

Variable & Fixed Interest Rate Home Loans

Customer Information Sheet

i 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 call 13 17 19 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.

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. You may have to pay an excess repayment fee if you make excess repayments that exceed the minimum repayments required during the fixed interest rate period.
5. If you wish to utilise an offset account during the fixed rate period, you will only be able to utilise 40% of the value of the amount in your offset account. This is in contrast to 100% when utilising a Variable Interest Rate facility.

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 have 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 term 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 term (investing swap rate), at the time your loan is repaid in full. 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.

What should you do?

Ask for calculations to compare fixed rate and variable rate borrowing costs over a period and obtain proper advice from your advisers before you commit to fixed rate lending.

Section 2 - Fixed Rate Break Cost Amount

The following approximate calculation can be made to determine the likely amount of terminating a fixed interest rate home loan, either in part or in full, earlier than the scheduled expiry date of the fixed rate period.

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 early termination 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

$$(6.50\% \text{ p.a.} - 4.50\% \text{ p.a.}) \times 2 \times \$100,000 = \$4,000 \text{ fixed rate break cost to borrower †}$$

†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, and
- The present value of these cashflows.

After including these factors the fixed rate break cost amount may be less than the result achieved using the above examples.

A fixed rate break administration fee will also apply.

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

$$\$150,000 \times 6.00\% \times 31 \text{ (days per month)} \times 365 \text{ (days of the year)} = \$764.38$$

Calculation of monthly interest payable with Mortgage Saver Offset Facility:

$$[\$150,000 - (40\% \times \$5,000)] \times 6.00\% \times 31 \text{ (days per month)} \times 365 \text{ (days of the year)} = \$754.19$$

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

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