Variable & Fixed Interest Rate Home Loans

bankwest

Bankwest, a division of Commonwealth Bank of Australia
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Important Information

This Customer Information Sheet is intended to help you understand some of the features of Bankwest variable & fixed interest rate home loans and warn you about some of the risks involved. You should not rely on this Customer Information Sheet as a substitute for your own independent legal and financial advice. You are strongly urged to seek such advice to fully understand fixed rate home loans. For product specific information about Bankwest's fixed rate home loans, message us in the Bankwest App or contact your lender.

Section 1 - General Information

What is a Fixed Interest Rate home loan?

It is a loan for housing purposes where the annual percentage rate (interest rate) is agreed to be fixed over a set period. This period may be the full loan term or a lesser period.

If the loan is not repaid in full at the end of the period for which the rate is fixed, the loan may revert to a variable interest rate, depending on the conditions of the loan.

On expiry of the fixed rate period you can apply to have the loan fixed for a further fixed rate period, subject to the Bank's usual terms and conditions applying at the time.

What is a variable rate home loan?

It is a loan for housing purposes where the annual percentage rate (interest rate) could go up or down at any time during the loan term, which will result in a change to repayments.

What is the best type of facility - Fixed Interest Rate or Variable Interest Rate?

This depends upon your financial circumstances, future plans and your perception of future movements in interest rates.

If you think interest rates will rise during the term of the loan, then a fixed interest rate facility may be your preferred choice.

However if you think interest rates might fall during the term of the loan, a variable interest rate facility may be a better choice.

Choice of facility must be yours based on sound advice from your financial adviser(s) to suit your particular circumstances.

What are the main advantages of Fixed Interest Rate borrowing?

1. Certainty in the rate of interest you pay - your rate stays the same for the agreed period while people paying variable rates of interest may experience a number of changes during the same period.
   If interest rates rise your rate will not increase and so you will not incur the higher borrowing costs that may apply to customers paying variable rates.
2. Certainty in the repayments you make during the fixed rate period - repayments (whether interest only or principal and interest) are generally fixed for the period.
3. You can make additional repayments of up to $10,000 per annum into your fixed interest rate loan.

What are the main disadvantages of Fixed Interest Rate borrowing?

1. Generally your repayments will be fixed for the fixed interest rate period. This means you will be restricted in your ability to make surplus repayments or extra lump sum payments.
2. If variable interest rates fall you will not have your rate reduced and so will not enjoy the lower borrowing costs available to customers paying variable rates. Your rate stays the same for the fixed period.
3. You may have to pay a fixed rate break cost and a fixed rate break administration fee if the fixed rate is broken at any time during the fixed rate period including:
   - if you pay out the loan;
   - the Loan is varied or terminated at your request;
   - you transfer to another product, change interest rate tier within the same product; or
   - you split or combine your loan.
4. Redraw of additional repayments is not available during the fixed interest rate period.
5. If you wish to utilise an offset facility during the fixed rate period, you will only be able to utilise 40% of the value of the amount in your offset account.

Are any other fees applicable?

The interest rate could change between the time you apply and when your loan is advanced. If you feel that interest rates could change before your loan is advanced, you can choose to lock in the fixed rate at the time you apply by signing an agreement and paying a fee. Please discuss this option with your lender for more information.

If you already have a home loan with Bankwest and you wish to change the property that is securing the loan without changing the loan amount, a break cost or early termination fee is not payable. However, a fee is payable for the service of changing the loan security.

Please refer to the home loan information provided by your lender and your home loan contract for a complete list of fees and fee amounts.

How is the fixed rate break cost amount calculated?

The fixed rate break cost amount covers the difference between the Bank's funding rate (borrowing swap rate) for the agreed fixed period at the time your loan was disbursed and the rate that the bank is guaranteed to earn over the period remaining of the original fixed period (investing swap rate), at the time your fixed rate is broken. The fee is not calculated on the rate you pay under the contract. The fixed rate break cost amount can change substantially on a daily basis due to constant changes in money market interest rates. Examples are provided on the back of this sheet for your guidance.

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Section 2 - Fixed Rate Break Cost Amount

The approximate calculation *(example right)* can be made to determine the likely amount of breaking a fixed interest rate home loan, earlier than the scheduled expiry date of the fixed rate period.

† The exact calculation of the fixed rate break cost amount is determined by including the following additional factors:

- The value and timing of the remaining cash flows (interest only/ principal and interest) based on the current market interest rates determined by Bankwest
- The present value of these cashflows

No fixed rate break cost will be payable where the Investing swap rates (B) are greater than the Borrowing swap rates (A) at the time the fixed rate loan is broken.

A fixed rate break administration fee will also apply in all scenarios

Example:
(A - B) x C x D = fixed rate break cost amount

A	Borrowing swap rates (Original cost of funds)*	6.50% pa
B	Investing swap rates (Rate at fixed rate break date)*	4.50% pa
C	Remaining fixed period of loan	2 years
D	Current loan principal	$100,000
E	Original fixed period of loan	5 years

(6.50%p.a. – 4.50% p.a.) x 2 x $100,000 = $4,000 fixed rate break cost to borrower †

Section 3 - Offset Calculation

Example:

40% Mortgage Saver Offset Facility (With 40% being the maximum amount that can be offset for a Fixed Rate loan)

Home Loan Balance: $150,000

Home Loan Interest Rate: 6.00%

Offset Transaction Account Balance: $5,000

Calculation of monthly interest payable without Mortgage Saver Offset Facility

$150,000 x 6.00% x 31 (days per month) ÷ 365 (days of the year) = $764.38

Calculation of monthly interest payable with Mortgage Saver Offset Facility:

[$150,000 –(40% x $5,000)] x 6.00% x 31 (days per month) ÷ 365 (days of the year) = $754.19

In this example the interest payable is reduced by $10.19 per month.