

Interest Only Repayments

April 2019



About this guide

In this guide, you will learn how to select an interest only repayment option.

Where a client requires an interest only repayment option, you'll need to follow the steps to ensure the client understands this repayment option

The maximum period for interest only repayments is **5yrs**.

What do you need to do?

A written explanation outlining your client's decision for choosing IO repayments is required and must be consistent with their loan purpose and needs. Examples of interest only repayments include;

- accommodate a temporary reduction in income, such as for an acceptable period of leave from work
- create funds for investment purposes
- taxation, financial or accounting reasons

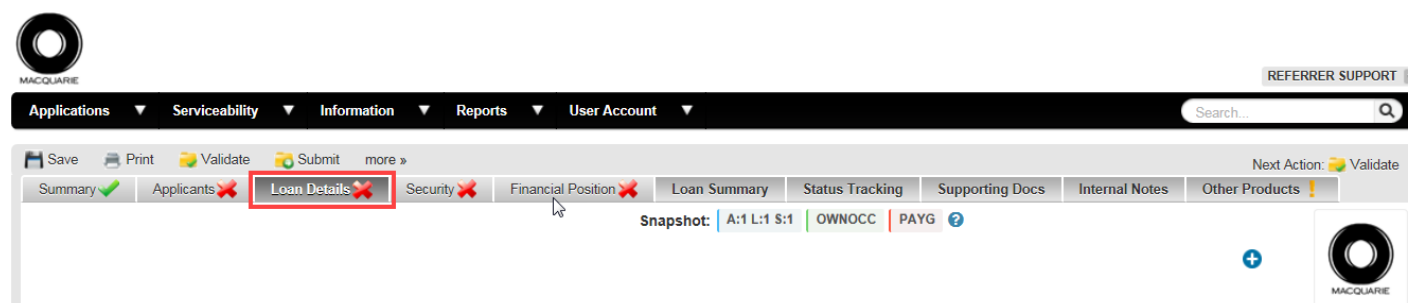
What do your clients need to know?

If your client requires an interest only repayment period, you must explain the following to your clients:

- the higher interest rate on an interest only loan compared to a principal and interest loan (if applicable at the time);
- interest only loan repayments will not pay off any principal during the interest only term, therefore the amount of equity that can be built-up in the home will be less with an interest only loan than with a principal and interest loan
- the repayments required to pay out the loan will increase after the interest only period ends to cover both principal and interest; and
- the applicant(s) will pay more interest over the life of their loan than if there was no interest only term

Selecting an interest only repayment option in ApplyOnline

1. Select the **Loan Details** tab.



2. In the Loan Products field select the appropriate product as per your client's needs. In the **Repayment Type** field, select **Interest Only** from the drop down menu.

Loan Products

Base Amount: Including financed fees

LMI Premium: (if applicable) To be added to Loan Amount ▼

Total Loan Amount:

Product:

Total Loan Term: Years

Interest Rate: % pa

Repayment Type: Interest Only Term: Years

IO Selection Basis: Comment:

Nominated Borrowers: Cash Out Amount:

Interest Tax Deductible?

[Add New Loan Product](#)

3. Complete the **Interest Only Term**. (Remember a maximum of 5 yrs is allowed)

Interest only is unavailable within the last 20 years of a loan term. E.g. if a loan term of 23 years is selected, a maximum interest only period of 3 years is available.

Loan Products

Base Amount: Including financed fees

LMI Premium: (if applicable) To be added to Loan Amount ▼

Total Loan Amount:

Product:

Total Loan Term: Years

Interest Rate: % pa

Repayment Type: **Interest Only Term:** Years

IO Selection Basis: Comment:

[Add New IO Reason](#)

Nominated Borrowers: Cash Out Amount:

Interest Tax Deductible?

[Add New Loan Product](#)

4. Select the **IO Selection Basis** from the drop down menu.

Loan Products

Base Amount: Including financed fees

LMI Premium: (if applicable) To be added to Loan Amount ▼

Total Loan Amount:

Product:

Total Loan Term: Years

Interest Rate: % pa

Repayment Type: Interest Only Term: Years

IO Selection Basis:

Nominated Borrowers: Amount:

Interest Tax Deductible?

- Maximise cash flow
- Temporary reduction in income
- Large non-recurring expenses
- Variable Income
- Create funds for investment purposes
- Principle reductions in an offset facility
- Taxation, financial or accounting reasons**
- Plan to convert to investment property
- Other

[Add New Loan Product](#)

5. Enter the reason for interest only in the **Comment** field.

Loan Products

Base Amount: Including financed fees

LMI Premium: (if applicable) To be added to Loan Amount ▼

Total Loan Amount:

Product:

Total Loan Term: Years

Interest Rate: % pa

Repayment Type: ▼ Interest Only Term: Years

IO Selection Basis: ▼

[Add New IO Reason](#)

Nominated Borrowers: ▼ Cash Out Amount:

Interest Tax Deductible?

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