RAMS Product Features Matrix

This is an aid to help you understand the advantages and disadvantages of the main features of a home loan in order to assist you with choosing a loan that is suitable for your needs.

HOME LOAN FEATURES	OPTIONS	CONSIDERATIONS
Interest rate	Variable rate	**Advantages:** • Provides additional features such as unlimited additional repayments, unlimited redraw (up to the amount of additional repayments) and full interest offset on eligible RAMS home loan products. • No break costs in the event of early repayment. • If interest rates decrease, repayments will also decrease. **Things to consider:** • If interest rates rise then repayments will increase
	Fixed rate	**Advantages:** • Certainty on the repayments during the fixed rate period. **Things to consider:** • Unable to benefit from interest rate decreases during the fixed rate period. • If interest rates decrease, repayments will not change during the fixed rate period. • Break costs, which may be considerable, may apply if a fixed rate loan is refinanced or paid-off early, so a fixed rate loan may not be suitable if you plan to sell the property, or expect to have access to funds to repay your loan, in the near future. • Break costs, which may be considerable, may also apply in the case of additional repayments in excess of the threshold or if you want to change your repayment type. • Interest offset facility not available for fixed rate loans.
Fixed rate lock-In	Fixed rate home loans only	**Advantages:** • Provides certainty on the fixed rate that will apply on the day of settlement. **Things to consider:** • A fixed rate lock-in fee is charged. • If rates fall between when you lock-in and settlement date, there is no advantage as the rate that applies is the one at time of lock-in. • If your loan settles after the expiry of the lock-in period (90 days) you lose the lock-in fee and you will get the rate on the day of settlement.
Interest offset	Interest offset facility	**Advantages:** • An interest offset facility is a link between a RAMS Action with Offset account and an eligible RAMS home loan which could reduce the interest charged on the home loan. • A full interest offset facility means home loan interest is effectively charged only on the net balance (that is, the home loan balance less the transaction account balance). • The principal and interest repayments remain the same, meaning that less is allocated to interest, and more is paid off the principal amount which could help pay the home loan off sooner. **Things to consider:** • This feature is available only in selected home loan products. • No credit interest will be earned on the balance in the linked transaction account.

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Repayment Basis	Principal and Interest	**Advantages:** • Making principal and interest repayments means you'll pay less interest over time and will pay off your loan in full by the end of your loan term. • The more principal repaid, the more the equity in the security property increases and the more quickly you pay off the loan (if the excess principal is not redrawn). • The interest rate may be lower than it would be with interest only repayments. **Things to consider:** • Repayments will be higher as principal is being repaid as well as interest (but lower than principal and interest payments after an initial interest only period).
	Interest Only	**Advantages:** • Paying interest only will mean smaller monthly payments, as no principal amount is being repaid. • Property investors may use interest only repayments to maximise their tax deductibility benefits (seek tax advice). • Cash flow flexibility with repayments in the shorter term. **Things to consider:** • The interest rate may be higher than it would be with principal and interest repayments. • At the end of the interest only period your repayments will be higher to repay the principal over the remaining, shorter term. • There may be more interest paid overall compared to a loan with principal and interest repayments throughout its term.
	Interest Only in Advance (IOA)	**Advantages:** • A strategy to consider on an investment loan if the income in one financial year will be substantially greater than that in the next financial year, for example, maternity leave, planned redundancy, etc. (seek tax advice). • Payment of interest only in advance brings forward up to 12 months' worth of interest expense into the current financial year which may have tax advantages (seek tax advice). • Able to pay 12 month's interest in advance while locked into a 12 month or longer fixed rate period. • There may be a discount on the interest rate. **Things to consider:** • IOA is not available when the loan is predominantly for personal, domestic or household purposes. • An amount, equivalent to one year's worth of interest repayments is required. • Unable to benefit from decreases in interest rates during the fixed rate period.
	Line of Credit	**Advantages:** • Approved limit can be drawn upon whenever required. • Flexibility of revolving line of credit which allows for flexible access to loan funds through cheque, debit card facility or myRAMS (eligibility criteria apply). • Monthly statements option for easy accounting. **Things to consider:** • If only interest repayments are made more interest will be paid compared to a loan with principal and interest repayments throughout its term. • You would need to prepare a clear exit strategy for full repayment by the end of the term.

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Repayment frequency	Monthly, Fortnightly or Weekly	**Advantages:** • Repayment frequency can be aligned to your cash flow, for example, if you're paid fortnightly you can also make fortnightly repayments on your home loan.
Term	Up to 30 years	**Advantages:** • The shorter the term the quicker you repay the home loan and the less interest paid over the term of the loan. **Things to consider:** • The shorter the term the larger the monthly repayment amount. • Borrowers require a repayment strategy if the loan term exceeds anticipated retirement age.
Additional payments & redraw facility	Limited – for fixed rates Unlimited – for variable rates	**Advantages:** • Extra repayments above the minimum contractual repayment can be available for redraw at a later stage if required. • Where additional repayments are made (and not redrawn) you will pay less interest over the term of the loan and the loan can be paid-off earlier. **Things to consider:** • If planning to switch the property from owner occupier to investment property loan, making extra repayments or redrawing directly against your home loan might have an impact on interest tax deductibility (seek tax advice). You might consider using an offset account for this scenario. • Redraw fee may apply depending on the product (and/or means by which the redraw is made). • RAMS has discretion to suspend redraws. • Any party in the loan can access the available redraw amount.
Construction Option	Optional	**Advantages:** • This feature allows making progress payments to builders as construction work is completed. • Pay interest only on the amount drawn during the construction phase. **Things to consider:** • During the construction phase drawdowns must be in accordance with the agreed drawdown schedule with the drawdowns occurring as each stage of construction is completed. • A borrower's own funds must be spent first before drawing on the loan amount.
Lender's Mortgage Insurance (LMI)	Required if Loan to Valuation Ratio exceeds 80%	**Advantages:** • LMI allows you to borrow more than 80% of the property value (up to a maximum of 95%), reducing the required deposit which could help you to purchase sooner. • The LMI premium may be financed as part of the home loan. **Things to consider:** • Adding the LMI premium to the loan will increase the size of the principal amount, increasing repayments and the interest paid over time. • There are limits on the LMI premiums that may be financed. • LMI protects the lender if you are unable to meet your home loan obligations, but does not remove your obligation to repay the home loan in full. • Use of a parental guarantee (Fast Track) can reduce or eliminate the need for LMI.

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Repayment pause	Various options exist such as Repayment Holiday or RAMS Parental Leave option	**Advantages:** • Certain products may allow flexibility to reduce repayments below the minimum contractual one; or pause repayments altogether for a period of time. **Things to consider:** • Approval is required before you can take advantage of this feature. • After the reduced or paused repayments period, repayments will be higher for the remaining loan term which may result in higher interest being paid overall.
Value Advantage Package	Optional	**Advantages:** • Provides interest rate discounts, fee reductions or waivers on eligible RAMS home loans. **Things to consider:** • Ongoing annual package fee applies.
Parental Guarantee (Fast Track)	Optional	**Advantages:** • A family member (parent or sibling) provides a limited guarantee supported by a mortgage over their home, to reduce or eliminate the cost of Lender's Mortgage Insurance. • May help to realise your home ownership sooner. **Things to consider:** • Family members may be unable to provide a mortgage over their property to support their guarantee. • The family member's home may be at risk if you default on your loan. • Legal advice is required for the family member guarantor.