VINCENTS

Variable rate loan fact sheet

Variable rate home loans are popular and offered by most lenders. With a variable rate loan, the interest rate you are charged can fluctuate in line with market interest rate changes. Because of this, your home loan repayments may also vary.

Generally, the variable interest rate on your loan will move in line with the market rate set by the RBA, but banks can set their own interest rates and change them at any time.

What's good about a variable interest rate loan?

- You can make extra repayments to pay off your home loan sooner. Making additional repayments above your minimum repayment amount can reduce the term of your loan and save you money on interest. Visit our website and use our repayment calculators to see the difference that extra repayments can make to the term of your loan and to find out how much you could save.
- You get a redraw facility that allows you to withdraw your extra loan repayments if you need to access the money. (Some lenders do have minimum amounts you can redraw, see our Redraw & Offset Information fact sheet for more information.)
- You can use an offset account to reduce the interest you pay. That's a transaction account linked to your home loan where the balance is 'offset' daily against your loan balance before interest is calculated. This reduces the principal amount the interest due is calculated on. (See our Redraw & Offset Information fact sheet for more details).
- Flexible repayment options so you can make your loan repayments weekly, fortnightly or monthly—whenever is most convenient to you. This can help maintain your budget requirements and align with your pay cycle to make it easier to manage your loan repayments.
- You can choose to split the loan to gain more control of the interest rate. That means you can have a fixed interest rate on a portion of the loan for up to five years, and a variable interest rate on the other portion of the loan. This allows you to gain some protection from potential interest rate rises.
- You can switch loans and lenders more easily if you have a variable rate loan. All variable mortgages advanced on or after 1st July 2011 have no early repayment penalties or exit fees. (However, lenders can charge discharge fees to cover the administrative costs and there are other Government charges which may apply.)

Things to consider

- With a variable rate loan, your repayments will increase with interest rate rises. You should consider how interest rate rises may impact your future financial situation and goals. Use our handy online calculators to help you plan and budget for possible rate rises.
- A basic or ‘no frills’ variable rate loan is one which lacks additional features such as an offset account and as a result, attracts a lower interest rate and fees. This type of home loan is useful for first home buyers who want to keep costs down and those who prefer a simple loan product without all the bells and whistles.
- A standard variable rate loan is suited to borrowers who prefer more flexibility and want the ability to redraw from the loan or place any extra funds in an offset account. These extra features are usually part of a Package Home Loan that includes offset accounts, a credit card and other associated facilities and discounts, for an annual fee.

What’s a Home Loan Package?

A Home Loan Package is an all-inclusive suite of products attached to a home loan. For an annual fee, you can get benefits such a discount on the variable interest rate, fee waivers for transaction or offset accounts, a credit card with an annual fee waiver and discounts on insurance products.

Things to consider

- To be eligible for a Home Loan Package, a minimum loan amount will be required (usually $250,000 or more).
- •An annual package fee will apply and can range from $350 to $750 depending on the type of package and the lender.
- A credit card (with no annual fee) is usually part of the package. You may not require this card and the credit card limit may impact your borrowing capacity. It could also result in you incurring more debt at credit card interest rates.
- Talk with us and we’ll help you consider the pros and cons of each product, as well as the overall costs and savings, before choosing the option that suits your needs.