



Lenders Mortgage Insurance

A helpful guide for buyers

What is Lender's Mortgage Insurance (LMI)?

- LMI is one way of getting into home ownership without having a 20% deposit which is typically required by Banks.
- LMI is a one-off premium, payable by the borrower when a home loan is settled.
- The premium is charged by the Banks third party LMI provider, and this cost is passed on to borrowers.
- If a customer defaults on their loan and the bank incurs a loss after selling the property, LMI protects the bank against this loss. In this circumstance, customers (and/or any guarantors) may need to pay the insurer the amount outstanding.

Frequently Asked Questions

- **How does LMI benefit you?**
LMI reduces a bank's risk of providing a home loan if you have less than a 20% deposit, and means you may be able to apply for a home loan and potentially get in to your home sooner.
- **How is the LMI premium calculated?**
The premium is based on the Loan to Value Ratio (LVR) and loan amount. However, additional factors may also influence the premium amount so speak to us for more information.
- **Who is insured?**
LMI covers the bank for any shortfall that may be incurred if you are unable to repay your loan and if the property sale proceeds are less than the loan amount. It is important to note that the LMI policy does not insure customers.
- **LMI vs. Mortgage Protection Insurance?**
LMI should not be confused with Mortgage Protection Insurance, which covers your mortgage repayments in events such as unemployment, death or disability. Should you wish to find out more about Mortgage Protection Insurance, please speak to us.
- **How is LMI paid?**
LMI is paid as a one-off upfront payment (capitalised) to your home loan.
- **Is the premium refundable?**
No, the LMI premium is not refundable or transferable to another lender. This includes if you choose to close or refinance your loan early, or if the LVR of your loan drops below 80% after settlement.

If you would like to discuss any of these items or if you have any questions in relation to Lenders Mortgage Insurance, please contact me.

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