



MACQUARIE

# Loan features

Macquarie Bank Limited ABN 46 008 583 542 AFSL and Australian Credit Licence no. 237502

We have reviewed your Loan Application form and had a discussion with you regarding loan features. We now need you to complete this form in conjunction with your Broker or Relationship Manager.

## When does this form need to be completed?

The loan application includes individual borrowers either in their own capacity or as trustee for a trust; AND

The purpose of the loan is wholly or predominantly:

- for personal, domestic or household purposes; or
- to purchase, renovate or improve residential property for investment purposes; or
- to refinance credit provided for that purpose.

Applicant 1:

Applicant 2:

## Why is this important?

This document is to be included for all loans as part of the application process to ensure that key product features and risks are explained to the applicant(s). For each loan we need to understand how each feature has been considered by the applicant(s):

- important: the feature is a high priority for the applicant(s)
- not important: the feature is not a high priority for the applicant(s)
- don't need: the applicant(s) expressly does not want the feature.

	Loan 1	Loan 2
Borrower		
Amount	\$	\$
Asset(s) securing the loan		
Purpose	<input type="checkbox"/> Home loan <input type="checkbox"/> Investment loan <input type="checkbox"/> Other loan	<input type="checkbox"/> Home loan <input type="checkbox"/> Investment loan <input type="checkbox"/> Other loan
If refinancing or consolidating debts please provide a reason (more than one option can be selected)	<input type="checkbox"/> Reduce repayments <input type="checkbox"/> Lower interest rate <input type="checkbox"/> Increase total loan amount <input type="checkbox"/> Greater flexibility/extra or specific loan features under proposed loan <input type="checkbox"/> Reduce the number of lenders / consolidate debts <input type="checkbox"/> Dissatisfied with current financial institution <input type="checkbox"/> Close to end of current loan term <input type="checkbox"/> Other: <input type="text"/>	<input type="checkbox"/> Reduce repayments <input type="checkbox"/> Lower interest rate <input type="checkbox"/> Increase total loan amount <input type="checkbox"/> Greater flexibility/extra or specific loan features under proposed loan <input type="checkbox"/> Reduce the number of lenders / consolidate debts <input type="checkbox"/> Dissatisfied with current financial institution <input type="checkbox"/> Close to end of current loan term <input type="checkbox"/> Other: <input type="text"/>
If your loan won't be paid out within the loan term and you aren't in a position to refinance, how do you intend on repaying the loan?	<input type="checkbox"/> Sale of business assets <input type="checkbox"/> Sale of investment property <input type="checkbox"/> Sale of ASX listed shares <input type="checkbox"/> Downsizing home <input type="checkbox"/> Other: <input type="text"/>	<input type="checkbox"/> Sale of business assets <input type="checkbox"/> Sale of investment property <input type="checkbox"/> Sale of ASX listed shares <input type="checkbox"/> Downsizing home <input type="checkbox"/> Other: <input type="text"/>

Are any of loans for a motor vehicle, boat or trailer etc (purchase, refinance and/or debt consolidation)?

No – **go to section 1**    Yes – **please acknowledge the following**

- Goods being financed / refinanced may not hold their value for as long as the remaining term of the loan and so there may be payments for those goods beyond their useful lifespan and value.
- Finance for the replacement of these goods may not be available if the term exceeds the lifespan of the original goods. More interest may be paid compared to taking the loan over a shorter term more in line with the useful life of the goods.
- More interest may be paid, particularly if further credit card, personal loan or car loan debt is incurred after consolidating existing debts.
- A discussion occurred regarding a separate loan with a shorter term for the part of the loan required for the purpose of the goods.

Acknowledged by:

Applicant 1    Applicant 2

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## What interest rates can you apply to your loan?

### Variable rate

Interest charged and repayments will change to reflect interest rate movements.

#### Risks to be considered:

- interest rate and repayment amount may increase while the loan is on a variable rate.

### Fixed rate

Rate is fixed for a specified term giving certainty of interest and repayments for that term.

#### Risks to be considered:

- rate is fixed at a point in time and there will be no benefit from subsequent market interest rate reductions during fixed rate period
- rate may change between the time of approval and the time of drawdown
- limited or no ability to make additional repayments while the interest rate is fixed
- may not have the ability to redraw
- possibility of expensive break costs if, during the fixed interest rate period, applicant(s):
  - repay loan in full;
  - switch to another product or loan type;
  - make additional repayments over and above any prescribed limit;
  - sell the property; or
  - seek further funds.

### Variable and fixed rate

A loan split into variable and fixed portions.

#### Risks to be considered:

- may not obtain the full benefit of rate decreases and will still have some exposure to the risk of rate increases
- generally not able to change the ratio of the variable and fixed portions
- will be required to make separate repayments for each portion
- fixed rate may change between the time of approval and the time of drawdown
- limited or no flexibility in relation to the fixed rate portion concerning making additional repayments or redraws during the fixed rate period
- possibility of expensive break costs in relation to the fixed rate portion if during the fixed rate period, the applicant(s):
  - repay loan in full;
  - switch to another product or loan type;
  - make additional repayments over and above any prescribed limit;
  - sell the property; or
  - seek further funds.

## What interest rates can you apply to your loan? (cont.)

Rate Type	Loan 1	Loan 2
<b>Variable Rate</b>	<input type="checkbox"/> Important Why? <input type="checkbox"/> To take advantage of potential future decreases in the interest rate <input type="checkbox"/> Flexibility with respect to repayment, redraw and/or early repayment of the loan <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need	<input type="checkbox"/> Important Why? <input type="checkbox"/> To take advantage of potential future decreases in the interest rate <input type="checkbox"/> Flexibility with respect to repayment, redraw and/or early repayment of the loan <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need
<b>Fixed Rate</b>	<input type="checkbox"/> Important Indicate preferred duration of the fixed rate portion: <input type="checkbox"/> 1 yr <input type="checkbox"/> 2 yrs <input type="checkbox"/> 3 yrs <input type="checkbox"/> 4 yrs <input type="checkbox"/> 5 yrs Why? <input type="checkbox"/> Avoiding risk of increasing variable interest rate during fixed interest period <input type="checkbox"/> Making budgeting easier <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need	<input type="checkbox"/> Important Indicate preferred duration of the fixed rate portion: <input type="checkbox"/> 1 yr <input type="checkbox"/> 2 yrs <input type="checkbox"/> 3 yrs <input type="checkbox"/> 4 yrs <input type="checkbox"/> 5 yrs Why? <input type="checkbox"/> Avoiding risk of increasing variable interest rate during fixed interest period <input type="checkbox"/> Making budgeting easier <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need
<b>Fixed and Variable Rate</b>	<input type="checkbox"/> Important Indicate preferred duration of the fixed rate portion: <input type="checkbox"/> 1 yr <input type="checkbox"/> 2 yrs <input type="checkbox"/> 3 yrs <input type="checkbox"/> 4 yrs <input type="checkbox"/> 5 yrs Why? <input type="checkbox"/> Limiting risk of increasing variable interest rate and to obtain some benefit from potential future decreases in the interest rate <input type="checkbox"/> Making budgeting easier than if the entire loan were variable <input type="checkbox"/> Retaining a degree of flexibility in relation to increased repayments, redraws and/or early repayment of part of the loan <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need	<input type="checkbox"/> Important Indicate preferred duration of the fixed rate portion: <input type="checkbox"/> 1 yr <input type="checkbox"/> 2 yrs <input type="checkbox"/> 3 yrs <input type="checkbox"/> 4 yrs <input type="checkbox"/> 5 yrs Why? <input type="checkbox"/> Limiting risk of increasing variable interest rate and to obtain some benefit from potential future decreases in the interest rate <input type="checkbox"/> Making budgeting easier than if the entire loan were variable <input type="checkbox"/> Retaining a degree of flexibility in relation to increased repayments, redraws and/or early repayment of part of the loan <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need

Where an **interest rate type** is marked **important**, I/we confirm that the benefits and risks have been understood.

Applicant 1  
  Applicant 2  
  Not applicable

## 2

## What repayment type can you apply to your loan?

## Principal and interest

Repayments cover loan principal and interest so that the loan is repaid in full by the end of the loan term.

Could pay less interest over the life of the loan when compared to a loan which features a period of interest only repayments. Interest rates on principal and interest repayments are generally lower than interest only.

## Interest only

Allows smaller payments during the interest only period enabling:

- higher cash on hand for other purposes
- flexibility to manage cashflow
- smaller initial payments on investment home loans may serve a tax purpose (no tax advice is being given).

**Risks to be considered:**

- higher interest rates may apply to interest only loans
- interest only payments will not reduce the loan principal
- not repaying loan principal will result in the applicant paying more interest over the loan term
- if your interest only period is not for the full term of your loan, principal and interest repayments will be required, and these will be higher than they would have been if the loan had principal and interest repayments throughout the loan term
- if your interest only period is for the full term of your loan, you will be required to pay the outstanding loan principal in one payment at the end of the loan term
- the amount of equity that is built-up in the property securing the loan will be less with an interest only loan.

## What repayment type can you apply to your loan? (continued)

Repayment Type	Loan 1	Loan 2
<b>Principal and Interest</b>	<input type="checkbox"/> Important Why? <input type="checkbox"/> Minimise interest paid over life of the loan <input type="checkbox"/> Higher lending limit <input type="checkbox"/> Lower deposit required <input type="checkbox"/> Build up equity from the start <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need	<input type="checkbox"/> Important Why? <input type="checkbox"/> Minimise interest paid over life of the loan <input type="checkbox"/> Higher lending limit <input type="checkbox"/> Lower deposit required <input type="checkbox"/> Build up equity from the start <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need
<b>Interest only</b>	<input type="checkbox"/> Important Indicate preferred duration of the interest only period: <input type="checkbox"/> 1 yr <input type="checkbox"/> 2 yrs <input type="checkbox"/> 3 yrs <input type="checkbox"/> 4 yrs <input type="checkbox"/> 5 yrs Why? <input type="checkbox"/> Accommodate temporary reduction in income (e.g. parental leave, changing circumstances) <input type="checkbox"/> Accommodate anticipated non-recurring expense item (e.g. education, renovation/ construction, furniture) <input type="checkbox"/> Variable and unpredictable income <input type="checkbox"/> Recommendation provided by an independent financial advisor / accountant <input type="checkbox"/> Taxation or accounting reasons (no tax advice is being given), including: <ul style="list-style-type: none"> <li>- release funds for investment purposes (e.g. shares, investment property, super contributions);</li> <li>- priority is paying off non-deductable debts (this loan is for investment purposes); or</li> <li>- plan to convert to an investment property in future.</li> </ul> <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need	<input type="checkbox"/> Important Indicate preferred duration of the interest only period: <input type="checkbox"/> 1 yr <input type="checkbox"/> 2 yrs <input type="checkbox"/> 3 yrs <input type="checkbox"/> 4 yrs <input type="checkbox"/> 5 yrs Why? <input type="checkbox"/> Accommodate temporary reduction in income (e.g. parental leave, changing circumstances) <input type="checkbox"/> Accommodate anticipated non-recurring expense item (e.g. education, renovation/ construction, furniture) <input type="checkbox"/> Variable and unpredictable income <input type="checkbox"/> Recommendation provided by an independent financial advisor / accountant <input type="checkbox"/> Taxation or accounting reasons (no tax advice is being given), including: <ul style="list-style-type: none"> <li>- release funds for investment purposes (e.g. shares, investment property, super contributions);</li> <li>- priority is paying off non-deductable debts (this loan is for investment purposes); or</li> <li>- plan to convert to an investment property in future.</li> </ul> <input type="checkbox"/> Other: <input type="text"/> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need

Where **principal and interest** is marked as **important**, I/we confirm the benefits have been understood.

Applicant 1    Applicant 2    Not applicable

Where **interest only** is marked as **important**, I/we acknowledge the reason for selecting interest only meets my/our requirements and objectives and the risks and benefits have been understood.

Applicant 1    Applicant 2    Not applicable

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### Would you like redraw on your loan?

Redraw

Provides access to extra repayments made over and above the required minimum repayments.

**Risks to be considered:**

- may be subject to a fee
- may be at Macquarie’s discretion
- may not be available in conjunction with a fixed interest rate.

Other	Loan 1	Loan 2
<p><b>Redraw</b></p>	<input type="checkbox"/> Important Why? <input type="checkbox"/> Flexibility to access prepaid funds if needed <input type="checkbox"/> Other: <div style="border: 1px solid #ccc; height: 30px; margin-top: 5px;"></div> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need	<input type="checkbox"/> Important Why? <input type="checkbox"/> Flexibility to access prepaid funds if needed <input type="checkbox"/> Other: <div style="border: 1px solid #ccc; height: 30px; margin-top: 5px;"></div> <input type="checkbox"/> Not important <input type="checkbox"/> Don't need

Where **redraw** is marked as **important**, I/we confirm that the benefits and risks have been understood.

- Applicant 1  
  Applicant 2  
  Not applicable

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### Conflicts between features

Are there any conflicts between any of the loan features marked “**Important**” in sections 1, 2 or 3?

- Yes  
  No

Do the features marked as “**Important**” differ from the features requested on the Loan Application form?

- Yes  
  No

If the answer is “**Yes**” to either of the questions above, consider the priority of the loan features identified as “**Important**” so that the conflict can be resolved. Outline the priorities below as well as stating the reasons for the priorities.

## 5 Declaration

I/we acknowledge that the information set out above accurately and fairly reflects the conversation that I/we have had with our Broker or Relationship Manager.

Applicant 1:

Applicant 2:

Signature 1:

Signature 2:

Date:

Date:

## 6 Broker / Relationship Manager declaration

I acknowledge that the information set out above accurately and fairly reflects the conversation that I have had with each applicant.

Broker / Relationship Manager name:

Signature:

Date: