Fixed vs Variable Home and Investment Home Loans Fact Sheet

Description Fixed vs Variable - What's the difference?

	Fixed	Variable
General overview	• Enjoy the assurance of knowing exactly what your repayments will be with the ability to fix your interest rate for a set period of time. • Our fixed rate home loans give you confidence to budget accurately and plan your finances. • Fixed rate loans are a little more restrictive in terms of making extra repayments. • Withdrawing your extra repayments from the loan is also not allowed during the fixed rate period.	• The Standard Variable Rate (SVR) offers you a variety of features and flexibility. • The interest rate and repayments can change at any time. • If you have surplus cash each month you can make unlimited extra repayments to pay off the loan faster and be in a better position later on, should the interest rate increase. • You can redraw (withdraw) your extra repayments.
Allowable Loan Purposes	Personal owner occupied housing, investment housing, personal purposes or personal investment	Personal owner occupied housing, investment housing, personal purposes or personal investment and building/construction, bridging and 'off the plan purchase' loans
Excluded Loan Purposes	Business purposes and building/construction, bridging or 'off the plan purchase' loans	Business purposes
Introductory Rate available	No, however after the fixed rate term ends, the loan will change over to the Standard Variable Rate (SVR) current at time of change over.	Yes
Repayment Redraw available	No	Yes (conditions apply)
Repayment Holiday allowed	No	Yes, minimum 3 months, maximum 12 months (conditions apply)
Increase to loan allowed	No, you must break your fixed rate contract. Fees and charges may be applicable. Please discuss with your lender or broker. ✯	Yes (subject to approval)
Interest Structure Options	Principal & Interest Interest Only Interest in Advance for 1-5 years for Investment Home Loans only	Principal & Interest Interest Only Interest in Advance is NOT available
Extra repayments permitted	Yes, however extra repayments are permitted up to a maximum of $10,000 per year. ✯	Yes, you can make unlimited extra repayments.
Full Offset Account (MISA)	No, only partial interest offset available with the MISA option	Yes, 100% interest offset is available with the MISA option
Everyday Offset (feature of Complete Access)	No	Yes, 100% interest offset is available for Standard Variable Rate (SVR) loans held by individuals.
Rate Lock Available	Yes (for a fee you can lock in your rate for up to 90 days, effective from the date we process your request). Only available at application stage for 1-5 Year Fixed rates.	No
Exit Costs (Early Repayment Adjustment)	Break costs and charges may apply if you switch or repay your loan either partially or in full within the fixed term. ✯ A Deferred Establishment Fee may apply*	A Deferred Establishment Fee may apply*

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Is a fixed rate loan the right option for me?

You should consider a fixed rate loan as a budgeting tool

No one can accurately predict future rates, so there's no sure way of determining whether or not you will save on interest at the end of a fixed rate term than if the rate had been variable. Rather, you may consider a fixed rate to give you the re-assurance of knowing exactly what your repayments will be over a set period and therefore confidence to budget accurately and plan your finances.

It may not be a good idea to fix your rate if you think you might want to increase your loan (or redraw from it), sell your property, make large repayments or switch to a variable rate within the fixed rate term.

If you break out of, or switch from a fixed rate loan early, or repay more than $10,000 in any year, you may need to pay an Early Repayment Adjustment (ERA), which could cost you many thousands of dollars. Therefore, we caution against using fixed rate loans to 'beat the market' as you're effectively gambling on future interest rate movements.

Assess your circumstances before switching to a fixed rate loan

The decision to fix your rate should depend on your individual circumstances and financial objectives. You should examine your financial position, and assess things like:

- Your current work situation
- Your current and expected future income / salary
- Whether you may be looking to sell your property in the near future
- Whether you plan to have children

For instance, if you think that your salary may increase significantly in the future and your objective is to repay your home loan as soon as possible, then a fixed rate may not be the right option for you.

On the other hand, if you're not looking to pay down your loan quickly, you're anticipating having children, or worried about how you will manage if interest rates were to increase, then a fixed rate option may be suitable for you.

Are there any other options?

You may like to consider a Variable and Fixed Loan Split Option

If you're unsure which Loan option is right for you, you may like to consider a split (variable/fixed) option. A split loan gives you the best of both worlds such as the ability to make unlimited special repayments, redraw and offset deposit funds, without exposing your entire loan to fluctuations in interest rates. How you choose to split the loan is up to you. Again, be aware that penalties apply if you repay the fixed portion of the loan early.

Increase your repayments and/or make extra repayments (variable rate loans)

If you have surplus cash each month you can increase your regular repayments and/or simply make extra repayments on your loan. This can have the following benefits:

- Pay your loan off faster and be in a better position should interest rates increase;
- Help you understand the impact of higher repayments on your lifestyle;
- Give you the flexibility to access the extra repayments and provide a buffer for a rainy day.

Things You Need to Know:

✯ In addition to a potential Early Repayment Adjustment (ERA), if you decide to switch or prepay your loan early, either partially or in full, you may need to pay an administrative fee. For more details on ERA, see the ERA fact sheet and 'HL 11' in the terms and conditions.

* A deferred establishment fee may be payable if the loan was established prior to 21st March 2011 and is repaid in full within four years from the funding date of the loan.

This fact sheet has been prepared by the Commonwealth Bank without considering your individual objectives, financial situation or needs. You should consider its appropriateness in light of your circumstances and consider seeking professional advice relevant to your individual needs before making a decision based on this information. You should also obtain professional legal, financial and taxation advice specific to your individual needs.

This fact sheet is subject to change without notice. Applications for finance are subject to the Bank's normal credit approval. Full terms and conditions will be included in our loan offer. Fees and charges apply.