no longer need to rely on the presence of a good broker in your local area, plus it saves you time, you no longer need to spend hours to visit physical offices if you don't want to.

Brokers that have moved with the time and facilitate for online meetings with their clients, are best able to serve you as a customer, in particular now that the lenders have amended their policies and accept the online meeting as 'having met your broker'.

# Document Platforms

Another example of great innovation is the rise of the 'document platforms'.

Through a fully encrypted platform, you are able to log in to your online banking and it will automatically generate all the statements that are required, such as:

- Transaction account statements
- Home loan statements
- Investment loan statements
- Offset account statements
- Credit card statements
- Personal loan statements.

The amount of time that is saved by not having to physically look up each statement, saving them independently and send each of them to your broker should not be underestimated.

# Digital Fact Find Forms

Printing off a fact find form, fill in out completely by hand, signing it, scanning it back in to email it to your mortgage broker is something that also belongs to the past. Through elaborate software, a mortgage broker is now able to send the customer a link to a fully encrypted online questionnaire. The questionnaire guides the customer through the process by asking a series of questions with fields that open up to enter the answers, such as personal details, financial details, employment details etc.

The program feeds the information directly into the broker's system. No need to print off any forms.

The broker now has all information necessary to provide for reliable Borrowing Capacity Calculations ([click here](#) to calculate your own Borrowing Capacity) and suitable finance options based on your requirements and goals.

# Digital Signature

A big step towards a paperless future is the transition into digital signatures. With today's innovation and technological improvements we are at a stage where a digital signature has the same legal rights assigned as a handwritten signature.

This allows for the customer to sign their application form electronically as well as the loan contracts. Again, no need for printing of documents to sign.

**Note:** some lenders are yet to make the full transition.

Thankfully, a larger portion of the professional industries are integrating digital signatures in their daily routine.



# The Steps Of A Common Refinance Application

1. Book an appointment for a free of charge Discovery Meeting ([click and book yours here](#)).
2. Discovery Meeting conducted via Zoom to discuss your needs, requirements and what it is you are looking to achieve. We brainstorm a little about possible outcomes and determine if this is something we would like to explore together further. We also provide our Credit Guide in this meeting.
3. We send out a Digital Fact Find Form, which you complete online.
4. We do our magic with the numbers and establish a Borrowing Capacity and select 3 suitable lenders in a comparison report, which is sent to you.

5. If we have done our job well during the Discovery Meeting, the comparison report presents three attractive options that suit your requirements and goals really well, and you proceed by selecting one option (there is the opportunity to ask questions and provide feedback and if needed, additional comparison reports).

6. We provide you with a Credit Proposal Document, outlining the nuts and bolts of the selected option and further disclosures, such as commissions likely to be received (paid by the lender, not by you). We are able to provide this via Docusign, alleviating the need to print, sign, scan and return.

7. Once the Credit Proposal Document is signed, we proceed to the Application Stage. A pre-filled application form is sent via Docusign and a link to your own, fully encrypted, online platform (Customer Centre) is provided.

8. You sign the application and upload the required documents directly to the online platform. Bank Statements, Loan Statements and Credit Card Statements are automatically generated for you when you login to your internet banking through the platform, saving you lots of time and minimising risk of mistakes.

9. We submit the application to the selected lender.

10. The assessor approves the application.

11. Loan Contracts are sent via DocuSign and after you have double checked that everything is as it was proposed, you sign the loan contracts.

12. Settlement occurs.

13. Post settlement service call, to ensure you settle in to your new loan(s) in the best possible way.

14. Further service calls after 3, 6 and 12 months.

15. The call on the 12 month anniversary is also called The Financial Health Check and could be done via zoom or face to face when deemed appropriate.

Note: each application is unique and the ideal process are based on your requirements and needs. Face to face meetings are available and paper applications can be facilitated also.

# Conclusion

We trust this e-Book has been of value and should you have any questions, feedback or have a conversation around how a refinance would look like for you, we very much welcome you reaching out to us via:

- Phone on 1300 48 90 93
- Email on [info@thefinancealliance.com.au](mailto:info@thefinancealliance.com.au)
- Website via our [contact form](#)

A background image of a family walking across a street. A man is carrying a young child on his shoulders, and a woman is walking alongside them. They are all smiling and appear to be in a happy, casual setting. The image is overlaid with a dark, semi-transparent filter to make the white text stand out.

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