

# RAMS Interest Only Conversion Extension Fact Sheet.



## Process

Borrowers can apply to convert their existing principal and interest repayments to interest only or extend an existing interest only period. At the end of the interest only period repayments will convert to principal and interest over the remaining loan term.

**Note:** Borrowers cannot request to convert from principal and interest to interest only within the first 12 months from the settlement date. Similarly, borrowers assessed for a part Interest Only Period will not be permitted to extend the Interest Only Period for 12 months from the settlement date. You cannot convert to interest only or extend an interest only period if the loan is in arrears or within a fixed rate period.

**Please note:** Interest rates will be higher during any interest only period. Also, because the amount you have borrowed will need to be paid back in a shorter time frame once the interest only period has ended, the principal and interest repayments that will apply after the interest only period ends will be higher than if you had remained on principal and interest repayments. The longer the interest only period, the larger the increase in repayments will be.

## Maximum Allowed Interest Only Periods

Interest only period must be in whole years e.g. 1 year, 2 years.

- Maximum Interest Only period for an Owner Occupied Loan is 5 years.
- Maximum Interest Only period for an Investment Loan is 10 years.

**Note:** Maximum Interest Only periods listed above are inclusive of any IO periods for construction. These are the maximum period available and are only available dependant on your financial situation, and on your particular RAMS home loan terms and conditions.

LVR restrictions also apply to loans converting to or extending an interest only period.

## Documentation

All borrowers and guarantors are required to complete and sign an Application to Vary Your Loan form together with the privacy consent and supporting documentation.

## Timeframes

On receipt of a fully completed application with all supporting documentation, our credit assessment team aims to process the application within approximately 10 working days. The time taken to convert a loan to interest only will depend on several factors including your current repayment cycle. You will be advised of indicative timeframes when you apply for the interest only conversion/extension.

## Fees

The following fees will be payable on finalisation of the request:

- A \$295 interest Only Variation fee is payable except for home loans under the Value Advantage Package (where the fee is Nil).
- Lender's Mortgage Insurance (if applicable).

## Credit Assessment

The request to convert to interest only payments or extend an interest only period is assessed using the RAMS responsible lending principles. Amongst other things, these take into consideration all borrowers' allowable income against all outgoings and reasonable living expenses to assess that they will be able to repay their loan within the approved loan term.

# FAQs

## What supporting documentation do I need to provide to RAMS?

Please refer to the RAMS Preparing for your Loan Appointment Checklist. You can also refer to your RAMS Home Loan Manager for further information.

## Will I be advised of the outcome of my application to convert my repayments to interest only or extend my existing interest only period?

Yes, you will be advised in writing if your application is approved or declined.

## What happens to my interest only repayments after the interest only period ends?

At the end of the interest only period your repayments will convert to principal and interest. You will be notified in writing of your new repayment amount and interest rate applying to your loan.