

Refinancing 101: What a Sharper Rate Is Really Worth

A plain-English guide for Australian home owners — from LenderBridge

Refinancing sounds simple: find a lower rate, switch, save money. Most of the time it really is that good. But a lower headline rate and a genuine saving are not always the same thing, and the difference comes down to a few details that are easy to check before you do anything.

This guide walks through how to tell a real saving from a tempting one, what it costs to switch, and when a refinance is worth doing. It pairs with the LenderBridge Refinance Saver, which compares your loan against a sharper rate and shows your monthly saving, the interest saved over your remaining term, and your break-even.

A lower rate is only half the story

The number that decides whether a switch is worth it is the **break-even**: how many months of saving it takes to cover the cost of switching. If switching costs you \$1,000 and the new rate saves you \$150 a month, you break even in under seven months. Everything after that is money in your pocket.

The break-even matters because it tells you whether the switch survives the next move in your life. If you might sell, renovate, or refinance again within a year or two, a switch that takes three years to break even may not be worth the effort. A break-even of a few months almost always is.

Keep your term, or know why you're not

Here is the trap that quietly costs people money. When you refinance, the new lender will often quote a repayment that looks fantastic. Part of that is the sharper rate. But part of it can be the loan being **reset to a fresh 30-year term**.

Stretching the loan back out lowers the monthly repayment, but it can mean paying *more* total interest, even at a lower rate, because you are paying interest for longer. A smaller monthly number is not automatically a saving.

The fix costs nothing: ask the new lender to keep your **remaining term**, not reset it. You still capture the rate saving without adding years back onto the loan. If you genuinely want the lower repayment for cash-flow reasons, that is a fair choice, just make it deliberately with the trade-off in view. The Refinance Saver compares like for like over the same remaining term, so the saving it shows is the honest one.

The costs that set your break-even

Switching is rarely free. The common costs:

- **Discharge fee** on your current loan, plus government mortgage discharge and registration fees. Usually a few hundred dollars combined.
- **New loan establishment or settlement fees** with the incoming lender.
- **Fixed-rate break costs.** If you are on a fixed rate, breaking it early can carry a fee that is sometimes large enough to wipe out the saving entirely. Always get this quoted before you decide.
- **Lenders mortgage insurance (LMI).** If your equity is below 20% of the property value, a new lender may charge LMI again. This can be a significant one-off cost and is easy to overlook.

On the other side of the ledger, some lenders offer **cashback** to win your loan. A cashback can shorten your break-even, but treat it as a tie-breaker, not the main reason to switch. A sharp ongoing rate beats a one-off sweetener over the life of a loan.

A worked example

Say you have \$500,000 left on your loan with about 25 years to run, sitting on 6.40%. You compare it against a sharper rate of 5.89% over the same 25-year term:

- **Monthly saving:** roughly \$157
- **Interest saved** over the remaining term: roughly \$47,000
- **Break-even** on \$1,000 of switching costs: under seven months

The saving is real because the term is held constant. Reset that loan to a fresh 30 years and the monthly repayment would fall further, but the lifetime interest could rise. Same rate, very different outcome.

When to refinance, and when to pause

Refinancing tends to be worth it when your current rate has drifted above the market (lenders quietly let rates climb after the honeymoon period), when your break-even is short, and when you can keep your remaining term. Often the best first move is not even to switch: run the number, call your current lender, and ask them to match it. A retention discount with no switching cost is the cleanest win of all.

Pause and look closer if you are on a fixed rate (check break costs first), if your equity is under 20% (LMI may apply again), or if you are likely to move before you break even.

What to do next

1. Run your real numbers through the Refinance Saver and note your monthly saving and break-even.
2. Make sure any quote you get keeps your **remaining term**, not a fresh 30 years.
3. Ask your current lender to match the sharper rate before you switch.
4. When you are ready to compare options, get in touch. Every lender's policy differs, and the right structure matters as much as the rate.

Important. This is general information only and an indicative estimate, not credit assistance, a loan offer, or a quote. Figures are estimates and may differ from a lender's assessment. Consider your circumstances and seek advice before acting. LenderBridge is pursuing its credit licence pathway. Rates and figures current as at 6 June 2026 — verify before relying.

