

Interest Only Loans

For information on how your *loan account* operates, refer to your specific *loan contract* and the Lending Products – Product Schedule.

How interest only loans work

During an *interest only period*, your repayments will only cover the interest on the outstanding balance for a set period (for example, five years). At the end of the *interest only period*, your *loan account* will convert to a principal and interest loan and your repayments will change.

References to 'interest only' in this document refers to loans with an *interest only period* where the interest only repayment is calculated using an interest-based calculation.

How we calculate your interest only repayment

We calculate your minimum monthly interest only repayment during the *interest only period* as follows:

1. We take the *annual percentage rate* and calculate annual interest charges at that rate on the *balance owing on your loan account* on the later of:
 - a. the start of the period in which the interest only repayments are payable;
 - b. the date we last changed your *annual percentage rate*.
2. We then divide the amount by 365.
3. We then multiply the amount by 30.5 to achieve 12 equal repayments.
4. We then round up the resulting amount to the nearest dollar.

This means that your repayment amount does not vary according to the number of days in that relevant month and the *balance owing on your loan account* will fluctuate by small amounts each month during the *interest only period*.

In shorter months, the minimum monthly repayment amount may be greater than the actual interest accrued and the portion of the repayment that is more than the interest accrued will reduce the *balance owing on your loan account*. In longer months, the minimum monthly repayment amount may be less than the actual interest accrued and the portion of the repayment that is less than the interest accrued will be added to the *balance owing on your loan account*.

Examples of interest-based repayments

Example 1

Sarah is planning to borrow \$320,000 for an investment property. If Sarah's interest rate is 7.00% per annum, her interest only repayments during the first-year interest only period will be:

$\$320,000 \times 7.00\% = \$22,400$ (calculated annual interest)

$\$22,400 / 365 = \61.36 (calculated daily interest only repayment)

$\$61.36 \times 30.5 = \$1,871.78$ (calculated monthly interest only repayment)

Rounded up to the nearest whole dollar = \$1,872

Sarah's interest only repayment for the first year = \$1,872 per month

Example 2

Sarah has made a lump sum payment of \$250,000 to her investment loan which has reduced her loan balance to \$70,000. She wants to continue to pay interest only for the remainder of the first year and her interest rate remains as 7.00% per annum.

The lump sum payment will not reduce her monthly interest only repayment and she is still required to pay \$1,872 per month until the end of the interest only period (unless, during the remaining period, the annual percentage rate changes). This is due to the interest only repayment being calculated using an interest-based calculation using the original loan balance of \$320,000.

While the monthly repayment will not change, Sarah's actual accrued interest will reduce because of the lump sum payment.

How we calculate interest

In accordance with your *loan agreement* and *loan terms and conditions* (as applicable), we calculate interest by multiplying the *balance owing on your loan account* by the *daily percentage rate* at the end of each day. The *daily percentage rate* is the *annual percentage rate* divided by 365. For more information on how we calculate interest on your *loan account*, refer to your specific *loan contract*.

About this document

This product schedule details additional terms and conditions that apply to interest only loan accounts with us.

This schedule does not contain all the terms and conditions that apply to such loans. You'll also need to read other documents to understand all the terms and conditions that apply, including the Banking General Terms and Conditions and your *loan agreement* and *loan terms and conditions* (as applicable).

You agree that by opening an account with us you will be bound by these terms and conditions and the terms and conditions of those other documents.

If any term in this Product Schedule or the Banking General Terms and Conditions, our *account and payment facility terms* is inconsistent with the other terms and conditions that apply to your interest only loan (e.g. your *loan agreement* and *loan terms and conditions* (as applicable)), those other terms and conditions prevail to the extent of the inconsistency.

Get in touch

Call our contact centre on **13 13 86** between Monday–Friday 8:00am–6:00pm and Saturday 8:00am–1:00pm.

Visit a branch or our website at greater.com.au

You should review the relevant payment facility terms and conditions available on our website before deciding whether a service is appropriate for your personal circumstances.

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