Homestar Finance - Break Cost Fact Sheet

Applicable Product: Homestar Fixed Rate products
Credit Provider: Columbus Capital Pty Limited (ACL 337303)

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 repayments exceeding $20,000 ahead of your scheduled repayments in any 12-month period; or
- repay your fixed rate loan in full within a 12-month period (even if you have repaid less than $20,000 ahead of schedule).

Note - a combined offset balance greater than $20,000 in any offset facility linked to a fixed rate loan is classified as exceeding the additional repayment threshold. It may 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.

You may request further information regarding the methodology used to calculate a break cost. The applicable loan contract also contains additional information regarding break costs.

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.

Any break cost charged will not exceed a reasonable estimate of the lender's loss arising from the early repayment, partial repayment or variation of a fixed rate loan. The calculation takes into account factors including the outstanding loan balance, the remaining fixed rate term, market interest rate movements and the remaining scheduled repayments.

Illustrative example only

A customer has a fixed rate loan balance of $400,000 with 2 years remaining on the fixed rate period. If market interest rates have fallen since the fixed rate commenced and the customer repays the loan in full, a break cost may apply because the lender may incur a loss when unwinding its funding arrangements.

The actual amount payable will depend on the customer's circumstances and prevailing market conditions at the time and may be higher or lower than expected.

Important information

Please refer to your Homestar Home Loan contract and applicable General Terms for more detailed information regarding break costs, including when a break cost may apply and how it is calculated.

This Fact Sheet contains factual information only about your loan and is not financial product advice or credit assistance. It does not take into account your objectives, financial situation or needs. You should read this together with your loan contract and consider your own circumstances and, if necessary, seek appropriate professional advice.