

Your ANZ fixed rate home loan

What happens if you repay some or all of it early?



You may have to pay an Early Repayment Recovery

When you sign up for a fixed rate home loan, you get all the benefits of certainty and easy loan management.

You know exactly how much you're borrowing, how long you're borrowing it for, how much your regular payments will be and how much interest you'll pay.

This means you can budget with confidence and know you're protected against the risk of the interest rate rising during the fixed rate term.

But you also need to know that if you repay the loan before the end of the fixed term, either in full or in part, (a \$1,000 minimum payment applies) you may have to pay an 'Early Repayment Recovery' and an 'Early Repayment Administration fee'.

If you're not sure what that's all about, read on. You'll find out why we charge the cost, how we calculate it and what options are available to you.

Early repayments

If you want to pay off some of your fixed rate home loan in addition to your regular fixed payments, you can still do that.

ANZ may charge an Early Repayment Recovery if you choose to repay or restructure your ANZ Home Loan during a fixed interest rate term. An Early Repayment Recovery is an amount that ANZ charges to recover the loss it suffers when a customer chooses to repay or restructure a home loan with a fixed interest rate early. The way ANZ calculates the Early Repayment Recovery is set out in your loan agreement.

ANZ won't charge you an Early Repayment Recovery if the extra amount you repay in a year is no more than 5% of the principal amount that you owe on your home loan when it is repaid early, and you can only make one extra repayment a year.

Why do we have an Early Repayment Recovery?

Fixed rate home loans give our customers certainty about their payments and ANZ certainty about the income we can expect to receive from those loans. That allows us to source funds in the wholesale money market, which helps us keep home loan interest rates for our customers as competitive as possible.

When we use wholesale funds, we commit to paying a fixed rate of return (the wholesale interest swap rate at the start of the fixed rate period) on those funds for the term of our fixed rate home loans. If a customer repays their fixed rate home loan early we still have to honour our commitment to pay for the funds we secured for the loan. In that situation, if wholesale interest swap rates have moved and there is a difference between the wholesale interest swap rates at the start of the fixed rate period and the wholesale interest swap rates at the date of repayment, we may make a loss. The early repayment recovery helps us recover some of that loss.

How do we calculate the amount of the early repayment recovery?

This isn't the same for everyone – it's based on a calculation that takes into account:

- The amount you're paying off the loan
- The number of days left on the fixed rate period of your fixed rate home loan
- The amount that wholesale interest swap rates have moved since the start of the fixed rate period on your fixed rate home loan.

What are the options available?

If you're thinking of applying for a fixed rate home loan, you need to be sure that it's the right loan for you. If you think you may be able to repay it early, you could be better off choosing a different fixed rate period or another loan type, such as a floating or flexible rate home loan, or even a combination of the two. If you already have a fixed rate home loan and are considering repaying it early, please think carefully about the costs or ensure you don't exceed the 5% threshold.

Early repayment calculator per \$100,000 of lending

The table below provides a guide on how changes in wholesale interest swap rates at the start of the fixed rate period, the date of repayment and the term of your loan can impact the Early Repayment Recovery. For illustrative purposes only, this table shows what the early repayment cost may equate to per \$100,000 of lending repaid.

		Remaining Fixed Term (Months)								
		12	18	24	30	36	42	48	54	60
Wholesale Swap Rate Differential	0.50%	-\$479	-\$705	-\$921	-\$1,130	-\$1,330	-\$1,522	-\$1,707	-\$1,884	-\$2,055
	1.00%	-\$958	-\$1,409	-\$1,843	-\$2,259	-\$2,659	-\$3,044	-\$3,413	-\$3,769	-\$4,110
	1.50%	-\$1,437	-\$2,114	-\$2,764	-\$3,389	-\$3,989	-\$4,566	-\$5,120	-\$5,653	-\$6,165
	2.00%	-\$1,916	-\$2,818	-\$3,685	-\$4,518	-\$5,319	-\$6,088	-\$6,827	-\$7,537	-\$8,220
	2.50%	-\$2,395	-\$3,523	-\$4,606	-\$5,648	-\$6,648	-\$7,610	-\$8,534	-\$9,422	-\$10,275
	3.00%	-\$2,874	-\$4,227	-\$5,528	-\$6,777	-\$7,978	-\$9,132	-\$10,240	-\$11,306	-\$12,330
	3.50%	-\$3,353	-\$4,932	-\$6,449	-\$7,907	-\$9,308	-\$10,654	-\$11,947	-\$13,190	-\$14,385
	4.00%	-\$3,832	-\$5,636	-\$7,370	-\$9,036	-\$10,637	-\$12,176	-\$13,654	-\$15,074	-\$16,439

The amount of the Early Repayment Recovery is based on the loan term remaining and movements in the wholesale interest swap rates that can change daily.

For more information

If you'd like to know more call **0800 ANZ HOME** (0800 269 466) or visit any ANZ branch.