

Swap your home – keep your loan

Substitution of security guide

If you find yourself in a position where you're looking to buy and sell a property at the same time, you can consider a substitution of security. Instead of taking out a new loan and closing your current loan, substitution of security (sometimes known as loan portability) may help you swap the security on your current loan from the property you've sold to the one you're purchasing.

This guide will help you understand how substitution of security works and outline potential risks and obligations that you'll need to consider before applying.

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Key considerations for substitution of security

What you need to know

- If you want to change the security and would like to keep your existing loan you won't be allowed to make any changes to the names on the loan - for example you can't add or remove borrowers or add a new guarantor.
- Your loan number, interest rate and repayment arrangement will remain the same.
- Substitution of security is offered on most of our Home/Investment Home Loan products, however we'll need to ensure that the property you're substituting meets our security requirements.
- We may require a valuation on the new property.
- While a substitution of security does not require you to submit a full home loan application, we may need to complete a credit assessment which could include requesting your financial or other information - we'll let you know if that applies to you and what you'll need to provide.
- In some circumstances a new home loan application may be required, for example if you are borrowing more money, or changing ownership on the new property. Your Home Lending Specialist or Broker will discuss this further with you.
- We can decline your request to substitute a new security property based on our lending criteria.

Trade-offs

Substitution of security may not be right for you if:

- Your loan has Lenders Mortgage Insurance (LMI). We may still be able to substitute your security however, our LMI provider will need to review and approve the request.
- You can't buy and sell within 90 days. Settlement of the purchase and sale must occur simultaneously. If this is not possible but the purchase is occurring within 90 days of the sale, we may be able to take cash security temporarily on a case by case basis. This may require additional applications and documents. Speak to your Home Lending Specialist or Broker to discuss your options. You may also consider taking out a bridging loan instead. For more information go to **commbank.com.au/bridgingloans**
- You have a CommBank Green Loan or a loan guaranteed by the First Home Loan Deposit Scheme (FHLDS) or New Home Guarantee (NHG). Substitution of security is not available on these types of loans.
- You have an Equity Unlock for Seniors (EQFS) home loan. This option might not be right for you as there may be additional criteria we will need you to meet.
- Your loan is in arrears. There may be circumstances where we could consider a substitution of property if your loan is in arrears. We understand that everyone's circumstances are different and we'll work with you to understand whether we can consider your request.

Fees

- There is a $300 Security Substitution fee (per security).
- There may be other fees payable such as government charges, stamp duty etc. Your Home Lending Specialist or Broker will let you know how much these are and if they apply.

How does it work?

Here's an example to help illustrate how substitution of security works.

Meet Emma



Emma has a CommBank home loan. She is wishing to sell her current home which is the existing security for the home loan and buy another home. Emma puts her home on the market and enters into a contract to sell the property. Once she knows her property is sold, she finds another property to purchase and enters into a contract to purchase the new property.

Emma wishes to keep her existing CommBank home loan for ease and takes advantage of substitution of security on her home loan. Emma submits a Discharge Authority Request and the Contract of Sale for her current home and new home – requesting a substitution of security.

Emma speaks with the Bank about the sale of her existing property and the purchase of the new property before she organises settlement to ensure that what she is proposing is acceptable to the Bank. After we assess her application, and if necessary order a valuation or complete a credit assessment – we will contact her to advise her of the outcome.

Common questions

If I have an existing Fixed Rate home loan can I make additional payments?	If you have a Fixed Rate home loan, you can make additional payments up to $10,000 for each year of your fixed loan, without incurring an Early Repayment Adjustment Fee (ERA) and an Administrative fee. For more information go to commbank.com.au/fixedrate
Can I restructure my loan using my existing securities?	Yes you can restructure your loan with existing securities that you own, or if you refinance from another financial institution. You don't always have to buy and sell property to substitute securities.
Does the $300 substitution of security fee apply to every security?	Yes the $300 fee is always applicable, however depending on your personal circumstances this may be reviewed.

Some helpful terms:

Arrears	A term to describe when a debt is overdue after missing one or more required repayments.
Credit assessment	A credit assessment is completed to ensure that the credit risk is still acceptable after the existing security has been substituted. The type of credit assessment may vary depending on the level of credit risk involved.
Guarantor	A person, company or trust that helps you secure a loan by offering their own property (or properties) as additional security for your loan.
Lenders' Mortgage Insurance (LMI)	LMI is a one-off insurance premium designed to protect us (not you) against the potential loss we may incur if you can't repay your loan. It is not a bank fee. The amount we collect (from you) is passed on to our lenders mortgage insurance provider.
New home loan application	When you have to complete a whole new application.
Settlement or settlement date	When the sale or purchase of a property is completed and ownership of the property is transferred.
Valuation	A valuation is an opinion about the market value of the property asset at a specific date, by a person authorised to undertake valuations for security purposes.

We're here to help

If you have any questions or want more information:

Book an appointment with a Home Lending Specialist at **commbank.com.au/appointment** or contact your Broker.

Call us on 13 2224

Visit **commbank.com.au/homeloans**

Things you should know: This guide doesn't consider your individual objectives, financial situation or needs. Before basing any decisions on this information please:
- Consider its appropriateness to your circumstances.
- Consider obtaining professional advice specific to your needs, including financial, taxation and legal advice.

Loan applications are subject to credit approval and any loan offer includes full terms and conditions. Fees and charges apply – see our fees and charges brochure. All examples and scenarios are illustrative only. This guide is subject to change without notice.
Commonwealth Bank of Australia ABN 48 123 123 124, AFSL & Australian credit licence 234945.