



# HSBC Fixed Rate Handout (Home Loans)

## Understanding break costs and Fixed Rate Lock

This handout provides you with important information about break costs and the terms for our Fixed Rate Lock feature. The terms of the Fixed Rate Lock feature form part of the agreement between you and us.

### Break Cost

#### What are break costs?

Break costs are the costs you pay us to compensate us for our estimated loss caused by breaking a fixed rate loan (see below for what we mean by 'break'). Break costs apply because there is a cost assigned to our wholesale funding arrangements and breaking a fixed rate loan can impact the cost of those funding arrangements. We do not profit from break costs.

You can pay \$10,000 more than your minimum repayments each year starting from when your loan account or sub-account is fixed under the agreement. If you pay us more than this amount, or if the fixed rate loan is otherwise broken, then break costs may apply.

#### When do you break your fixed rate home loan?

You'll break your loan and you'll have to pay us break costs if:

- you make more than \$10,000 in additional payments in any one year starting from the date that you fix some or all of your loan above the minimum repayments allowed under your agreement; or
- you vary your fixed rate loan (for example by switching your home loan product, loan purpose or interest rate or repayment type); or
- you pay off your entire fixed rate home loan before the end of your fixed rate period; or
- you default under your agreement and we call up all your owe – see your Home Loan terms and conditions.

### Summary of how break costs are calculated

Break costs are calculated only on the portion of the loan that is fixed. They relate to our estimated loss, arising from breaking your fixed rate loan, that is a result of differences in our wholesale interest rates.

A simplified formula for how we calculate break costs is:

(the current fixed rate home loan balance) x (the remaining fixed rate term) x (the difference in wholesale interest rates).

We won't charge you break costs if our estimated loss is zero.

We calculate break costs when you break your fixed rate loan. It is hard to accurately predict whether wholesale interest rates will go up or down, by how much and when. For this reason, we may not be able to tell you what the actual break costs will be if you repay early but you can ask us for an estimate of the applicable break costs.

### Example:

- For example, you took out a 3-year interest only loan for \$250,000 and our 3-year wholesale interest rate at that time was 8% p.a.
- You decide to pay off your loan with one year remaining.
- We reasonably estimate that our 1-year wholesale interest rate at this time is 5% p.a.

Here, the estimated loss to us is \$7,500 as the wholesale market rate has fallen. We will then discount this loss to reflect its present-day dollar value at the date that you break the fixed rate loan.

Before you decide to break your fixed rate loan it's important to understand the risks, consider the financial impact and explore all the options available. To understand whether break costs could apply and discuss the options available, please speak to your Relationship Manager, visit one of our branches or call our Call Centre on 1300 301 168.

**You should consider seeking independent financial advice and independent legal advice if you don't understand break costs.**

## Fixed Rate Lock

### What is a Fixed Rate Lock?

Fixed Rate Lock is a feature on all HSBC Fixed Rate Home Loans, excluding home loan pre-approval applications, that can guarantee the interest rate(s) for your fixed rate between the time we receive your Fixed Rate Lock request and the time of settlement or variation. It can protect you against any rate rises during this period. You have to pay a fee for this feature. If you haven't opted for the Fixed Rate Lock, the interest rate(s) that applies to your home loan may increase before you draw your loan even if your letter of offer specified a Fixed Rate.

### Fixed Rate Lock Terms - New applications

You can request a Fixed Rate Lock in your home loan application. By requesting a Fixed Rate Lock you are requesting that the interest rate(s) disclosed to you at the time of your home loan application be locked until settlement. We don't have to agree to your request for a Fixed Rate Lock.

We'll tell you whether we have agreed to your request when we unconditionally approve your loan application.

#### Fixed Rate Lock fee

- A Fixed Rate Lock fee of \$750 will be payable and debited to your loan account when you first draw on your loan (this will also be your settlement date).
- The Fixed Rate Lock fee will be payable even if the first drawdown occurs after the Rate Lock Period and you cannot opt out of the Fixed Rate Lock if this occurs.
- The Rate Lock fee will not be payable if you do not draw on your loan.

#### Rate Lock Period and applicable interest rate(s)

- The locked interest rate(s) is valid for 90 calendar days on and from the day we first unconditionally approve your loan application ('Rate Lock Period'). You can't extend the Rate Lock Period.
- Your locked interest rate(s) and Fixed Rate Lock fee will be disclosed to you in your letter of offer. If your home loan application has more than one Fixed Rate home loan component, then the interest rate for each component will be rate locked.
- This means that if settlement occurs:
  - during the Rate Lock Period, your interest rate(s) will be the lower of the applicable locked rate(s), and the Reference Rate on the settlement date plus or minus any applicable agreed margins; and
  - after the Rate Lock Period for any reason, your interest rate(s) will be the advertised Reference Rate on the settlement date plus or minus any applicable agreed margins. You will still pay the Fixed Rate Lock fee.

#### Changes to your home loan application

- If you request a change to your home loan application that results in a disclosed interest rate changing, or results in us providing you with a new letter of offer before the loan is settled, the interest rate that you have locked will become invalid. For example, this will occur if you tell us that the loan purpose, loan product, repayment type or Loan to Value Rate (LVR) has changed.
- You can request a new Fixed Rate Lock when you request a change to your home loan application. If that request is approved by us, then the interest rate locked will be the advertised Reference Rate, plus or minus any agreed margins, as at the time that we accept your new request (this may be different from the interest rates locked initially). If an application was unconditionally approved by us prior to resubmission, then the Rate Lock Period will commence from the first unconditional approval date (the initial Fixed Rate Lock fee won't be payable, but a new Fixed Rate Lock fee will be payable if you settle the new approved loan).

## Fixed Rate Lock

### Fixed Rate Lock Terms - Variations

Where you already have a Fixed Rate Home Loan, you can request a Fixed Rate Lock prior to the expiry of your existing fixed rate term. By requesting a Fixed Rate Lock you are requesting that the interest rate(s) disclosed to you at the time of your home loan variation request, be locked until your existing fixed rate expires. HSBC reserve the right to not accept the Rate Lock request.

We'll tell you whether we have agreed to your Fixed Rate Lock request when we approve your variation application.

#### Fixed Rate Lock fee

- A Fixed Rate Lock fee of \$750 will be payable and debited either from nominated HSBC deposit account or available redraw from an HSBC Variable Rate Loan at the time of your acceptance of our loan variation offer.
- The Fixed Rate Lock fee will not be refundable where you withdraw your loan variation request at any time up to and including the expiry date of your current fixed period.

#### Rate Lock Period and applicable interest rate(s)

- The locked fixed interest rate will be valid from the date of your acceptance of our loan variation offer, for a period up to and including the expiry date of the current fixed rate period (maximum 90 days) ('Rate Lock Period). You cannot extend the Rate Lock Period.
- The locked interest rate Fixed Rate Lock fee will be disclosed in the loan variation offer sent to you.
- If you have more than one fixed loan requiring a Fixed Rate Lock and these are all expiring within a 30-day period from the earliest to last, then each of these fixed rate loans will be deemed to be rate locked for the one Rate Lock Fee.
- Having the Fixed Rate Lock means that on expiry of your current fixed interest rate term, your new interest rate(s) will be the lower of the applicable locked rate(s), and the Reference Rate on the maturity date plus or minus any applicable agreed margins.