

# Lender's Mortgage Insurance Customer Fact Sheet

## What is LMI?

- Lender's Mortgage Insurance (LMI) is an insurance policy that the lender takes out to protect itself against the risk of not recovering the full outstanding loan amount should you, the borrower be unable to meet your loan payments.
- It is important to understand that LMI covers the lender, not you (or any guarantor)
- LMI is one way of getting into home ownership without having the 20% deposit which is typically required by lenders. This means you may be able to apply for a home loan sooner.

## Frequently Asked Questions

### How does LMI benefit you?

As LMI reduces the lender's risk of providing a home loan, it allows the lender to provide loans to those who otherwise meet the lending requirements but who don't have the required deposit. By reducing the deposit you are required to provide, you can buy a home sooner.

### LMI vs. Mortgage Protection Insurance?

LMI should not be confused with Mortgage Protection Insurance. This type of insurance covers your mortgage repayments for events such as unemployment, death or disability. Mortgage Protection Insurance is insurance you take out whereas LMI is insurance the lender takes out.

### What is the cost of LMI

The cost of LMI depends on various factors including, but not limited to, the amount of your home loan, the amount you deposit, the value of the property you're buying, and the type of loan you apply for. Your Broker will provide you with the amount of the LMI fee after you apply for your home loan.

### How does LMI get paid?

LMI is a one-off cost charged by the LMI Insurer to the lender, and this cost is passed on to you as a fee. The fee is payable when your home loan is settled or drawn down, with an option to pay using your own funds or have the amount added (capitalised) to the total you borrow.

### Is LMI refundable or transferable to another financial institution?

If your home loan is repaid within a certain period after the settlement or draw down date, you may be entitled to a partial refund of the LMI fee. For details of when a refund applies and the calculation of the refund, please speak to your Broker. LMI is not transferable to another financial institution (for example, if you refinance your loan elsewhere).

### What happens if my property is sold because I defaulted on my home loan?

If you are unable to make your loan repayments and default on your home loan, your property may be sold to cover the outstanding loan amount. The lender will incur a loss if the property is sold for less than the outstanding loan amount. LMI protects the lender against this loss. In these circumstances, the LMI insurer may pay the lender an amount, in accordance with the LMI policy, and may then seek the amount directly from you as the borrower/guarantor.

### Difficulty making your repayments?

If you are experiencing financial difficulties or are concerned about not being able to make your home loan repayments or think you may miss a payment, you need to contact your Broker as you may be able to arrange a payment variation on the grounds of financial hardship.