



Rollover Expiry Request

Please return to:
 Attn: Mortgage Solutions
 CUA
 GPO Box 100
 Brisbane QLD 4001
 Or fax to: 1300 654 854

MEMBER DETAILS

Member name:

Member number:

Loan account: Loan expiry date:

ROLLOVER ACTION

I/We request CUA to allow the following change to my/our loan at the expiration of the current fixed/interest only period.

Rollover to the following fixed rate home loan:

1 Year Premium Fixed 2 Year Premium Fixed 3 Year Premium Fixed 5 Year Premium Fixed

I/We understand that an early payout fee applies to fixed rate home loans. I/We have read and understand the details included below (and on the attached/reverse) in relation to this fee.

NOTE: Where the option is to rollover to a fixed rate home loan the second page of the Rollover Expiry Request is required for completion.

Rollover to the following variable rate home loan:

Standard Variable Discount Variable Basic Variable <\$250K Basic Variable >\$250K

NOTE: There is no mortgage offset facility available on Basic Variable home loans. If opting for a Basic Variable home loan, any existing offset facility you have will be cancelled.

All borrowers must sign below.

Signature: <input type="text"/>	Signature: <input type="text"/>
Name: <input type="text"/>	Name: <input type="text"/>
Date: <input type="text"/>	Date: <input type="text"/>

WARNING ON FIXED RATE LOANS

The above fixed rate loans have an EARLY PAYOUT FEE payable if you repay the balance of the loan, or switch to a different CUA loan, during the fixed rate period. The fee is calculated by applying an early payout formula (see attached/reverse). You should not choose a fixed rate unless you understand the details of the early payout fee.

CUA OFFICE USE ONLY

Processed by: Process date:

EARLY PAYOUT FEE (EPF)

When you enter into a fixed rate loan contract, you are effectively locking in the loan interest rate offered to you for an agreed period of time (e.g. 5 years). If you decide to switch or payout your fixed rate loan before the end of your agreed period, you are effectively breaking that fixed rate loan agreement, an EPF that could cost you thousands of dollars may apply.

An EPF is not a penalty, it is not a fee revenue and CUA does not make a profit from it. If we lose money as a result of you breaking your fixed rate loan agreement, we charge an EPF using a reasonable cost-recovery calculation to recoup our loss.

Your fixed rate loan agreement is a contract and under the general principle of contract law, if you break a contract and the other party to that contract suffers a loss, you need to compensate that party for that loss.

We recommend that before you decide to break your fixed rate loan agreement, you should obtain an EPF "quotation" from CUA and then seek independent financial and/or legal advice. It is also important to note that the financial markets are unpredictable and interest rates can change daily, therefore, an EPF quotation is valid only for the day it was quoted.

CALCULATION OF EPF

The Financial Ombudsman Service (FOS) has assessed the methodology to fairly and reasonably estimate break costs on fixed rate loans and released a fact sheet titled 'Breaking a Fixed Rate Loan' on their website. CUA's EPF calculation (outlined below) reflects this fair and reasonable methodology supported by FOS.

When you take out a fixed rate loan, you are effectively locking in your interest rate (i.e. your funding costs) for an agreed period of time. CUA as a financial intermediary borrow funds from savers and investors in the economy and on lend to you (borrower). As you have fixed your funding costs for an agreed period of time, we will also seek to fix our funding costs for similar period of time to protect CUA against future interest rate movements.

If you decide to break your fixed rate loan agreement, we also need to unwind our fixed rate funding. In order for us to reasonably calculate whether or not we have made a loss, we compare the movement in the wholesale market swap rates (**swap rates**) between two points in time (i.e. point 1 is the swap rate for the agreed fixed rate period when you take out your fixed rate loan and point 2 is the swap rate for the remaining term of the fixed rate period when you break your fixed rate loan).

On the day you break your fixed rate loan early, if the swap rate for the remaining term of the fixed rate period is less than the swap rate applied at the start of your fixed rate period, we will make a loss and we will charge you an EPF.

The wholesale market swap rates are published daily in the Australian Financial Review under the heading "Swap Rates: Quarterly in arrears" and they are the most transparent fixed rate cost of funds that can be used to approximate our EPF calculation.

FORMULA

The formula used to calculate the Early Payout Fee is as follows:-
$$EPF = \frac{a}{r} \times [1 - (1+r)^{-n}] + R(1+r)^{-n} - P$$

where: a = Minimum repayment amount per payment period paid by the borrower (the agreed repayment).

$$r = \frac{i}{f}$$

i = Wholesale market swap rate applicable to the investment of funds by us at the date of early payout or switch for the remaining term of the fixed rate period.

f = Number of agreed repayments per year.

n = Number of payment periods remaining in the fixed rate period if the loan was to run to maturity.

P = Principal outstanding at the date of early payout or switch.

R = Residual principal at the end of the fixed rate term assuming that the agreed repayments are made when due, where the wholesale market swap rate applicable to calculate R is equal to the agreed fixed rate period at the origination of the fixed rate loan.

Below is a working example of the above explanation.

WORKING EXAMPLE

For example, you borrowed \$150,000 from CUA on 1 July 2011 fixed for 5 years at an interest rate of 7% over a 25 years loan term, and you chose to pay principal and interest on a monthly basis. The swap rate for 5 years fixed term was 6% (i.e. our funding costs for Point 1 of the two points in time mentioned earlier).

On 1 July 2014, after 3 years into your 5 years fixed rate loan, you decide to payout your loan in full but your loan still has 2 years remaining. Accordingly we refer to the swap rate for 2 years fixed term on the day of loan payout and it was 4.5% (i.e. Point 2 of the two points in time).

The money you paid back to us on 1 July 2014 estimated around \$137,800 (i.e. principal outstanding) has market value of only 4.5% for the remaining 2 years, however, we are still required to pay the 6% funding costs for that same 2 years. Therefore, we are effectively losing 1.5% from the money you paid back to us for the remaining 2 years of the 5 years fixed term (i.e. 6% - 4.5% = 1.5%).

The full calculation using the disclosed formula above is technical and complex. We use an automated calculation model that conforms to the methodology assessed by FOS. For the purpose of this working example, we will simplify the calculation based on the underlying principles of the disclosed formula.

- The loan amount being paid out is: \$137,800
- The movement in the swap rates between Point 1 and Point 2 is: 6% - 4.5% = 1.5%
- The remaining fixed rate term of the loan: 2 years
- The simplified calculation to reasonably estimate whether or not we have made a loss for the remaining 2 years (future value) is: $\$137,800 \times 1.5\% \times 2 = \$4,134.00$
- Using the present value formula, the \$4,134.00 is then discounted back to present day value, therefore: EPF = \$3,821.50

SIGNATURE

I/We acknowledge that I/we have read and understand the above.

Signature:

Signature:

Name:

Date:

Name:

Date: