



29 March 2017

Mr R Sto Domingo
21 Wellington ST
VIRGINIA QLD 4014

Hello Renechito

Your application's been approved

Congratulations – we've had a look over your application, and we're excited to offer you:

Borrowers:	Leonora Donato Sto Domingo Renechito Mercado Sto Domingo
NAB Tailored Home Loan:	\$250,000.00
NAB Tailored Home Loan:	\$102,000.00
Application number:	SUB089992017522309

As you will have a fixed interest rate, economic costs may be payable in some circumstances. Before you accept your credit contract, please read the information about economic costs in the documents you get with this letter including your letter of offer and General Terms.

Your documents are ready

We know you're probably ready to get your loan underway, but make sure you read over everything first. There are a number of important documents, including your contract – which consists of a letter of offer and General Terms. If there's anything you don't understand, feel free to give us a call. We'd also recommend getting independent legal and financial advice before you accept the offer.

What accepting our offer means

By accepting our offer you agree to enter into a credit contract with us for the loan described above and agree to include it in a NAB Choice Package.

If you've already got a package, we'll add the loan to that package unless you've told us you want a new one. If you do want a new one, by accepting our offer, you're entering into it on the package terms and conditions and we'll add the loan to that package.

Your package is provided in accordance with the package terms and conditions included at www.nab.com.au/choicepackage. Let us know if you would like us to send you a paper version of your package terms and conditions.

How to accept our offer

There's a couple of ways you can do this, whichever you choose make sure we've received your acceptance by 27/06/2017.

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Through NAB Internet Banking:

Just head to NAB Internet Banking and follow the instructions in the Application section. Even though most of the documents can be accepted online there are still a few that need your physical signature. These are:

- Mortgage

We'll post these to you if you've only received your documents electronically. If they haven't turned up within a week, please give us a call.

Through the post:

If you've received a paper version of the contract and other documents, it's because you or one of the other borrowers has asked for these to be sent in the post. If this happens:

- all of you can still accept the contract electronically if you'd prefer; or
- all of you can also sign the bank copy pack that's been sent to you;
- whichever each of you choose, you might still need to sign some documents in the bank copy pack, they're listed above – so make sure you find a time for everyone to sign these and return to us.

There's a number of places in the pack you'll need to sign.

Each of you has a customer copy pack of the documents to hang on to as well.

If you have any questions about this letter, or any of the contract documents, feel free to call us on 13 13 12. We'll be happy to help.

Thanks,

NAB

National Australia Bank Limited

Accepting by post

Please sign below to accept this offer and send back to us so that we receive it by 27/06/2017, or we may ask you to reapply.



Sign
Here

Leonora Donato Sto Domingo

____/____/____

Date



Sign
Here

Renechito Mercado Sto Domingo

____/____/____

Date

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Things you need to know.

The information in this brochure is designed to give a general overview of how economic costs are calculated and why NAB charges them. It does not replace or form part of your loan contract with us. Borrowers need to be aware that economic costs may apply in some circumstances if they have either a fixed rate period under a NAB home loan or a NAB Portfolio Facility fixed rate sub account.

What are economic costs?

Economic costs are an amount equal to NAB's calculation of its loss for the early termination of a fixed rate period due to movements in the cost of funds. This may occur if, before the end of the fixed rate period, for your home loan or a NAB Portfolio fixed rate sub account:

- the home loan/NAB Portfolio fixed rate sub account balance is fully repaid;
- a partial prepayment is made to the home loan/NAB Portfolio fixed rate sub account;
- the interest rate for the home loan/sub account changes from fixed to variable or to another fixed rate;
- the loan amount/sub account balance is payable because you are in default;
- you change the type of your home loan repayments, for example, from interest only repayments to principal and interest repayments; or
- you change the amount of your home loan repayments or when they are payable.

We call these events **economic cost events**.

These are typically the customer driven events that trigger a significant change in the fixed rate period by the customer, and in turn, potentially a sizeable loss to NAB.

Why does NAB charge economic costs?

To understand why economic costs are charged, you need to understand what happens when NAB lends you money to fund your loan/fixed rate sub account for a fixed rate period. In order to lend money to you at a fixed rate for a particular fixed rate period, NAB typically borrows funds from someone else (eg other banks, small businesses, personal depositors) for the same period.

The interest rate at which NAB borrows from the market to fund your loan/fixed rate sub account is called the 'cost of funds rate'. Just as you have an obligation to repay NAB, we have an obligation to repay those in the market who lent us the fixed funding for your loan or to continue to pay the fixed interest on this borrowing. If there is an economic cost event, eg you repay or make certain changes to the loan before the end of its fixed rate period, we need to calculate the economic costs (if any) of breaking our own loan arrangements or continued use of these funds in another loan. NAB looks to recover the economic costs associated with the initial fixed loan from the customer in some circumstances.

How are the economic costs calculated?

Economic costs are based on a number of factors:

- The amount of the loan being repaid.
- The remaining fixed rate period.
- The contracted loan repayments.
- The cost of funds at the start of the fixed rate period of your loan (the 'original cost of funds').
- The cost of funds at the time you repay the loan or make certain changes to the loan before the end of the fixed rate period (the 'current cost of funds') adjusted for the remaining fixed rate period of the loan.

Please refer to the quick reference table.

Quick reference table

The table below gives an indication of the economic cost in \$ for every \$1,000 principal repaid early.

Original cost of funds minus current cost of funds	Months before fixed period of loan expires							
		1	6	12	18	24	30	36
	1% pa	1	5	10	15	20	25	30
	2% pa	2	10	20	30	40	50	60
	3% pa	3	15	30	45	60	75	90
	4% pa	4	20	40	60	80	100	120
	5% pa	5	25	50	75	100	125	150

The amount would then be discounted at the current cost of funds to reflect the present day value of the future cash flows.

Note: the above table shows selected scenarios only.

* Refer to example below.

For example

A customer takes a 3 year fixed rate interest only loan for \$250,000 when the 3 year cost of funds is 7% pa. With 24 months of the loan term to go they decide to repay the loan. The 24 month cost of funds at the time is 4% pa. In this instance the early repayment cost is based on a \$250,000 repayment with a rate difference of 3% pa over a remaining term of 24 months. The early repayment cost would be approximately $250 \times \$60 = \$15,000$. This amount would then be discounted at 4% pa to reflect the present day value of the future cash flows –approximately \$14,400

When are economic costs charged?

Economic costs may be charged when:

- there is an economic cost event, eg you repay or make certain other economic cost event changes to the loan, before the end of its fixed rate period; and
- when the cost of funds at the start of your fixed rate period exceeds the cost of funds at the time the economic cost event occurs, resulting in a loss to NAB.

However, we'll waive economic costs payable in relation to the first \$20,000 (cumulative) which is prepaid for the relevant fixed rate period on:

- a home loan; or
- a fixed rate sub account,

provided the prepayment is for less than the total owing.

