Loans Australia: Understanding the Concept of Mortgage Redraw by Crowin Smith

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Majority of the loans offered today come with redraw facilities, which are becoming one of the standard loan features. As consumers, everybody needs to be on the lookout for the things that redraw facilities offer. For starters, it is important to understand how the redraw feature works.

Redraw facilities that come with loans Australia require home buyers to come up with extra payments aside from their regular mortgage payments. These extra repayments can be in the form of a definite added amount or several lump sum payments.

Paying extra means there will be extra money in your account, which will be accessible to you whenever you need it. Despite the option to â€˜redrawâ€™ the money youâ€™ve already paid, the bigger benefit of having extra money in your account is the fact that it lessens your interest payments and shortens the mortgage term.

Not all lenders offer this kind of loan feature. And for those that do, they can have different terms and conditions that cover mortgage redraw facilities. Thatâ€™s why it is advised that you do some researching first. You can start by asking your lender the following questions:

How much will the redraw facility cost me?

Redraw fees are usually flat fees that arenâ€™t immediately charged. Redraw facility fees become active once the borrower starts to redraw some of the stored funds in the account.

How many times am I allowed to redraw for free annually?

As for the redraw fees, every lender can charge varying amounts. The usual charge can range from $40 to $50 per instance. However, there are lenders that allow redraws without collecting any fee.

How much is the maximum redraw amount Iâ€™m allowed annually?

The answer to this question will depend on your lender. Take note that once youâ€™ve reached you annual limit, you wonâ€™t be able to make redraws anymore until the next year.

How many redraws am I allowed to make for free?

Some lenders allow unlimited redraw instances for free while some offer only a limited number.

How much are the allowed minimum and maxim redraw amounts?

There is a minimum and maximum redraw amount. Some lenders who donâ€™t put minimum and maximum caps per redraw offer a very flexible loan.

Determining what type of redraw facility is the best would depend on your personal circumstance and how you wish to use it. Some home buyers simply want to for a limited number of times without worrying about the fees involved. Some wish to regularly use redraw facilities as needed.

If youâ€™re looking at loans Australia that come with redraw facilities, the best thing to do is read the fine print. Talk to your lender and clarify all the stipulations that apply to the redraw feature of the loan.

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