

UDC Loan: Early Repayment Charge Explained

When you sign up for a UDC loan, you get all the benefits of certainty and easy loan management.

You know exactly how much you're borrowing, how long you're borrowing it for, how much your regular payments will be and how much interest you'll pay.

This means you can budget with confidence and know you're protected against the risk of the interest rate rising during the loan term.

But you also need to know that if you repay the loan before the end of the loan term, you may have to pay an 'Early Repayment Charge' and an 'Administrative Fee' of \$7 along with other amounts owing under the contract.

If you're not sure what that's all about, read on. You'll find out why we charge the cost and how we calculate it.

What is an Early Prepayment Charge?

An Early Repayment Charge is an amount that UDC charges to specifically recover the loss it suffers when a customer chooses to repay a loan early. Further details on how the Early Repayment Charge is calculated are set out in your loan agreement.

Why do we have an Early Repayment Charge?

When agreeing to a UDC loan, this is a contract between you and UDC to borrow a certain amount of money, at an agreed interest rate, for an agreed period of time. In order to obtain the money to lend to you, UDC enters into a similar contract with another lender to borrow the money at a fixed interest rate for an agreed period of time.

Just as you have an obligation to repay your loan, UDC has an obligation to continue to pay its fixed interest or break its own loan arrangement.

Should we need to break our loan arrangement (as a result of your breaking your loan arrangements with us), if wholesale interest swap rates have moved and there is a difference between the wholesale interest swap rates at the start of the fixed rate period and the wholesale interest swap rates at the date of repayment, we may suffer a loss. The Early Repayment Charge helps us recover some of that loss.

How do we calculate the cost to break the funding arrangement?

The cost charged to UDC and passed on to you is calculated by looking at the difference between the wholesale interest swap rate that applied when your loan started, and the wholesale interest swap rate that applies to the remaining term of your loan at the time of repayment.

The calculation takes into account:

- The amount you're repaying early,
- The number of days left on the fixed rate period of your loan,
- The amount that wholesale interest swap rates have moved since the start of your loan (can change daily),

- That UDC receives the money now instead of receiving it as income over the remaining term of the facility.

An Administration fee of \$7 also applies when you want to repay your loan early.

Calculating Early Repayment Charge: Cost of breaking funding arrangements per \$10,000 of lending

UDC can give you an estimate of the likely Early Repayment Charge, but the actual cost will be determined on the day that the early repayment occurs.

For illustrative purposes only, the table below provides a guide on how changes in market interest rates and term of your loan can impact the break costs.

Per \$10,000 of lending repaid		Remaining Fixed Term (Months)			
		12	18	24	36
Cost of funds at start minus Cost of funds now	<0%	\$0	\$0	\$0	\$0
	0.50%	\$47	\$68	\$88	\$125
	1.00%	\$94	\$137	\$177	\$251
	1.50%	\$141	\$206	\$267	\$379
	2.00%	\$189	\$275	\$358	\$509
	2.50%	\$236	\$346	\$449	\$641
	3.00%	\$284	\$416	\$542	\$775

Example

David takes out a \$40,000 Loan over 3 years at a market interest rate of 13%. After making his agreed payments for two years he decides to fully repay his loan. At this time the market interest rate for the remaining 12 months is 12% and the principal balance is \$15,000. *The difference in rates is 1%. From this table we can see that David will pay an Early Repayment Charge of roughly \$141 (\$94 per \$10,000) plus the Administration fee of \$7.*

Notes:

- The table above provides an indicative guide only.
- Each prepayment is processed by UDC on the date of the prepayment.
- UDC's standard fixed Administration fee applies in addition to the calculated Early Repayment charge.

For more information

If you'd like to know more contact UDC on 0800 500 832.