

Choosing your home loan repayment option.

i Customer Information Sheet

This Customer Information Sheet is intended to help you understand some of the benefits and risks involved with the main Home Loan repayment types available.

What are Principal and Interest Repayments?

You make repayments that comprise of paying off a portion of the amount you borrowed (the Principal) and the interest that is accrued.

Why Principal and Interest?

• A lower monthly repayment amount

By paying off your principal amount you'll have lower overall monthly repayments over the term of your loan, which might save you money in the long run.

Regardless of the repayment option you choose, the length of your loan remains the same. If you choose an Interest Only loan, when the interest-only period ends you'll still have the principal of the loan to pay off. This means that when your interest-only period finishes, your monthly repayments will be higher for the remaining length of your loan than they would be if you chose principal and interest for the entire loan term.

• Building equity

Equity is the difference between the value of your property and the amount owing on your loan. By paying down your principal, you can build equity in your property which might mean that you retain more of the proceeds when you sell your house.

• Access to lower interest rates

Choosing a principal and interest repayment structure means that you may have access to lower interest rates. A lower interest rate means paying less interest.

What are Interest Only repayments?

This is where your required monthly repayment covers only the accrued interest charges for the period that your home loan is on interest only repayments. The amount you borrowed (the principal) will not reduce until after the interest only repayment term ends.

Why Interest Only?

Electing to only repay the interest on your loan means that your regular monthly repayments will be lower for the Interest Only period of your loan.

For investors who are relying on capital growth (equity) of their asset, it may allow them to direct this extra cash to other investments for a period of time.

For owner occupiers, this extra cash may be used to manage cash flow and short term expenses such as parental leave or education requirements.

How long can I pay Interest Only?

Interest only repayment terms of one to five years are available on application. This is to ensure the Principal and Interest repayments required for the remainder of the loan term are affordable. If less than 5 years remain on the loan term after the requested interest only period and you are considering extending the interest only period, then this option may not be suitable for you.

What are some of the risks to consider when selecting repayment options?

One of the risks when considering repayment options is associated with Interest Only Repayments. When you are making Interest only repayments, the Principal amount of the loan remains the same unless you choose to make additional repayments.

Therefore, you'll pay more interest over the loan term. This is because you will be charged interest on the full loan amount (principal) for longer, as it hasn't been paid off. Additionally, higher interest rates may be applicable if choosing an interest only repayment option.

When the interest only period ends, your repayments will be higher because you will have a shorter term remaining to pay off the full loan amount (principal). With P&I repayments it's less likely that the amount owing on your loan will exceed the value of your property because you are paying down the principal.

Are there fees and restrictions?

There are no extra fees relating to your selection of repayment type when applying for a new loan. If you already have a loan with Bankwest, there is also no fee payable to change repayment type. However, a home loan transfer fee may be payable if other changes to your home loan are required.

If your loan is guaranteed by someone else, you will need to seek their approval before you make any changes to the loan repayments. A new contract may be required to be signed.

You should not rely on this Customer Information Sheet as a substitute for independent legal and financial advice. You are strongly urged to seek such advice to fully understand your repayment options. For product specific information about Bankwest's Repayment Options call **13 17 19** or contact your lender.

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