

REDRAW FACILITIES

A redraw facility is a loan feature that is usually available with variable rate home loans and some fixed rate loans. A redraw facility lets you access any extra repayments you've made on your home loan.

To use a redraw facility, you first need to make extra repayments, or regularly pay more money on top of your minimum loan repayment amount. Use our handy online calculators to find out how much interest you could save by making extra or larger than minimum repayments.

How a redraw facility works

If your minimum monthly repayments are \$700 per month and you pay \$900 for a period of 12 months, you will have paid an extra \$2,400. A redraw facility would allow you to access the extra \$2,400 you have paid.

Benefits of a redraw facility

- A redraw facility is a useful feature for those who want an emergency fund for unexpected situations or expenses and who don't require regular or immediate access to their extra funds.
- A redraw facility can be an excellent savings tool.
- Any excess funds put into your home loan are earning the same interest rate being charged on your home loan. By comparison, savings accounts generally pay much lower interest rates.
- There may potentially be tax advantages when using a redraw facility. Interest earned on your savings account is considered income and may be taxable, whereas any interest that is saved on your home loan by having money in a redraw facility will not be subject to tax.

Things to consider

- Some lenders may charge a flat fee for having a redraw facility. This is known as an activation fee. Once the redraw facility is activated, you can use the redraw facility as often as you like.
- Some lenders may impose a fee for each redraw. This fee will vary between lenders and loans.
- Some lenders may offer unlimited free redraws while some lenders may only offer a few free redraws per year. Once the limit of free redraws is exceeded the lender might charge a fee for each additional redraw.
- Redraw facilities can have a minimum and maximum amount which can be withdrawn at any one time. While some will have no minimum set amounts, others may set the minimum redraw amount as high as \$5,000.

Redraw verses offset

- Choosing between an offset account and a redraw facility on your home loan will depend on how accessible you need your money to be. You should also consider any associated bank fees with each facility.
- An offset account is a separate deposit account, whereas a redraw facility is not a separate account, but a feature attached to your loan.

