## 8. Loan disbursement

The proceeds of the loan will be paid to you. However, if you wish ANZ to pay money elsewhere or if there are fees or expenses payable for the loan at the time that the loan proceeds are paid, you must complete a disbursement order which tells ANZ to whom and in what amounts your loan is to be paid.

The proceeds of the loan will be disbursed in accordance with your instructions for the loan purpose.

If your disbursement order includes a payment to some other person or organisation, ANZ can comply with your order by transferring the amount of the payment into a separate account for that other person or organisation.

Where a disbursement order includes an amount to pay out an existing ANZ account in your name, the amount specified on the disbursement order may not be the final balance owing on that account. The final balance owing on any account may only be determined at the time the account is paid out. If the amount on the disbursement order is more than the final balance owing, no interest will be paid by ANZ on the amount refunded.

If your loan requires progressive payments, any request for a progress payment must be accompanied by a completed loan disbursement order.

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# ANZ Home Loan in a Company Name

Specific Conditions of Use | 12.09

**This document contains some important specific conditions which apply to your ANZ Home Loan in a Company Name.**

**We recommend you study it in detail and, then keep it in a safe place for future reference.**

## The following Specific Conditions of Use relate to:

- ANZ Standard Variable Rate Home Loan in a Company Name
- ANZ Fixed Rate Home Loan in Company Name

## 1. Advancing the loan

The date of the first advance must occur within six months of the date of ANZ's offer, unless otherwise agreed by ANZ in writing. If the date of first advance does not occur within that time (or any extension agreed to in writing by you and ANZ), this agreement shall terminate and ANZ will not be obliged to advance the loan.

If this loan has been taken out to purchase land to build a residential dwelling for owner occupation, it is a condition of the loan that you commence building within three years from the date the loan is drawn. During the term of this loan the dwelling must be used for owner occupation.

If you:

- have not commenced to build a residential dwelling within three years from the date the loan is drawn, or
- stop occupying the dwelling;

you must notify ANZ immediately. At that time ANZ will discuss with you a new loan at the appropriate interest rate.

## 2. How interest is calculated

**Interest in arrears period**

Interest on your loan is calculated on the daily closing balance of your loan, at the interest rate determined by dividing the interest rate applicable at the time by 365.

If any day on which interest is due to be paid (a 'due date') is not a business day that interest will be payable on the next business day.

Where a due date falls on the 29th, 30th or 31st of a month which does not contain such a date, the due date will be the last day of that month.

Each time interest is debited to your account, the period covered by the interest charge will include all days (for which interest has not previously been charged) up until and including the day prior to the due date.

Where interest is debited after the due date, subsequent interest charges for your account will be calculated as if the interest had been debited to your account on the due date.

Interest debited to your account will be added to the outstanding balance of the loan principal and accrue interest at the same rate and in the same manner as the principal of the loan.

If after your loan term commences, you and ANZ agree to change the terms of your loan in any way, ANZ may debit any accrued interest to your account on the day on which the change takes effect, and if this occurs, the interest charging will be restarted from that date.

**'Accrued interest'** means interest which ANZ is entitled to charge under this loan as at that date, but which has not yet been debited to your loan account.

**Mortgage Offset**

If you have a mortgage offset account (offset account) linked to your loan, for each day when the balance of your offset account equals or is greater than its minimum offset threshold, your interest charge for this day on your loan will be reduced by an 'offset amount'. The offset amount for that day is calculated as follows:

**Formula**

1. Take the balance of the offset account.
2. Take the interest rate currently applicable to your loan and multiply it by the offset percentage for your offset account.
3. Multiply 1. and 2. and divide the result by 365 (being number of days in the year).

The Offset percentage is 100%.

**Example**

1. $5000
2. 0.067 (6.7% p.a. * 100% = 0.067)
3. $\frac{\$5,000*0.067}{365}$

= the offset amount for that day

If you default on your loan ANZ may at any time and without prior notice to you transfer or apply the whole or any part of the credit balance of your offset account in payment of the whole or any part of your loan account. ANZ also reserves the right at any time to block access to your offset account.

## 3. Variable interest rate changes

After any increase or decrease in the applicable variable interest rate, ANZ can adjust your repayments accordingly so they are sufficient to pay out your loan within the agreed term.

ANZ will notify you in writing before any changes in the amount of your repayments takes effect.

## 4. Repayment

By accepting the letter of offer you will be agreeing to repay all principal, interest and other amounts due under the loan in accordance with the conditions in the agreement.

If any payment is due to be made on a day which is not a business day, it may be paid on the next following business day.

If you make any repayments through an Automatic Teller Machine, any payment received by ANZ after 4pm Victorian Time will be credited to your loan on the next business day after you make it.

If any cheque used for a repayment is dishonoured, the repayment will be treated as not having been made, and interest will continue to accrue on the unpaid daily balance until actual payment is received by ANZ.

Where payments or charges are due on the 29th, 30th or 31st of a month which does not contain such a date, they shall be due to be paid, or charged, on the last day of that month.

Deposits or repayments which are made to your loan on the last day of a statement period may not appear on the statement issued for that period. These deposits or repayments will however be shown on your next statement, together with a note confirming the effective date of the deposit or payment.

## 5. Prepayment of your loan

**Variable interest rate loan:**

You may pay out the loan at any time without incurring additional interest. Government charges and stamp duty may apply.

**Fixed interest rate loan:**

***Warning:*** *Early repayment costs can be very large. Before making an early repayment (or varying a fixed interest rate) during a fixed interest rate period, you should ensure that you have an understanding of the likely early repayment cost. On request, ANZ can give you an estimate of the likely cost, but the actual cost will be determined on the day that the early repayment event occurs.*

***Note:*** *terms in* ***bold type*** *are defined at the end of the clause.*

If, during a fixed interest rate period:

- you make a full repayment of your loan;
- you make an early repayment of some of the unpaid balance of your loan; or
- ANZ agrees to change the current fixed interest rate to a new fixed interest rate or to a variable interest rate,

an **early repayment event** will occur and you may be liable to pay an early repayment cost to ANZ.

*ANZ is not obliged to pay you any early repayment benefits.*

**Calculation of the early repayment cost**

Following an **early repayment event**, the early repayment cost (if any) that is payable by you, is calculated using the methodology described in the 'Prepayment calculation' clause set out below. In general terms, this is a pre-set methodology under which ANZ estimates the loss or cost that it expects to incur as a result of the **early repayment event** and its likely effect on the cost of ANZ's ongoing funding arrangements.

The size of the early repayment cost that will become payable by you (if any) will vary according to:

- the size of the early repayment (if any);
- the remaining term of the current fixed interest rate period of your loan; and
- the amount that interest rates have moved since the start of the current fixed rate period of your loan.

The method of calculating the early repayment cost is not necessarily linked to any actual transaction that we may enter into (either before or at the time of the early repayment event).

**Recalculating repayments**

Where an **early repayment event** occurs on a fixed rate interest in advance loan, ANZ may recalculate your repayments to take into account the effect of the early repayment event.

**Prepayment calculation**

**When a prepayment calculation will be performed**

A prepayment calculation will be performed whenever an **early repayment event** occurs. The prepayment calculation is performed to determine the amount (if any) of the early repayment cost that is payable by you.

A prepayment calculation will not take into account the balance of any linked mortgage offset account.

**How the prepayment calculation is made**

In making the prepayment calculation, ANZ will first make two amortisation calculations using the **market rate at the start of the fixed rate period.** The outcome (or product) of each of these two calculation is then used, in the manner described below, to determine the amount of the early repayment cost (if any) that you are required to pay.

The first calculation

The first amortisation calculation (calculation (a)) involves the following steps.

(a) Calculation (a) starts with the outstanding loan balance immediately before the **early repayment event** and then deducts from that balance:

- the unpaid part of the next scheduled repayment; and
- the available "tolerance amount" (if any) that is allowed to you,

creating an assumed 'prepayment balance'.

(The available 'tolerance amount' at a given time is calculated in the manner that is separately described below.)

(b) ANZ then identifies each scheduled future **cash flow event** and **cash flow date** up to the end of the fixed rate period assuming the **early repayment event** did not occur.

(For this purpose, any of the 'pre-payment balance' that would remain outstanding at the end of the fixed rate period is also treated as a **cash flow event**. This is because in making calculation (a), it is assumed that any outstanding balance of the adjusted 'prepayment balance' will be repaid at the end of the fixed rate term.)

(c) ANZ then calculates the present value of each such **cash flow event** using the **market rates at the date of repayment** as discount factors.

(d) ANZ then adds together all of the present day values of these scheduled **cash flow events** to calculate the "total present value" - being the total present value of all amounts to be paid over the balance of the fixed rate period, applying the various assumptions outlined above, to repay the loan by the end of the fixed rate period.

The second calculation

The second amortisation calculation (calculation (b)) involves the following steps.

(a) Calculation (b) starts with ANZ calculating the outstanding loan balance immediately after the early repayment event, creating the assumed "after payment balance".

(In making this calculation, ANZ will treat an agreed change to the fixed interest rate (whether by reason of a change to a variable interest rate or a change to a new fixed interest rate) as giving rise to a deemed repayment in full of the outstanding balance of the loan on the date that the change to the fixed interest rate takes effect.)

(b) To the extent required, ANZ then identifies each scheduled future **cash flow event** and **cash flow date** up to the end of the fixed rate period taking into account that the early repayment event has occurred.

(In doing so, ANZ will assume that the adjusted 'after payment balance' left outstanding at the end of the fixed rate period (if any) is also a **cash flow event.**)

(c) ANZ then identifies the present value of each **cash flow event** using the applicable **market rates at the date of repayment** as discount factors.

(d) ANZ then adds together all of the present day values of these scheduled **cash flow events** to calculate the "total present value" - being the total present value of all amounts to be paid (if any) over the balance of the fixed rate period, applying the assumptions relevant to calculation (b), to repay the loan by the end of the fixed rate period (if not already repaid).

Calculation of the "early repayment cost"

The amount of the early repayment cost is the amount (if any) by which:

- the total present value, as determined under calculation (a):

exceeds:

- the total present value, as determined under calculation (b);

plus

- the early repayment amount (or deemed repayment amount) after first deducting the 'tolerance amount' (if any) that was deducted from the outstanding loan balance when calculating the 'prepayment balance' under calculation (a).

**How the opening 'tolerance amount' is calculated**

The opening 'tolerance amount' is set at the start of a fixed interest rate period and, while the term of that fixed interest rate period continues, is then reset at each anniversary of the start of that fixed interest rate period.

Where an opening 'tolerance amount' is being set, or reset, for a whole year (because the term, or remaining term, of the fixed interest rate period will continue for a year or more from the date on which that 'tolerance amount' is being set or reset), the opening 'tolerance amount' will be:

- 5% of the loan balance at the start of the fixed interest rate period; or
- $5,000,

whichever is lesser.

Where, however, the opening 'tolerance amount' is being set for a period that is less than a year (because the term, or remaining term, of the fixed interest rate period has less than 12 months to run), the opening 'tolerance amount' will be reduced proportionally. For example, for a six month term, the opening 'tolerance amount' will be the lesser of 2.5% of the loan balance at the start of the fixed interest rate period, or $2,500.

A 'tolerance amount' will be applicable for no more than a year and will be subject to adjustment in the manner described below.

**How the available 'tolerance amount' is calculated at the time of an early payment**

When an **early repayment event** occurs, the available 'tolerance amount' at that time will be the opening 'tolerance amount' that was most recently set, less the amount by which all amounts previously received by ANZ in the period to which that opening 'tolerance amount' relates exceeded the total of the scheduled repayment amounts that had become due for repayment in that period before the early payment was made.

However, the available 'tolerance amount' will not, at any time, reduce below zero.

**Definitions**

- **Cash flow events** are all expected future transactions during the remainder of the fixed interest rate period which would alter the loan balance, such as expected repayments, fees, charges, and interest (if capitalised to the loan). For the purposes of this clause, transactions include deemed repayments that are assumed to be made under the provisions of this clause.
- **Cash flow dates** are the dates on which **cash flow events** are expected to occur.
- **Early repayment event** has the meaning given to that term in the clause headed "Repaying your loan early during a Fixed Interest Rate Period".
- **Market rate at the start of the fixed rate period** means the Wholesale Interest Swap Rate, as quoted by ANZ, on the date of the start of the current fixed interest rate period for a term equal to that fixed interest rate period. The applicable Wholesale Interest Swap Rate is available from ANZ or alternatively, a close approximation is currently published daily in the Australian Financial Review and other newspapers, but note that:
  - for calculation periods of less than 12 months the relevant Bank Bill Swap Rate will be used instead of the Wholesale Interest Swap Rate; and
  - where no Wholesale Interest Swap Rate or Bank Swap Rate is quoted or available for the relevant term, the rate will be quoted by straight line interpolation between the closest longer and shorter quoted terms either side of the relevant term.
- **Market rates at the date of repayment** means the Wholesale Interest Swap Rates, as quoted by ANZ, on the date of your early repayment for terms up to the unexpired part of the fixed interest rate period (as at the date of your early repayment) but note that:
  - for calculation periods of less than 12 months the relevant Bank Bill Swap Rate will be used instead of the Wholesale Interest Swap Rate; and
  - where no Wholesale Interest Swap Rate or Bank Swap Rate is quoted or available for the relevant term, the rate will be quoted by straight line interpolation between the closest longer and shorter quoted terms either side of the relevant term.

## 6. Statements

ANZ will provide statements of your loan account at least every six months, and more often if either you or ANZ require. If there are errors or unauthorised transactions shown on your statement, it is your responsibility to contact ANZ immediately.

## 7. Lenders Mortgage Insurance

Lenders Mortgage Insurance is obtained by ANZ to protect it against possible loss arising from a loan. If ANZ has made it a condition of this loan that Lenders Mortgage Insurance is required, ANZ will purchase the insurance and you must reimburse ANZ for its cost. The reimbursement must occur at the commencement date of this loan. The cost of this insurance will be deducted from your loan proceeds on the date of advance or ANZ will debit your nominated account.

Lenders Mortgage Insurance provides protection for ANZ as lender and not for you as borrower. If you default on your loan, ANZ may incur a loss even if property given as security is sold. ANZ may recover any loss under its Lenders Mortgage Insurance policy. However, you would still be legally responsible for repaying the full amount outstanding under the mortgage. The insurer may recover any amount that it has paid to ANZ from you.

If Lenders Mortgage Insurance is still required at the conclusion of an Interest Only term, you will be required to pay an additional Lenders Mortgage Insurance premium.