Early Payout Cost Fact Sheet

What is an Early Payout Cost?

An early payout cost is charged if you have a fixed rate loan and:

- whole or part of your loan is repaid during a fixed rate period; or
- the whole or part of your loan is varied by agreement or otherwise terminated during a fixed rate period.

If a fixed rate loan or any part of it is repaid early, varied or terminated during a fixed rate period, early payout costs can be significant, particularly if market interest rates have reduced during the fixed rate period.

Why do we charge Early Payout Costs?

A key benefit of a fixed rate loan is that you get certainty of what your repayments are over the period of your fixed rate loan term. If interest rates change during your fixed rate term, your repayments won't change.

To be able to provide a fixed rate loan to you, we enter into finance arrangements to enable us to give you that fixed rate. If your loan is repaid (in whole or in part), varied or otherwise terminated before the end of a fixed rate period, we may incur costs (in other words, we will make a loss) under the financing arrangements we use to lock in our funding costs. We pass on these costs to you as an early payout cost.

When do Early Payout Costs apply?

If you repay some or all of your fixed rate loan early, or your loan is varied or terminated, you will need to pay us the Early Payout Costs we calculate.

How are Early Payout Costs calculated?

Below is a simplified explanation of the complex formula we use to calculate Early Payout Costs. A detailed explanation of Early Payout Costs and the formula used to calculate it is available in the Business Finance Terms & Conditions for your fixed rate loan contract.

To calculate the loss, we compare the movement in the wholesale market swap rates (swap rates) between two points in time:

- Point 1 is the swap rate for the agreed fixed rate period when you take out your fixed rate loan.
- Point 2 is the swap rate for the remaining term of the fixed rate period when you repay (in whole or in part), vary or terminate your fixed rate loan.

On the day you repay (in whole or in part), or your fixed rate loan is varied or terminated, if the swap rate for the remaining term of the fixed rate period is less than the swap rate applied at the start of your fixed rate period, we will make a loss and we will charge you an Early Payout Cost.

How do I find out if an Early Payout Cost applies to my fixed rate loan?

You can contact us via the Banking App to request an estimate of early payout costs that will be payable if you repay (in whole or in part) or your fixed rate loan is varied or terminated.

How long is an Early Payout Cost figure valid?

Financial markets are unpredictable and interest rates can change daily, therefore, the Early Payout Cost figure we provide is only valid for the day it was provided.

Be aware that Early Payout Costs can be significant

Early Payout Costs can be significant. We recommend that before you decide to repay (in whole or in part) or your fixed rate loan is varied or terminated, you should obtain an estimate of the Early Payout Costs from us and then seek independent financial and/or legal advice.

Have any questions?

If you have any questions, feel free to contact us via the Banking App.