

Fact Sheet: Break Cost

A break cost is a fee that represents the lender's loss if you decide to switch or prepay a fixed rate loan. A break cost will apply if you

- pay off your fixed rate loan early;
- switch to another loan before the end of the fixed term; or
- make additional repayment exceeding \$20,000 in any 12-month period.

Note - a combined offset balance greater than \$20,000 in any offset accounts linked to a fixed rate loan is classified as exceeding the additional repayment threshold. It will result in a break cost being charged.

This break cost varies and can be significant. With a fixed interest rate loan, you can know exactly what your repayments will be for your chosen term. Your repayments won't increase if variable interest rates rise while you're on a fixed loan. However, if variable interest rates decrease, you won't enjoy the benefit of lower interest rates and repayments with a fixed interest rate loan.

How do we calculate break costs?

The cost varies based on several factors, including the number of days left on the fixed rate period, the amount the market rate has moved since the start of the fixed rate period of your Homestar fixed rate loan, the outstanding loan amount and remaining cash flows.

Why is a break cost charged?

When you take out a fixed rate loan, we agree to lock in a specific interest rate for a set period of time. We may also agree with a third party to secure our funding at fixed rate for the duration of your loan term.

If you decide to pay off part or all of your fixed rate loan early, or if you switch to a different fixed or variable interest rate before the end of the fixed rate term, we may have to make changes to our funding arrangements. The break cost is designed to recover the reasonable estimated cost associated with making these changes to our funding and are a necessary part of this process.

Important information

Please refer to our loan contact for more detailed information regarding the break cost.

This information is general in nature and has been prepared without taking your objectives, needs and overall financial situation into account. For this reason, you should consider the appropriateness of the information and if necessary, seek appropriate professional advice.