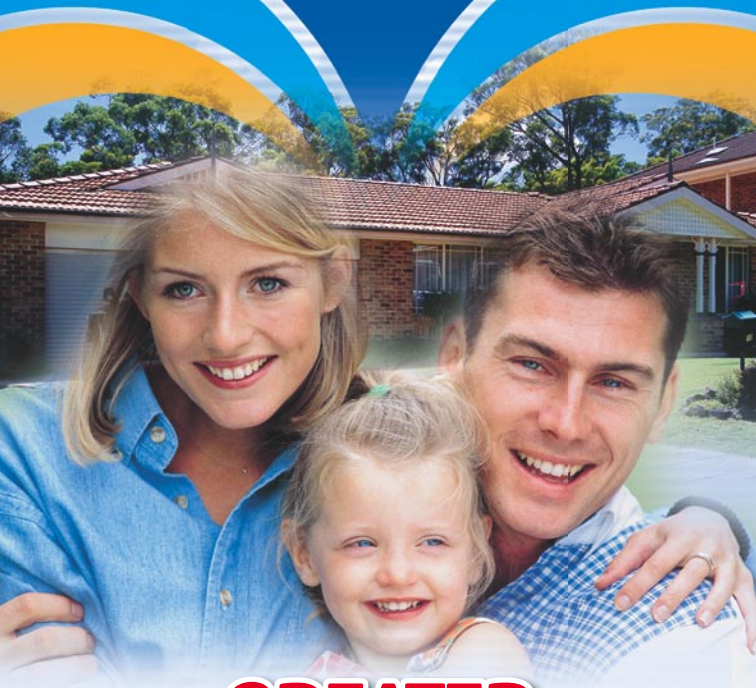
HOME LOANS



GREATER WAYS TO REPAY YOUR HOME LOAN SOONER

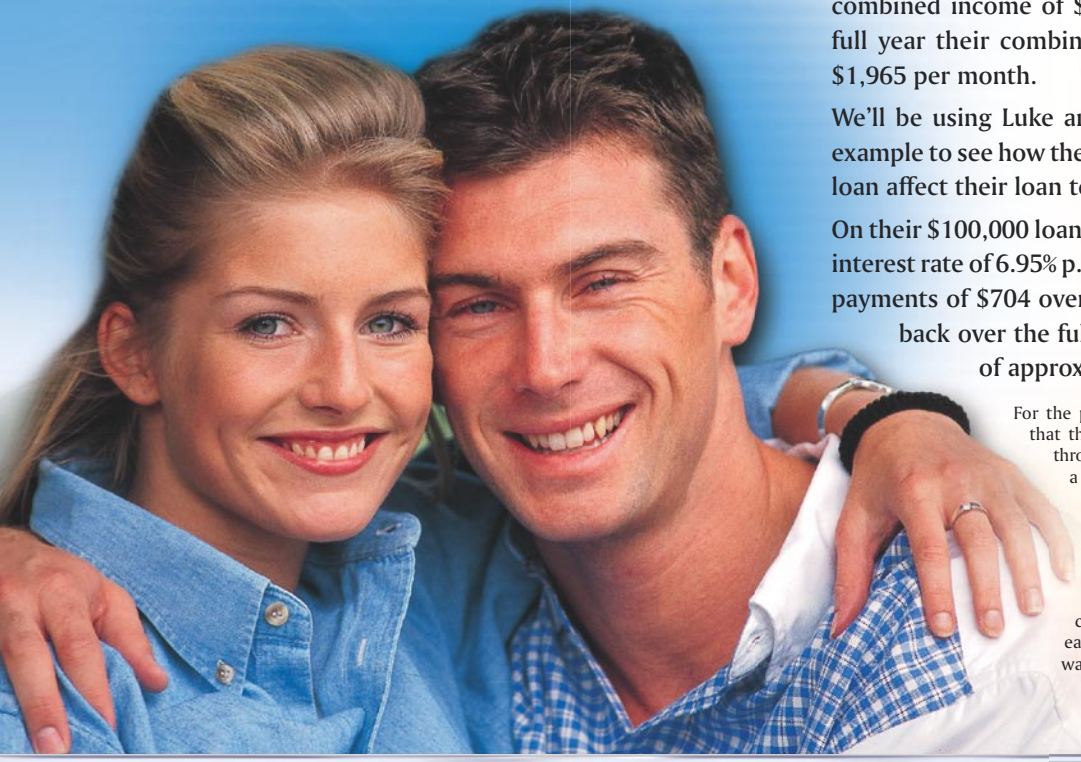
GREATER
BUILDING SOCIETY LTD

This brochure will show you how to repay your Greater Home Loan sooner and save interest.

We understand that some people will prefer different options to pay their loan, so we have come up with a few examples that will help you save money and repay your loan sooner.

From the simplest to the most complex ways, you'll be able to see how they work and what they can save you.

IT'S THEN UP TO YOU TO GET STARTED!



MEET LUKE AND NICOLE

Luke and Nicole are in their early 30's and they have just borrowed from the Greater to buy their new home. They needed a bigger place as their daughter Jamie is growing up faster than you'd believe. Between Luke's fulltime job and Nicole's part time job they earn a combined income of $763 per week after tax. Over a full year their combined average living expenses are $1,965 per month.

We'll be using Luke and Nicole's circumstances as an example to see how the different options of paying their loan affect their loan term and the interest they pay.

On their $100,000 loan at our current Standard Variable interest rate of 6.95% p.a.* we ask them to make monthly payments of $704 over 25 years. If they were to pay it back over the full 25 years they will pay interest of approximately $111,078.

For the purposes of this example, we have assumed that the current interest rate will remain constant throughout the term of the loan. We have assumed a monthly facility fee of $5 per month will apply over the life of the Mortgage Express loan.

*Comparison Rate: 6.95% pa

Warning: This comparison rate applies only to the example or examples given. Different amount and terms will result in different comparison rates. Costs such as redraw fees or early repayment fees, and cost savings such as fee waivers, are not included in the comparison rate but may influence the cost of the loan.

Comparison Rate Schedules are available at your local branch.

OPTION 1

USE A LOAN SAVER ACCOUNT

By having a Standard Variable rate loan with the Greater, Luke and Nicole don't pay any monthly account keeping fees on their loan and are entitled to an Access savings account with us that is completely free of any transaction fees. They both have their pay credited to the Access account and have unlimited use of EFTPOS, ATM's, chequebook and branch transactions. They can also arrange for their loan repayment of $704 to be automatically transferred to their loan at the end of the month at no cost.

The balance of their account fluctuates from week to week but doesn't drop below $3,000. It costs nothing for them to set the account up as a Loan Saver account. By doing so we pay them a slightly higher rate of interest and that interest is offset against the interest they pay on their home loan. The money is always available to them instantly should they need it.

This will take 8 months off their loan term and save them approximately $4,887 in interest.

This option saves them some money at tax time. Instead of having to declare the interest they use to earn on their savings as income, it is offset to their loan account.

Not bad for filling out a form. They aren't doing anything different but have already saved themselves a tidy amount of interest.

OPTION 2

MAKE WEEKLY/ FORTNIGHTLY PAYMENTS

RATHER THAN MONTHLY REPAYMENT

Both Luke and Nicole are paid on a weekly basis so it isn't any inconvenience for them to make weekly payments to their loan. Instead of paying $704 at the end of each month they pay $176 each week.

These weekly payments are automatically deducted from their pay or their savings account at no cost and replace the monthly repayment they were making.

Although they feel as though they are paying the same amount as before, by dividing their monthly repayment by four it has the effect of them making an extra month's repayment each year. (Paying fortnightly has the same effect).

In time, if they keep up this arrangement, they will be in advance of the minimum repayment we require them to make each month. Once they are $2,000 in advance those funds are available to them at 24 hours notice for a $20 fee and they still have the money in their Loan Saver account with immediate access.

Making weekly payments reduces their 25 year loan term to 20 years and 6 months and saves them approximately $23,371 in interest.

Now that is something to get excited about!

And they still don't feel as though they have done anything extra!

OPTION 3

MAKE ADDITIONAL WEEKLY/ FORTNIGHTLY PAYMENTS

As you would be, Luke and Nicole were pretty excited about what can be achieved by simply making their payments weekly or fortnightly rather than a monthly repayment. As well as the obvious benefit of the interest they save they like the idea of having made payments in advance that they can draw back on.

They know that drawing money from their account will affect the term of their loan and the interest they pay but they feel it is better to have that money working for them in reducing interest while it is there, but still having access to it if they need it.

It is this concept that made them think of paying more than their minimum repayment and getting further in advance.

Instead of paying $176 a week, they decide to pay $196 a week – They figure they won't miss an extra $20 a week.

It means that the average balance of their Loan Saver account drops to around only $2,000 but it reduces their loan term to 16 years 6 months and they are now saving themselves approximately $43,012 in interest over the life of their loan.All that for an extra $20 a week! It seems remarkable that such a small increase in payment saves you such a large amount.

If you can afford to pay more than an extra $20 per week, the reduction in interest you pay and the term of your loan will be even more dramatic.

By paying an extra $10 per week on top of the $196 we used in the above example it reduces Luke and Nicole's loan term by another 1 year and 5 months to 15 years and 1 month and takes their total savings to $49,649.

If you think about what this option shows us we can draw the conclusion that the more you pay into your loan, the sooner you will repay it. It is a concept that sounds too simple to be true, but there really is nothing truer.

If Luke and Nicole pay every spare dollar they have into their loan they will repay it sooner. The question that might not be as simple to come up with an answer to is "How much is every spare dollar?"

OPTION 4

MORTGAGE Express

A GREATER MORTGAGE EXPRESS LOAN

Option 3 has taught Luke and Nicole that the best way to repay their loan sooner is to pay as much off it as they can. They're happy with that concept but with wages coming in and bills going out it is sometimes difficult to know exactly how much 'as much as they can' is.

They are sometimes torn between paying every spare dollar into the loan and keeping a balance in their savings account for immediate access.

This is where the convenience of a Greater Mortgage Express loan works so well for them.

They now have a loan account that they can directly credit their wages to and we give them a Visa Access Debit card on the loan that they use to pay their living expenses with. This way, anything left over remains in their loan and they are getting their money to work for them in saving interest from the day their pays go in.

They have immediate access to their money via EFTPOS, ATM's, retailers, etc. (even overseas); without excess transaction fee charges. They even have direct debits coming from the loan to pay their House Insurance and Private Health Insurance premiums monthly and some of their bills are automatically paid using BPay®.

Internet Banking allows them to keep a close eye on their loan and they receive a call from a Greater Loan Consultant every 6 months to see if they can give them any assistance in achieving the best out of the loan.

They pay a $5 Facility fee every month on their Mortgage Express loan and the interest rate is a little higher but even considering that, by having their loan structured in this way they will now repay it in 8 years and 2 months and save approximately $78,654 in interest over the life of the loan.

Now we are really talking!

The effect on their loan term has been so dramatic because the money that Luke and Nicole would usually keep in their savings account is now staying in their Mortgage Express loan. They have immediate access with no charge, but they try not to touch it as they know it will affect the term of their loan.

OPTION 5

A GREATER MORTGAGE EXPRESS LOAN

WITH A CREDIT CARD

In our final option Luke and Nicole are now paying for every living expense they incur with a credit card.

They use a credit card with a 55 day interest free period (like the Greater's American Express Card) and pay it at the end of each month from their Mortgage Express loan before they are charged interest. They make the payment via Internet Banking using BPay® or could set up a direct debit from their credit card provider.

This way their pay is staying in the Mortgage Express loan as long as possible and is reducing the interest they pay by the maximum amount possible. By using their Greater American Express Card for all their purchases they are earning a substantial amount of reward points as well.

The result of this is that they have reduced their loan term to only 8 years and will be saving themselves approximately $79,834 in interest over the life of the loan.

It isn't a big difference compared to Option 4 but they like the satisfaction of knowing that they are saving every dollar of interest possible.

CHOOSING THE BEST OPTION FOR YOU!

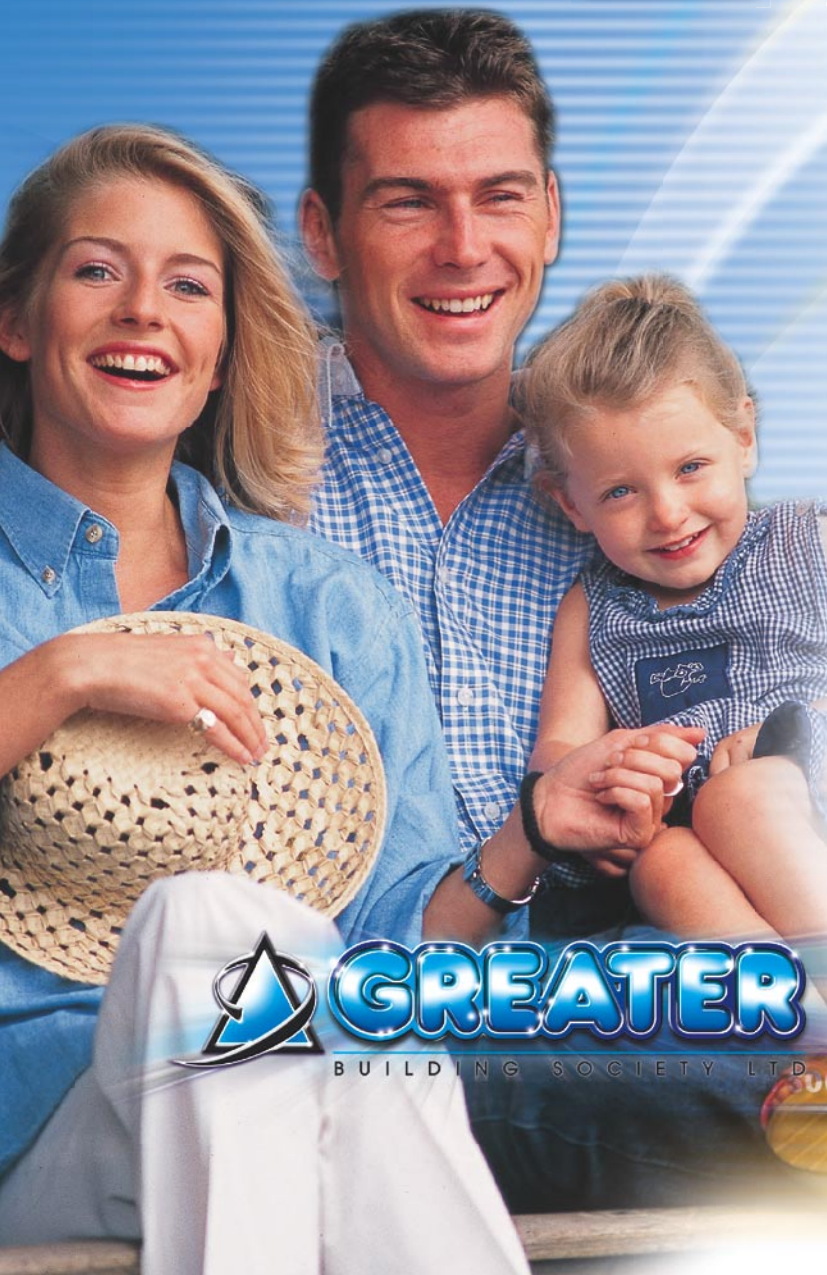
Before you make that choice it is important that you understand that the loan term reductions and interest savings Luke and Nicole can make in the examples we have given will very likely differ from what you can achieve yourself. Depending on your own individual circumstances you may find that you will be able to pay your loan off sooner.

It is important to also understand the point we made in Option 3 - that the key to paying your loan off early is to make more than the minimum repayment we ask you to make. You can see how some options achieve a better result than others, but to make significant interest savings using any option you must be effectively making extra loan payments.

There is a degree of discipline involved in repaying a loan on time let alone paying it back early. Perhaps the biggest consideration you should make in choosing a payment option is the effect that it may have on the current lifestyle you lead. The more disciplined you are with your finances the sooner you will repay your loan but it may be at some expense to the lifestyle you lead. Not making extra payments will allow you to lead a better lifestyle but it will take longer to repay your loan.

You need to find a payment option that gives you a happy medium between paying your loan back sooner and being able to live the lifestyle of your choice at the same time.

This is why we give you as many repayment options as we do.



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CALL INTO A GREATER BRANCH TODAY

GREATER

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