Bernama : House Refinancing: The Next Step

Written by Administrator
Monday, 14 September 2009 15:05 -

<div align="justify"> KUALA LUMPUR-- Refinancing may be the only option for some to get cash from their asset.

 However, as mentioned in the earlier chapter, you should undertake refinancing only if it really benefits you.

 The important factor that you must consider is that the financial gains must always outweigh the costs of refinancing.

 The Association of Chartered Certified Accountants (ACCA) has outlined a few simple steps to determine whether or not to refinance as listed below:</div><div align="justify"><div align="justify"> * Get information on the current mortgage

 For the current mortgage, you should be able to get the following information from the bank:

 - the outstanding balance or ringgit amount left on the mortgage;

 - the remaining number of years on the mortgage; and

 - the interest rate on the loan.

 * Get information on the new loan

 For the new loan, you should get information on the following:

 - the terms or the number of years of the new loan; and

 - the interest rate on the new loan.

 * Get the costs of refinancing

 The costs you are likely to encounter when refinancing include:

 - processing fee or application fee;

 - credit check fee;

 - legal fees;

 - stamp duty;

 - disbursements fee;

 - valuation fees; and

 - redemption fees (if applicable)

 Redemption fees are paid to your existing bank if you are to cash in the loan earlier.

 So, it may make sense to wait until the redemption penalty period has passed before you switch your home loan.

 Also be cautious about the "Zero-Entry Cost" or "Zero-Moving Cost" promotions offered by most banks. Under such promotions, you are entitled to get the processing fee, legal fees, stamp duty, valuation fee waived (items waived vary from bank to bank).

 However the bank may impose conditions - for example, higher rates for exit fee. Most of the time, the fees waived might be absorbed in the form of an early redemption penalty (exit fee). So be extra diligent when evaluating refinancing package.

 SHOP AROUND

 You should always begin your quest by asking your current lender. More often than not, they may be willing to accommodate your request to refinance knowing that they might loose a good customer.

 The most important thing to do is to compare the rates of at least four banks.

 If the reason is to switch to a more attractive rate, then you have to be sure that the rates will continue to remain so in the future.

 To do this, you simply have to look at the bank's standard variable rate, which provides a measure of its current competitiveness.

 A low rate means that the bank is able to offer a competitive rate to both its existing borrowers as well as new customers.

 The fluctuation of currency rates gives borrowers opportunity to refinance their home loans and reduce mortgage costs.

 Different financial institutions offer different rates, so shop around for the best deal in town.
</div><p>
   --BERNAMA</p><p>26 March 2008 - by Rosliwaty Ramly </p>�</div>