



## Break Cost Facts Sheet

Our fixed rate loan lets you have the same interest rate over a period of 1 to 5 years.

### What are break costs?

Break costs are the costs you pay us when you choose to pay more than what you're allowed to under your agreement.

We'll let you pay \$10,000 more than your minimum repayments a year from when your loan is fixed under the agreement. If you pay us more than this amount, then break costs may apply.

Break costs will apply because we get charged a fee due to our wholesale funding arrangements, which then gets passed onto you in the form of break costs.

- **With a fixed rate loan: the interest rate won't go down if the Reserve Bank reduces interest rates.**
- **you'll have to pay us break costs if:**
  - **you make more than \$10,000 in additional payments in any one year above the minimum repayments allowed under your agreement;**
  - **you want to vary your loan; or**
  - **you want to discharge your mortgage or no longer want your fixed rate.**

### How are break costs calculated?

When break costs are calculated, a number of things are taken into account such as:

- the wholesale market rate when you first drew on your loan;
- the wholesale market rate when you make the payment;
- any unpaid interest, fees, costs and default interest;
- the timing, frequency and dollar amount of minimum repayments under your agreement;
- the size of any payment you make and the amount we allow you to pay in addition to your minimum repayments (this is currently \$10,000 within a year); and
- the number of days remaining until the end of the fixed rate period.

### Example:

- you took out a 3 year fixed rate interest only loan for \$250,000 and the 3-year wholesale market rate at that time was 8% p.a.
- you paid an additional \$10,000 in the first and second years.
- you decide to pay off your loan completely near the end of the third year, and the 1-year wholesale market rate at this time is 5% p.a.

Here, the loss to us is about \$7,500 as the wholesale market rate has fallen. We then will discount this loss to reflect its present day dollar value, which will be about \$7,100. We disclose the break cost calculation formula in your letter of offer.

**You should consider seeking independent financial advice and independent legal advice if you don't understand break costs!**

For more information regarding our home loans visit our website [www.hsbc.com.au](http://www.hsbc.com.au) and go to the home loans web page or call us on **1300 308 008**.