

## Lender's Mortgage Insurance Customer Fact Sheet

### WHAT IS LMI?

- Lender's Mortgage Insurance (LMI) is one way of getting into home ownership without having the 20% deposit which is typically required by lenders.
- Lender's Mortgage Insurance (LMI) is a one-off premium, payable upfront when a home loan is settled. This is charged by the third-party LMI provider to the lender, and this cost is then passed on to borrowers.
- Lenders generally require customers to pay a LMI premium when they have less than a 20% deposit for a home loan. There may be other circumstances where LMI is also needed. Speak to your Broker to find out more.
- If a customer were to default on their loan and the bank incurs a loss after selling the property, LMI protects the lender 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?

As LMI reduces the lenders risk of providing a home loan if you have less than a 20% deposit, it 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 LMI premium is primarily based on the Loan to Value Ratio (LVR) and loan amount. However, additional factors may also influence the premium amount so speak to your broker.

#### Who is insured?

LMI covers the lender 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.

#### How does LMI get paid?

LMI is paid as a one-off upfront payment. You can choose to pay this through your own funds, or add (capitalise) this amount 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.