

# COVID-19 ASSISTANCE LOAN REPAYMENT PAUSE

## FREQUENTLY ASKED QUESTIONS

### **What happens to my loan during repayment pause period?**

During a repayment pause, interest on your loan continues to be calculated and accrues in accordance with your loan contract. This means your loan balance will be higher at the end of the pause period, and repayments will increase to ensure the loan is paid off by the contracted term.

### **What happens if interest rates change while my home loan repayments are on hold?**

Interest on a variable rate loan will continue to be charged at the applicable daily interest rate, which can change from time to time. For fixed rates, the rate during the fixed period will not change.

### **Will your credit file be adversely impacted if a repayment pause is taken?**

If your loan is up to date at the time you obtain a repayment pause, your credit file with credit bodies (particularly in relation to your repayment history information) won't be adversely affected by your repayment pause.

If your home loan(s) are in arrears at the time of your request:

- you won't be eligible for a repayment pause or a further repayment pause; but
- we may be able to give you other hardship support.

### **Can I still make repayments during the repayment pause?**

Yes, customers can continue to make payments of their choosing to their home loan and are encouraged to if they are able to continue contributing funds. This can be done at any time either through directly transferring money from their transaction account into their loan account using the direct credit or BPAY details of their loan which can be found on StarNet.

Customers will not be able to perform direct credits or BPAY via StarNet during the repayment pause period. For fixed rate loans, additional payments are allowable to a maximum of \$20,000 during the fixed rate term.

### **How does redraw affect your loan balance?**

Accessing additional funds from your loan, including withdrawals or transfers, will lower your available funds in redraw and increase your loan balance. This may cause your minimum repayments to increase to ensure your loan is on track to be repaid within its contracted loan term.

### **What happens to my available redraw during a repayment pause?**

During the repayment pause period any available funds in redraw will be shown as \$0.00 in StarNet (your online home loan access). At the end of the repayment pause your adjusted available redraw will be shown on StarNet.

During the repayment pause, while you are not expected to make the scheduled repayments, the interest charges will continue to accrue and be applied to your loan account resulting in a higher loan balance and higher repayments at the end of the pause period. If you have available funds in redraw, the amount you have available will be adjusted based on the higher outstanding balance. The adjustment may mean your available redraw at the end of the repayment pause is lower than the available funds in redraw prior to the repayment pause.

Your adjusted available redraw may appear as a negative figure in StarNet at the end of the repayment pause, based on the accrued interest charges applied to your loan account and changes to your loan's scheduled limit.

Example (Please note figures are indicative only.)

John has a \$500,000 loan limit for a term of 30 years. He made a lump sum payment of \$5,000 on his loan account in year 5. To avoid his monthly repayment recalculating to a lower repayment amount and reduction to his available redraw, he maintained the higher repayments applicable to his loan account. In year 7 he requested for a 6 months' repayment pause.

*At the start of the repayment pause:*

- John's loan balance is \$440,000
- John's scheduled limit is \$445,000
- John's available redraw is \$5,000

*During the repayment pause,*

- John's loan account accrued deferral interest of \$10,000 (at the rate of 4.2% p.a. on a P&I loan), which increases his loan balance to \$450,000
- John's access to redraw available funds is suspended

*At the end of the repayment pause,*

- John's loan balance is \$450,000 (increased as a result of the deferral interest charged)
- John's scheduled limit is \$440,000
- John's available redraw is \$0 and what John will see on StarNet is - \$10,000. This is because the available redraw is the difference between the scheduled limit and the loan balance.

Should you require access to any available redraw you may have during the repayment pause period you can contact our Customer Care Team on 1300 300 989 Monday to Friday from 8.00AM to 7.30PM (AEDT).

#### **Why are my available funds in redraw lower than my additional repayments?**

When you make a once off lump sum payment or regular additional payments to your loan account, a recalculation may result in lower monthly repayments. Your redraw gradually reduces to help make up the difference from your lower repayment, to ensure you repay your loan in full (to achieve a zero balance) by the end of your contracted loan term. The rate at which your available redraw will reduce depends on a number of factors, for example: your available funds in redraw will gradually reduce if you choose to lower your monthly repayments, withdraw available funds >\$1000 or as a result of a rate change. Your available redraw is always the difference between your scheduled (amortised) limit and your loan balance.

#### **What happens to additional payments I make after the repayment pause ends?**

After the repayment pause, any lump sum and/or additional repayments made to your loan account will be applied to your loan account first to bring it in to good order and may not be available for redraw.

#### **What is the difference between an offset account and redraw?**

Advantage provides a redraw facility which is a feature of your home loan and operates differently to an offset account. Advantage does not provide an offset account linked to your home loan. While both home loan features can help reduce the amount of interest you pay on your home loan, it is important to understand the difference.

An offset account is a separate transaction account, linked to a home loan. An offset account allows you to access funds in your transactional account while offsetting daily against the balance of your home loan. The funds in an offset account mean interest is calculated based on the outstanding loan balance less the amount in the offset account.

A redraw facility is not a separate account. Redraw is a loan feature that allows you to access the available funds in your home loan account based on additional repayments you make above your scheduled minimum repayments. The additional repayments you make are placed directly in your home loan account, reducing the outstanding balance and in turn reducing the interest you pay.

#### **What happens to repayments at the end of the repayment pause period?**

Once the repayment period is complete, you will return to your standard repayments payable under your contract. At some stage after your repayment pause, if your loan balance is higher, we may need to increase your repayment amount to ensure you repay your loan within the loan term. If we need to do this, we will write to you about this. If you have a repayment pause, your loan term remains the same.

#### **What happens if I have concerns about meeting my home loan repayments beyond the repayment pause period?**

Customers who need additional support at the end of their repayment pause period can discuss their situation with the Customer Support Team on 1300 155 426 to be managed under our usual hardship arrangements.

#### **Customer Care Team details**

Our Melbourne-based Customer Care team continues to focus on providing support for our customers on the phone and online, when and where you need it.

If any customers are experiencing financial hardship and/or need further support, please contact the Customer Care team for help.

T: 1300 300 989 E: [customercare@advantagedge.com.au](mailto:customercare@advantagedge.com.au)

Monday to Friday from 8.00AM to 7.30PM (AEDT)

#### **Need more information about COVID-19?**

The government Coronavirus Health Information Line (1800 020 080) is operating 24 hours a day, seven days a week, for medical information on COVID-19.

You can visit the [Australian government COVID-19 website](#) for the latest information, or check-out the [World Health Organisation](#) for updates.