



How do you go about taking a holiday from paying mortgage? My sister in the UK is doing it but I don't know if I can do it here.

Elliot, QLD

Going away on holiday?

Wouldn't be nice to get a break from paying the mortgage for a while as well? You wish!

There are a few options you can choose from to lower the burden of payments during the upcoming holidays. A word of caution though - it will come at a cost unless you plan ahead and save in advance.

If you have holidays on the horizon and they have been booked for a while, why not make excess payments towards your mortgage in advance? There are quite a few lenders who will let you draw from excess payments to meet regular monthly payments. Of course this won't help in reducing the interest burden, as your excess payments will now go toward meeting regular payments. However, if it is a short holiday and you don't want to worry about your mortgage, you could discuss this with your bank. You will need to have this facility set up before you catch that plane!!

There are over 80 institutions that will allow you a repayments holiday and over 195 standard home loan products that have this facility. The time period of a repayments holiday varies between 2 months to 12 months, depending on the excess payments in your account. There are no additional costs when taking up this feature. Simply discuss it first with your bank.

If you are planning a long holiday, maybe going overseas on a working holiday, another option to decrease the burden of mortgage payments would be to opt for an interest-only loan for a period of time. This strategy will not absolve you of payments altogether, but could certainly bring down the amount you need to fork out each month. Here again, there could be a cost involved in switching from a principal and interest product to an interest-only product. There would also be an upper limit to the interest-only term on most loans. A word of caution again, it should only be used as a short term measure, as anyone wanting to pay off a loan should recognize that the only way to do it is to make as many excess payments off

the principal and interest. An interest-only loan certainly keeps the loan alive but does not help in reducing the outstanding balance.

Finally an expensive option, but an option nonetheless. If you are facing a real challenge in making those monthly payments and you really do need a break to sort things out there is an option called a "Repayment holiday". There are however strict rules around it. Most institutions will allow this if you have been with them for a certain period (around 2 years at least), and have not been late in payments prior to this. Your loan will need to be a principal and interest loan. You may be granted a holiday for 3 months usually - where you make no monthly repayments, but the account continues to accrue interest. Once the period is over your repayments will be recalculated over the life of the remaining term. These repayments may be slightly higher than your original monthly payments, depending on how much you have paid in the first 2 years. Furthermore, there will be a fee to avail of this feature. Of course you need to discuss this option with your bank before making a decision.

Not all banks. The big ones mostly do and many of the credit unions. Confusingly they all call it a different name, some repayment holiday, some parental leave, etc. And they all have different rules, St George needs you to be with them for 2 years, others 1 year only. Most lenders (even if they don't have a formal policy) will work with the customer as long as they are ahead in repayments. For example here is Westpac's policy - this is the most "strict" one:

Purpose: Parental leave

Parental leave allows customers on maternity or paternity leave who meet certain eligibility criteria to reduce their home loan repayment amount by up to 50%.

The option is available for a maximum period of 6 months for births or adoption.

Eligibility: Parental leave

The availability of the parental leave option varies between loan products—for details see options section of the loan product profile for your customer's account.

Approval: Parental leave

Customers qualify for parental leave when **all** the following criteria are met:

- loan to have been fully drawn for at least 18 months, or if a loan increase has occurred (e.g. top-up, refinance) then 18 months from the last loan increase

- projected end limit does **not** exceed the previous maximum approved limit
- loan has not been in arrears for more than 2 payments in the last 12 months
- lending value does not exceed 90% at the time of the request
- the customer is able to pay **at least** 50% of the minimum repayment amount during the reduced repayment period
- the customer provides a letter from her/his employer stating the period of the approved maternity/paternity leave and recommencement salary
- the mortgage insurer has approved the arrangement (if applicable).

Conditions: Parental leave

Repayments: Parental leave

During the reduced repayment period, the loan balance will increase by the difference between the monthly interest charge and the reduced monthly loan repayment amount.

At the end of the reduced repayment period, the repayment amount will be adjusted so that the loan is repaid within its original term.

Term: Parental leave

- the maximum term for the reduced payments is 6 months
- the loan is still to be repaid within its original agreed term, otherwise an application for a new term is to be made.

Lending value: Parental leave

As a result of any capitalisation of interest, the projected lending value at the end of the approved reduced repayment period is not to exceed [Lending value ratio](#) (LVR) underwriting standard maximums

Lenders Mortgage Insurance: Parental leave

For loans originally mortgage insured, additional [Lenders Mortgage Insurance](#) cover can be required. An additional premium can apply.

Valuation: Parental leave

A new valuation is not required unless requested by the mortgage insurer.

Fees: Parental leave

A fee will apply when a customer requests the parental leave option—for details see options section of the loan product profile for your customer's account.

Interest: Parental leave

- the standard interest rate for the loan will continue to apply
- any changes to the interest rate during the reduced repayment period will be applied automatically to the loan account.

St.George Repayment Pause Option

Product description

Repayment Pause permits existing home loan customers to reduce or pause their home loan repayments for a period of between 3 and 12 Months.

This product option is not intended for people who are experiencing financial difficulties / cash flow problems due to loss of employment, trading losses, etc. These situations will continue to be managed as "hardship" cases by our Collections Unit on a case-by-case basis.

Target market/Key benefit

Existing home loan customers, who meet the eligibility criteria, seeking assistance to manage cash flows during a period of legitimate leave from the workforce for a period of between 3 to 12 months.

Types of Repayment Pause

The types of Repayment Pauses available are:

1. **Repayments can be fully paused and interest capitalised** for the term of the repayment pause.
2. **Repayments can be reduced** to an amount requested by the borrowers for the term of the Repayment Pause.

Accrued interest will be debited to the loan during the pause period.

Eligible products

The Repayment Pause option is only available for the following home loan products:

- Standard Variable and Fixed Rate Home loans
- Discounted Variable Rate Home Loans
- Introductory Fixed Rate Loans
- Negotiated Variable Home Loans (Professional Benefits Package or Workplace Banking)
- St.George Essential Home Loans.
- No Deposit Home Loans (Owner Occupied only - LVR of `end' loan amount to be capped at 90%)
- GAHL

Portfolio Loan borrowers will be able to capitalise interest on sub-accounts up to the credit limit of that sub-account to cover the pause period. Should the credit limit be insufficient to cover the pause period, the borrower may apply for a credit limit increase, which will be assessed using normal criteria.

The redistribution of limits is also permitted for Portfolio sub-accounts during the pause period.

The option **will not be available** on the following Home Loan Products and or features:

- Building Loans
- Relocation Home Loans
- No Deposit Home Loans (Investment)
- Seniors Access/Seniors Access Plus Home Loans
- Low Doc Home Loans
- Where we have a 2nd mortgage behind another financial institution
- Interest Only loans where the IO period is equal to contract term
- Old BankSA Loans System Home Loans (904/-)
- LIS loans with a "pending expiry" status

Eligibility Criteria, Documentation requirements/Verification

For all customers

- Existing home loan customer for a minimum of 12 months.
- Repayment history for all borrowers' home loans to be satisfactory.
- Repayments on the borrower's unsecured loans (Credit Cards, Personal loans) are not in arrears.

Additional requirements for PAYG Borrowers

- Written evidence from employer confirming re-employment at the end of the pause period, and recommencement salary. This may be confirmation that they will recommence employment on their current salary, rather than stating an amount.

Additional requirements for Self Employed Borrowers

- If available, written evidence that the applicant will be re-employed at the end of the repayment pause (eg when the customer is a contractor, a letter from an employer confirming re-employment).

Where self-employed applicants are not able to provide written evidence of re-employment the following additional criteria is to be met:

- Self employed for a minimum of 2 years in the same or similar profession. ABN details to be provided and confirmed.
- Minimum gross income for the past 2 years of \$100k per annum.
- Minimum Net Assets of \$250,000.
- Re-employment opportunities to be addressed by lender in repayment pause application.

Loan amount

Variable Rate Loans

Subject to individual product specifications. The 'end loan' balance may not exceed the original loan amount by more than \$10,000.

Fixed Rate Loans

When calculating the loan amount at the end of the repayment pause term, that loan amount must not exceed the original loan amount/sub-account credit limit.

Loan term

The customer's loan term is not extended as a result of taking the Repayment Pause option.

Repayment

As the loan term is not extended, the customer will need to meet higher repayments on expiry of the Repayment Pause. The ability to meet these repayments is assessed at the time of the application by the Lender, with a new repayment schedule on expiry of the repayment pause provided to the customer.

Term of Repayment Pause

Minimum of 3 months to a maximum of 12 months in any one continuous period provided that the 'end' loan balance does not exceed the original loan amount by more than \$10,000.

Exception 12 months policy - Short Term Loans

An exception to the 12-month maximum term rule occurs when the loan has a "short term". A "short term" relates loans that have a contracted interest rate or discount for a set period then rollover to another interest rate.

A good example of a short-term loan is a Discount Variable Rate Home Loan. With that loan type, the customer's contract states that their interest rate is discounted for 12 months and automatically rolls into the standard variable rate for the remainder of the loan term. That 12-month period is the "short term".

The pause period for short-term loans must finish at least one month before the end of the short term due to notification issues.

The minimum Repayment Pause period remains 3 months.

Extensions of the Repayment Pause term within 12 months period

Customers who choose a Repayment Pause term of less than the maximum 12-month term may request to extend their current pause term by lodging another application. The total term may not exceed 12 months.

Applying for another Repayment Pause

Customers who have previously taken up the Repayment Pause are not permitted to apply for another Repayment Pause until they have been making standard repayments on their home loan for a 12-month period.

Expiry of Pause period

The Repayment Pause period will expire:

- At the end of the agreed pause period
- When a loan increase, split or switch is requested during the term of the pause.
- At the customer's request (in writing)

At the conclusion of the Repayment Pause, repayments are automatically recalculated to include the amount capitalised during the Repayment Pause period to ensure that the loan will be repaid within the contracted loan term. The loan term is not extended. The borrower(s) will be advised of the new repayment amount and asked to contact the Bank if it should be an issue. The current "Hardship" process and criteria will be used should the borrower have difficulty with the new repayments.

Application fee

The current standard switch fee will be charged for the Repayment Pause option. The switch fee does not include the cost of any property valuation.

It will also be payable if the customer requests to extend the repayment pause term by lodging another application.

The switch fee will be charged to the loan account or Portfolio Loan primary sub-account.

LVR

Normal LVR policy applies. The new LVR is to be calculated based on Total Security Exposure (TSE) at the end of the repayment pause period.

LMI

If the loan is already subject to LMI then the LMI Insurer's approval is required.

If the resultant LVR indicates that LMI is necessary, then LMI approval is required.

Valuations

A customer may elect to have the security property revalued when Repayment Pause is requested, to remove the need for LMI.

Normal valuation policy applies.

All valuations costs are to be paid by the borrower.

Serviceability

Normal Serviceability policy applies.

Serviceability calculation will be based on the:

- Benchmark rate at the time of the Repayment Pause application.
- Calculated balance at cessation of the Repayment Pause.
- Expected income at the end of the Repayment Pause confirmed in the re-employment letter. If the re-employment letter confirms that they will recommence employment on their current salary, current payslips should be requested to verify the amount.
or
- For self employed applicants, the average income over the past two years, as evidenced by tax returns.

Approval

All applications are to be approved by St.George Bank's National Acceptance Unit, or the Central Credit Unit for BankSA loans.

Following information is to be forwarded to NAU/CCU:

- Repayment Pause application
- Notes to support self employed applications covering re-employment opportunities.

NAU/CCU will submit to StGeorge Insurance for LMI approval.

Additional payments

Additional payments may be made during the term of the pause period.

Redraws

Redraws are not permitted during the pause period.

Portfolio loan sub-accounts can be transacted upon (as normal) during the pause period provided that the credit limit for each sub-account is not exceeded.

Interest Offset

Mortgage Equaliser & Partial Interest Offset

Mortgage Equaliser (100% offset) and Partial Interest Offset are allowed during the Repayment Pause period.

Repayment Offset

Not available during the pause period. If Repayment Offset is active when the pause is requested, the customer will have the option to switch to Mortgage Equaliser during the pause period and revert to Repayment Offset at the end of the pause period.

Exceptions to policy

As per current practice, customer requests that do not meet the above guidelines can be referred to NAU or CCU if the lender feels that there are other circumstances that would support the customer's request

Switches, Increases, Splits

Customers may only apply to switch, increase or split the loan if the Repayment Pause is cancelled and subject to individual product specifications.

After the switch, increase or split has been completed; the borrower may reapply for another Repayment Pause. The new Repayment Pause term cannot exceed the maximum 12-month term less the amount of time the original Repayment Pause was active.