

# Early Termination Fee Fact Sheet



## Summary

An early termination fee is charged when you pay off your car loan before the agreed end date. This is a standard part of a contract that compensates the lender for not receiving the interest payments they expected from you. The good news is that our clear, carefully designed fee structure offers you maximum flexibility to deal with changed circumstances. You can decide whether early repayment is best for you and whether it will leave you better or worse off.



## Early Termination Fee Frequently Asked Questions

### Why am I being charged an early termination fee?

We appreciate there are many reasons you might wish to pay off your car loan before the agreed end date. Things happen in life and circumstances can change. Remember though, that your loan was calculated based on interest repayments over a set period of time. An early termination fee is a standard part of a loan contract that protects the lender and compensates them for not receiving expected interest payments – while also ensuring maximum flexibility for you.

### Will I be better or worse off if I repay early?

We've designed a transparent fee structure that ensures the closer you pay off your loan to the agreed end date, the lower your fee will be. (See below for examples, although note that it depends on your individual loan details). The important thing is that at any given time, you can figure out whether you are better off repaying your loan early or sticking to the original loan term.

### Is the fee the same for consumer and commercial loans?

No, the early termination fee payable is different, depending on whether you have taken out a consumer or commercial loan with us (that is, whether your vehicle is for an individual or business purpose). Read on for more on how this works.



## Consumer Loans

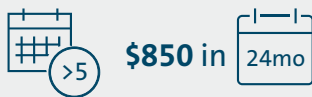
### How is the early termination fee calculated for a consumer loan?

The maximum fee you will pay is \$850 for terminating a loan early. At the start of the loan period, we add this \$850 to the total amount you owe us. This maximum fee of \$850 is set for a period of time, then gradually reduces to \$200 as you make more monthly repayments. The fee is waived to zero if full loan repayment occurs within 2 months of the originally agreed end date (see graph to right).

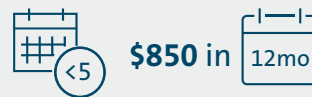


### How long does the early termination fee remain at \$850?

The early termination fee remains at \$850 for either 12 or 24 months (known as the start period), depending on how long the loan has been taken for:



- If your loan with us is for more than 5 years, your early termination fee will be \$850 if you repay the loan within the first 2 years (start period = 24 months).



- If your loan with us is for less than 5 years, your early termination fee will be \$850 if you repay the loan within the first year (start period = 12 months).

### How does the fee gradually reduce from \$850 to \$200?

Once the start period is over, the early termination fee goes down by an even amount every month (the “monthly reduction”) as you make each monthly repayment, until it eventually reaches \$200.

We calculate the size of each monthly reduction using the following formula:

$$\text{Size of monthly reduction (\$)} = \frac{850}{\text{Number of monthly payments made}}$$

### When does the fee reach zero?

Once the early termination fee has been reduced to \$200, it will remain at \$200 until 2 months before the agreed end date. The fee is waived entirely to zero if you pay off the loan within the final 2 months.



**Example:** Emily takes out a 36-month loan. If she repays the loan within 12 months, she owes an early termination fee of \$850.

However, if 12 months passes and Emily is still making monthly repayments, the fee amount will reduce every month by:

$$\frac{\$850}{36-12} = \$35.42$$

So if Emily repays the loan within 13 months, her early termination fee will be:

$$\begin{aligned} & \$850 - \$35.42 \\ & = \$814.58 \end{aligned}$$

Alternatively, if she does so within 24 months, her early termination fee will be:

$$\begin{aligned} & \$850 - (\$35.42 \times 12) \\ & = \$424.96 \end{aligned}$$



## Commercial Loans

### How do I finalise a commercial loan early?

To finalise a commercial loan with us before the agreed end date, you must pay out the rest of the amount owing in a lump sum. This payout figure will vary, depending on how many monthly repayments you have made so far and how many are still left to make. Naturally, the payout you owe us will be reduced each month that your loan is active.



### How is the early termination payout calculated?

The size of your payout is calculated using a discounted cash flow method. Essentially, when you take out a loan for a car with us, we quote you the cost of “buying back” your entire investment by making regular monthly payments through the agreed term of the loan. This is your total repayment bill which is inclusive of the total amount of interest payable over the loan term.

Now, as you make regular payments each month, you have an option at every stage to change your mind and finalise the loan agreement immediately by paying out your remaining obligations in a lump sum. The cost of repaying all in one go will be the “present value” of all future instalments which aren’t yet due.

We calculate this present value using a formula that adds up your string of expected future instalments. The good news is that, at any given time, we reduce or discount the interest portion of your remaining instalments by a certain percentage each successive monthly installment that would normally be due in the future. The earlier we receive a future expected installment from you, the more we discount it (in other words, the less you pay). The receipt of this money from you is more valuable to us earlier because we have more time to invest it and grow it ourselves.



## Additional assistance

To speak to one of our Customer Service representatives about your specific circumstances or if you have any further queries, please contact us via the below details.



Email

Please email queries to:  
[customerservice@vwfs.com.au](mailto:customerservice@vwfs.com.au)



Call

Phone us on: **1300 734 567**  
Monday to Friday



Online

Visit our website at:  
[www.vwfs.com.au](http://www.vwfs.com.au)