ANZ RESIDENTIAL INVESTMENT LOAN IN A COMPANY NAME

SPECIFIC CONDITIONS OF USE
19.10.2020

This document contains some important specific conditions which apply to your ANZ Residential Investment Loan. 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 Variable Rate Residential Investment Loans in a Company Name
- ANZ Money Saver Residential Investment Loans in a Company Name (no longer offered)
- ANZ Fixed Rate Residential Investment Loans in a Company Name
- ANZ Interest-in-Advance Residential Investment Loans in a Company Name

1. ADVANCING THE LOAN

The date of the first advance must occur within three 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 investment purposes, it is a condition of the loan that you build a residential dwelling on the property which is being financed by the loan within one year from the date the loan is drawn. During the term of this loan the dwelling must be used for residential purposes.

If you:

- have not commenced to build a residential dwelling within one year from the date the loan is drawn, or
- stop using the dwelling after you build it for residential investment purposes

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.

How interest is calculated during the fixed interest rate period where interest is charged in advance

For each interest charge to be paid by you in advance in respect of a fixed interest rate period, ANZ determines the number of days to be covered by that interest charge (the "**interest cycle**"), the expected outstanding loan balance at the end of each day of the interest cycle, and the daily interest rate that is derived from dividing the applicable fixed annual percentage rate by 365. ANZ then uses this information to calculate the amount of the interest in advance charge to be paid by you in advance in respect of that interest cycle.

When making this calculation, ANZ assumes that:

(a) the outstanding loan balance at the commencement of the interest cycle will be the same as the outstanding loan balance at the time that it calculates the amount of the interest in advance charge (the "assumed loan balance");

(b) the assumed loan balance will remain outstanding throughout the interest cycle; and

(c) the applicable fixed annual percentage rate will not change throughout the interest cycle.

The calculated interest in advance charge for a forthcoming interest cycle is the total of the estimated daily interest charges for each day in that interest cycle (the "interest in advance charge").

The interest in advance charge for an interest cycle is debited to your loan account with effect from the commencement of that interest cycle. You are required to pay that interest in advance charge to ANZ on (or with effect from) that date.

During each interest cycle, ANZ will calculate the interest charge applicable to your loan account on a daily basis, based on the outstanding loan balance at the end of each day in the interest cycle and the daily interest rate that is determined by dividing the applicable fixed annual percentage rate by 365. If the aggregate of these daily interest charges for the interest cycle is less than the amount of the interest in advance charge that was debited to your loan account at the commencement of the interest cycle, ANZ will refund the difference to you. If the aggregate of these daily interest charges for the interest cycle is greater than the amount of the interest in advance charge that was debited to your loan account at the commencement of the interest cycle, the amount of the difference will be debited to your loan account on (or with effect from) the first day following the end of the relevant interest cycle. You are required to pay that additional interest charge to ANZ on (or with effect from) that date.

To the extent that there is any inconsistency between the information in this clause under the heading '**How interest is calculated during the fixed interest rate period where interest is charged in advance**' and the information in this clause under the heading '**How interest is calculated - interest in arrears period**' the information in this clause under the heading '**How interest is calculated during the fixed interest rate period where interest is charged in advance**' will prevail during a fixed rate period. In that context, you need to be aware that when interest is debited to your loan account, it will be added to the unpaid balance of your loan and, where it remains unpaid, will accrue interest in arrears at the same rate and in the same way as other parts of the principal.

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.

Repaying your loan early or changing your rate during a fixed interest rate period

Warning: *Early repayment costs can be very large. Before making an early repayment during a fixed interest rate period, or requesting a change to a fixed interest rate, you should ask ANZ to give you an estimate of the likely cost. The amount of any actual early repayment cost that becomes payable by you will be determined on the day that the early repayment event occurs.*

(In this clause there are terms used that have been given defined meanings. Those terms are in **bold type** and are usually explained at the end of this clause)

When an early repayment event occurs

If, before the end of a fixed interest rate period:

- you make an early repayment of the whole of the unpaid balance of your loan (or you are required to make such a payment);
- you make an early repayment of some of the unpaid balance of your loan; or
- at your request, ANZ changes the current fixed interest rate to a new fixed interest rate, or to a variable interest rate,

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

Early repayment cost

As a consequence of an **early repayment event**, such as an **early repayment** by you, ANZ may incur additional costs or loss. Although the **early repayment event** which occurs under your loan contract is used in the calculations, the early repayment cost is not necessarily or directly linked to any actual cost or loss incurred by ANZ.

When ANZ will make an early repayment cost calculation

Where an **early repayment event** has occurred, ANZ will calculate the amount of any early repayment cost that is payable by you, unless:

- the amount of your early repayment (if any); or
- in the case of ANZ changing the current fixed interest rate at your request, the unpaid balance of your loan at the time of the early repayment event,

is less than the combined value of your **available tolerance amount** and **your next scheduled repayment amount** (if any), each as calculated immediately prior to the **early repayment event**.

Your liability for early repayment costs

You will be liable to pay ANZ the amount of any early repayment cost that is calculated by ANZ to be payable by you in respect of an **early repayment event**. In calculating the amount of any early repayment cost that is payable by you, ANZ will use the calculation methodology described below under the heading ' **The method used to calculate any early repayment cost payable by you**'.

Factors that may be relevant to the amount of any early repayment cost that is payable by you

The amount of any early repayment cost that may become payable by you will vary according to a number of factors, including:

- the size of your early repayment (if any);
- the remaining term of the current fixed interest period of your loan;
- the amount of the unpaid loan balance of your loan at the time of the early repayment event; and
- the differences between the original market rate at the start of the fixed interest rate period and the market rates at the date of the relevant early repayment event.

The calculation of the early repayment cost that may be payable by you will not take into account the balance of any mortgage offset account that is linked to your loan.

ANZ may recalculate your repayments following an early repayment event

When an **early repayment event** occurs, and where you are paying interest that has been calculated in advance, ANZ may recalculate and change the amount of your future repayments to take account of the **early repayment event**.

The method used to calculate any early repayment cost payable by you

As an initial step in the calculation of any early repayment cost that is payable by you ANZ will calculate:

- the total of present values of pre-event cash flows; and
- the total of present values of post-event cash flows,

in the manner described below.

ANZ will then use each of these totals when calculating the amount of any early repayment cost that is payable by you. It will do so in the manner described below.

Calculation of the total of present values of pre-event cash flows

ANZ's calculation of the **total of present values of pre-event cash flows** will be based on the following methodology.

Step 1: Based on the **pre-event balance**, and to the extent required for the particular loan type, ANZ will determine for the period commencing on the date of the **early repayment event** and concluding on the last day of the fixed interest rate period (both dates inclusive) (the "**calculation period**"):

(i) the amount of each interest charge (calculated using the **contract rate**) that would have been debited in respect of your loan (each an "**expected cash flow**") and the days on which each of these **expected cash flows** would have been treated as debited;

(ii) the amount of each repayment that would have become payable by you during the **calculation period** (each an "**expected cash flow**") and the days on which each of these **expected cash flows** would have been treated as payable by you (or effectively recovered from your nominated account, if earlier);

(iii) the amount of each other fee or charge that would have become due during the **calculation period** (each an "**expected cash flow**") and the days on which each of these **expected cash flows** would have become due under your loan;

(iv) based on these **expected cash flows**, the expected unpaid balance of your loan at the end of each **cash flow date** occurring during the **calculation period** and at the end of the **calculation period.**

Step 2: Using the **original market rate**, ANZ will separately estimate the amount of interest (the "**market interest**") that would accrue in respect of successive periods of the **calculation period.**

(i) For a **principal and interest loan** each such successive period will conclude at the end of the day prior to a **cash flow date** and, in the case of the last successive period, will conclude at the end of the **calculation period**.

(ii) For an **interest only loan** each such successive period will conclude at the end of the day prior to a **cash flow date** that is a day on which:

(A) a fee or charge (other than an interest charge) would have become due in respect of your loan; or

(B) an interest charge would have been treated as debited in respect of your loan,

(but not at the end of any other day prior to a **cash flow date**) and, in the case of the last successive period, will conclude at the end of the **calculation period**.

(iii) For a principal reducing loan each successive period will conclude at the end of the day prior to a **cash flow date** that is a day on which:

(A) a fee or charge (other than an interest charge) would have been due in respect of your loan; or

(B) a principal repayment would have been due to be credited to the unpaid balance of your loan; or

(C) an interest charge would have been treated as debited in respect of your loan;

(but not at the end of any other day prior to a **cash flow date**) and, in the case of the last successive period, will conclude at the end of the **calculation period**.

For each period for which such **market interest** is calculated, ANZ will use the unpaid balance of your loan that it expects to be outstanding at the relevant time (assuming that the **pre-event balance** was outstanding at the commencement of the **calculation period**).

Step 3: ANZ will then calculate:

(i) the net aggregate of the present values of:

(A) in the case of a **principal and interest loan**, the **expected cash flows** that ANZ would expect to debit or credit to the unpaid balance of your loan for each **cash flow date** in respect of:

(I) the amount of each interest charge;

(II) the amount of each repayment; and

(III) the amount of each other fee or charge that would have become due during the **calculation period** and which is a fee or charge that ANZ does not expect to be paid by you on that **cash flow date** (for example, from a separate nominated account); or

(B) in the case of an **interest only loan**, each expected fee or charge (other than an interest charge) that would have been due to be debited in respect of your loan on a **cash flow date** and which is a fee or charge that ANZ does not expect to be paid by you on that **cash flow date** (for example, from a separate nominated account); or

(C) in the case of a **principal reducing loan**:

(I) each expected fee or charge (other than an interest charge) that would have been due to be debited in respect of your loan on a **cash flow date** and which is a fee or charge that ANZ does not expect to be paid by you on that **cash flow date** (for example, from a separate nominated account); and

(II) each principal repayment that would have been due to be credited to the unpaid balance of your loan on a **cash flow date**;

(ii) the total of the present value of the **market interest** for each period during the **calculation period**, calculated in accordance with Step 2; and

(iii) the present value of the expected unpaid loan balance at the end of the **calculation period**.

In determining the present value of these amounts, ANZ will make the present value calculations using the **market rates at the date of the relevant early repayment event** as discount factors.

Step 4: ANZ will then calculate the total of all of the present values calculated under Step 3 (as the loan type requires). The combined total of these present values will be the "**total of present values of pre-event cash flows**" for your loan.

Calculation of the total of present values of post-event cash flows

To calculate the **total of present values of post-event cash flows** relevant to your loan, ANZ will follow the same methodology that it uses to calculate the **total of present values of pre-event cash flows**, except for the following differences:

- ANZ will use the post-event balance (rather than the pre-event balance) when making the required calculations or assumptions; and
- for Step 4, the combined total of the calculated present values will be the "total of present values of post-event cash flows" for your loan.

Calculation of the amount of the early repayment cost

Your early repayment cost, if any, will be the amount by which:

- the total of present values of pre-event cash flows for your loan, as calculated by ANZ,

  exceeds

- the net aggregate of:

  (a) the total of present values of post-event cash flows for your loan, as calculated by ANZ; and

  (b) the amount of the early repayment or the amount of the deemed early repayment less the combined total of your available tolerance amount and your next scheduled **repayment amount** (if any), calculating that total immediately prior to the **early repayment event**.

If you would like to see some examples of how we calculate **early repayment costs**, please contact us.

(ANZ does not pay you an early repayment benefit where this calculation does not result in an early repayment cost that is payable by you.)

Definitions

In this clause the following terms have the following meanings.

available tolerance amount means that part of the then current **tolerance amount** that exceeds the total of the **early repayments** that have already been made since that **tolerance amount** was set by ANZ.

cash flow date is a day identified in any one of the first three sub-clauses of Step 1.

contract rate means the fixed interest rate under which interest accrues under your loan during the current fixed interest rate period.

deemed early repayment means, where ANZ changes the current fixed interest rate to a new fixed interest rate or to a variable interest rate at your request, the amount of your unpaid loan balance immediately prior to that **early repayment event**.

early repayment means early repayment of the whole, or some, of the unpaid balance of your loan, before the end of the then current fixed interest rate period.

interest only loan means a loan under which you are required, during the fixed rate interest period, to make regular payments to cover interest charges applicable to your loan, but under which you are not required to otherwise make principal repayments during that period.

market rates at the date of the relevant early repayment event means each interest rate that, at the time of the **early repayment event**, is current and has been set by ANZ and which, in the view of ANZ, best reflects the applicable wholesale market interest rate for each relevant period over which ANZ is required to calculate the present value of each of the relevant **expected cash flows**.

original market rate means a wholesale market interest rate that, at the time of the commencement of the current fixed rate interest period, was set by ANZ and which ANZ determined (at that time) was sufficiently reflective of the applicable external wholesale market rate that would be (or could have been) applicable in respect of the term of the then commencing fixed rate interest period under your loan.

pre-event balance means the unpaid balance of your loan immediately prior to the occurrence of the **early repayment event**, less the combined total of your **available tolerance amount** and **your next scheduled repayment amount** (if any), each as measured immediately prior to the **early repayment event**.

post-event balance means the unpaid balance of your loan immediately after the occurrence of the **early repayment**, or an assumed balance of zero where ANZ changes the current fixed interest rate to a new fixed interest rate or to a variable interest rate at your request.

principal and interest loan means a loan under which you are required, during the fixed rate interest period, to make regular payments of an agreed amount to cover accrued interest charges and a principal repayment.

principal reducing loan means a loan under which you are required, during the fixed rate interest period, to make:

(a) regular principal repayments of an agreed amount; and

(b) regular payments to cover interest charges that have accrued during the fixed rate interest period.

tolerance amount means the amount allowed to you by ANZ as a tolerance at the commencement of your current fixed interest rate period, and on each anniversary of that date while that fixed interest rate period continues. The tolerance amount is the lesser of $5,000.00 and of 5% of the loan balance at the start of the then current fixed interest rate period, except where the total fixed rate interest period is for less than a year. In that event, the tolerance amount is reduced proportionally.

The tolerance amount is reset at the start of each anniversary of the commencement of your current fixed rate interest period, and any **available tolerance amount** from the preceding period of 12 months is cancelled and is not carried forward.

your next scheduled repayment amount means:

(a) where you are required to make regular principal and interest repayments under a principal and interest loan, the amount of your next scheduled repayment (together with any outstanding arrears for a previous scheduled repayment) less the early repayments (if any) made since the last scheduled repayment became due; and

(b) where you are required to make regular principal and interest payments under a principal reducing loan the amount of your next scheduled principal repayment (together with any outstanding arrears for a previous scheduled principal repayment) less the early repayments (if any) made since the last scheduled repayment became due,

(in each case as calculated on the date of the **early repayment event** and immediately prior to the occurrence of that **early repayment event**), and, in every other case, zero.

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.

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.

Important notice: if you opened a new account on or after 1 October 2020, the following term applies to you from the day your account was opened. If you opened your account earlier than 1 October 2020, this term will not apply to you until 1 April 2021.

9. ACCOUNT ACCESS AND TRANSACTION RESTRICTIONS

We reserve the right to restrict the amount, or the amount of each denomination, of any deposits that may be made to an account, to block access to an account, and prevent all or specific transactions from being processed to an account, without notice where we consider that it is in our legitimate interests to do so. For example, we may do so where we consider this necessary to protect us or you from suffering financial loss (e.g. as a result of suspected fraudulent activity on an account). Any transaction limits that would otherwise apply are subject to our rights to take these actions. Please ask at the branch or call our Contact Centre for details of any limits that apply.

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