

Break cost fact sheet



CAPITAL FINANCE

For Equipment Finance Loans.

What is a break cost?

A break cost is a fee that represents our loss if you repay your loan early during a fixed rate period.

Why do we charge break costs?

When we agree to lend you money at a fixed interest rate, we obtain money from the money market at wholesale interest rates based on you making your payments as agreed until the end of the fixed rate period. If you don't, and wholesale interest rates change, we can make a loss.

When do break costs apply?

If you prepay your loan before the end of your fixed rate period, you must pay us break costs we calculate.

How are break costs calculated?

Our break costs formula is complex. This is a simplified description.

We will incur a loss and you will have to pay break costs if, on the day a prepayment, the wholesale interest rate applicable for your remaining fixed rate term is less than the wholesale interest rate applicable when you began your fixed rate period. We refer to this as the 'difference in wholesale interest rates'.

To calculate the amount of the break costs, we multiply the difference in wholesale interest rates with the remaining term in your fixed rate period and the average loan account balance that would have applied during that time if you had not made any prepayments. The amount is then converted to its value in today's dollars.

Please contact us if you would like to see the formula used to calculate break costs.

Is Westpac the only lender to charge this cost?

No. It is a common practice for lenders to pass on the actual loss incurred from pre-paying a fixed rate loan.

I have been provided with a break cost in the past and the amount has now changed – why is this the case?

Wholesale interest rates change daily, and the changes can be significant especially if wholesale interest rates continue to decrease. Break costs are valid for 7 business days from the day they are calculated.

Where can I find information on the Wholesale Interest Rates?

The wholesale interest rate is commercially sensitive and not displayed publicly. There is no way to predict what the wholesale interest rate will be and it changes frequently subject to market conditions. Movement in Westpac's Variable or Fixed rates do not form part of the calculation we use to establish if a break cost is applicable.