



Want to calculate the Early Repayment Adjustment for your fixed rate home loan?

Early Repayment Adjustment (ERA) Formulae guide

This guide outlines the formulae used when calculating the Early Repayment Adjustment.

Why am I charged an Early Repayment Adjustment?

When you take out a Fixed Rate home loan, you agree to lock in an interest rate for a set period of time. You get the certainty of knowing exactly what your repayments are and know that if interest rates change during your fixed rate term, your repayments won't be affected. In return, you don't have as much flexibility to make changes during a fixed rate term.

We understand that sometimes things change and there may be circumstances when you need to break the fixed rate term of your home loan. Generally you'll have to pay an Early Repayment Adjustment and an Administrative fee if on the day you make one or more of the below changes to your home loan, and the wholesale market swap rate is less than the wholesale market swap rate applied at the start of your fixed rate term.



Switch your loan

For example, when you switch from a fixed to a variable rate home loan.



Apply for a top up

When you need access to additional money during your fixed rate term.



Pay off part of your loan early

If you make additional repayments above \$10,000 in any year* of your fixed rate loan.

* We count a year as 12 months from the date you commence your fixed rate term and every 12 months after that.



Pay off your entire loan early

For example when you sell your property before your fixed rate term has come to an end.





How is my ERA calculated?

Calculating the Early Repayment Adjustment for a Fixed Rate home loan can be complex, so it's important that you seek independent financial advice to help you apply and use the formulae provided below.

Loans with Interest Only Payments

$$\text{Loan} \times (f - i) \times \left[\frac{1 - (1 + i)^{-n}}{i} \right] = \text{pp\%}$$

Where:

Loan = the loan balance outstanding immediately before the Prepayment is made

f = wholesale market swap rate for the fixed rate term, at the time of fixing, divided by 12

i = wholesale market swap rate for the remaining term of the fixed rate term, at the time of breaking, divided by 12

n = the remaining fixed interest term (in number of months)

pp% = the percentage of Loan which is being prepaid

Loans with Principal and Interest Repayments (fully repaid)

$$\text{Repayment} \times \left[\frac{1 - (1 + i)^{-n}}{i} \right] + \text{LB (Old)} \times (1 + i) - \text{Loan Before}$$

Where:

Repayment = the monthly repayment

f = wholesale market swap rate for the fixed rate term, at the time of fixing, divided by 12

i = wholesale market swap rate for the remaining term of the fixed rate term, at the time of breaking, divided by 12

n = the remaining fixed interest term (in number of months)

$$\text{LB (Old)} = \text{Loan Before} \times (1 + f)^n - \text{Repayment} \times \left[\frac{(1 + f)^n - 1}{f} \right]$$

Loan Before = the loan balance outstanding immediately before the Prepayment is made

Loans with Principal and Interest Repayments (partially repaid)

$$\text{Repayment} \times \left[\frac{1 - (1 + i)^{-n}}{i} \right] + \text{LB (Old)} \times (1 + i)^{-n} - \text{Loan Before}$$

Less

$$\text{Repayment} \times \left[\frac{1 - (1 + i)^{-q}}{i} \right] + \text{LB (New)} \times (1 + i)^{-q} - \text{Loan After}$$

Where:

Repayment = the monthly repayment

f = wholesale market swap rate for the fixed rate term, at the time of fixing, divided by 12

i = wholesale market swap rate for the remaining term of the fixed rate term, at the time of breaking, divided by 12

n = the remaining fixed interest term (in number of months)

$$\text{LB (Old)} = \text{Loan Before} \times (1 + f)^n - \text{Repayment} \times \left[\frac{(1 + f)^n - 1}{f} \right]$$

Loan Before = the loan balance outstanding immediately before the Prepayment is made

q = the month remaining in the fixed rate term, unless the loan will be paid off before the expiry of the fixed rate term, in which case it will be the number of months until the loan is paid off. (This can occur when a large Prepayment results in the loan balance being reduced significantly)

$$\text{LB (New)} = \text{Loan After} \times (1 + f)^q - \text{Repayment} \times \left[\frac{(1 + f)^q - 1}{f} \right]$$

Loan After = the loan balance outstanding immediately after the Prepayment is made.



TIP: You can contact us and request a breakdown of the Early Repayment Adjustment applicable to your Fixed Rate home loan. For more information go to commbank.com.au/era

We're here to help

If you have any questions or want more information:



Book an appointment with a Home Lending Specialist at commbank.com.au/appointment or contact your Broker.



Call us on **13 2224**



Visit commbank.com.au/homeloans



Things you should know: This guide doesn't consider your individual objectives, financial situation or needs. Before basing any decisions on this information please:

- Consider its appropriateness to your circumstances.
- Consider obtaining professional advice specific to your needs, including financial, taxation and legal advice.

Loan applications are subject to credit approval and any loan offer includes full terms and conditions. Fees and charges apply – see our fees and charges brochure. All examples and scenarios are illustrative only. This guide is subject to change without notice.

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