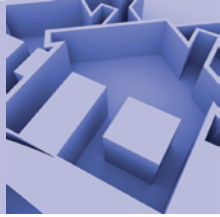


FACT SHEET

LENDERS MORTGAGE INSURANCE (LMI)



What is LMI?

LMI refers to Lenders Mortgage Insurance and it is an insurance policy that insures the Lender against the risks of you defaulting on your loan. It is very important to realise that any LMI policy is for the Lender's protection – not yours!

How will I know if I need LMI?

For a Full-Doc loan, almost every Lender in Australia will force you to take out LMI if you request to borrow more than 80% of the value of the Property. For Lo-Doc loans, each Lender is different however most will force you to take out LMI if you borrow more than 60% of the value of the Property.

How is LMI calculated?

LMI is a one-off payment that is calculated on a sliding scale of percentages of your loan amount. The percentage LMI applicable to you is based on your Loan to Valuation Ratio (LVR). Your LVR is the percentage of your loan amount to the property value. If you are only borrowing 80% of the value of the Property, your LVR is 80% and you will not need LMI. LVR's between 80%-100% will require LMI and the higher the LVR, the higher the LMI Premium.(see table below)

How many LMI insurers are there?

There are only 2 main insurers of LMI in Australia, GE and PMI. Newer insurers are coming on to the market now though and there are also some lenders that are now insuring their own loans.

Do I get to choose insurers for my LMI?

Only some lenders actually have the ability to use more than one insurer in which case you will be able to choose between two. A lot of lenders only have one insurer available though and therefore you cannot choose.

Please note that LMI Premiums do vary between lenders and insurers, so it is best to contact your MORE consultant to assist you in this process and find you the best deal.

When and How does the LMI get paid?

LMI must be paid on the settlement of your loan. It will automatically be deducted by your Lender from the amount of your loan.

Can I borrow the LMI?

Some lenders will allow you to borrow (called "capitalising") your LMI Premium on top of your loan amount. This can be very handy when you only have limited deposit funds available.

Is it easy to get LMI approved?

Obtaining LMI involves a second approval process for your loan and can often be difficult. The requirements for obtaining LMI are often more strict than those pertaining to your loan. You should contact your MORE consultant for specific information about your particular circumstances.

What are some of the basic eligibility requirements for LMI?

As an example, some of the eligibility requirements for LMI are as follows:

- You must have a clear credit history
- You must be in your current permanent role at work for 12 months or have worked continuously in the same industry or role for over 2 years
- You generally cannot be a casual or temporary employee
- You must generally be a permanent resident or citizen

Please note that the above list is a small example of some rules with some insurers. The LMI rules are difficult and you must discuss your specific circumstances with your MORE consultant.

LVR	EXAMPLE LMI PREMIUMS		
	\$0-\$300,000	\$300,001-\$500,000	\$500,001-\$750,000
80%	0.38%	0.50%	0.68%
85%	0.72%	0.95%	1.18%
90%	1.01%	1.32%	1.68%
95%	1.45%	1.89%	2.60%
100%	2.98%	3.88%	—

Please refer to our [Glossary of Terms](#) for a full explanation of terms used in this fact sheet.