Factsheet

Understand Lenders Mortgage Insurance

Lenders Mortgage Insurance (LMI) helps you own your property sooner

LMI enables home buyers to buy a home or investment property without having the 20% deposit which is typically required by most lenders. This helps home buyers to:

- Buy a home now and stop paying rent
- Buy a property with the deposit available now
- Build financial wellbeing and security

What is LMI?

LMI is an insurance policy that your lender takes out to protect itself against the risk that you (the home buyer) default on your loan repayments and your lender is unable to recover the full outstanding loan amount.

LMI supports the home buyer and the lender

Situation	Home Buyer	Lender
Able to buy now with a small deposit	Get into your home sooner with as little as 5% deposit	Provides your lender with comfort to accept a smaller deposit (less than 20%)
Your financial circumstances change	Ability to request temporary hardship support and remain in your home	LMI providers support lenders' hardship programs
You default on your loan and your property is sold	The LMI provider may seek to recover any remaining debt on your home loan in the case of shortfall	Receives claim payment from LMI provider

What is shortfall debt?

If you, as a home owner, default and your home needs to be sold, a shortfall debt arises if the net proceeds from the sale are not enough to fully repay your home loan.

Making things easier for you and your family

Do it yourself

Pay the deposit and related costs yourself.

LMI allows you to purchase your home with as little as 5% of the purchase price by reducing the lender's risk.

Help now without the risk

Get family support without putting them at risk.

By contributing to the cost of the LMI fee, family can support you on your home ownership journey sooner, (as little as 5% deposit) without the risk that comes with being a guarantor and placing the family home up as security.

Speak to your lender about our Family Assistance product. Resources are available to formalise arrangements between the home buyer and family or other parties supporting the home purchase.

Resources available to formalise Family Assistance

Loan contract template and loan repayment schedule available for home buyers seeking to formalise an arrangement.

Fees and payment methods

What is the cost of LMI?

The LMI fee typically charged is between 1% and 2% of the loan value, depending on the size of your deposit and how much you borrow.

The LMI fee is passed on from the lender to you as a one-off fee and usually added to the home loan which may increase your home loan repayment amount. The lender will determine the fee after the loan application.

You can contact your broker or lender to discuss your specific circumstances.

Use our online resources to help you understand what's right for you

Genworth's Deposit Comparison Estimator

Providing insights to the options available to use your deposit to accelerate home ownership.

Genworth's LMI Fee Estimator

Providing an estimate of the LMI fee payable by the home buyer to the lender to obtain LMI.

LMI Features

Buy sooner

Lender Cover

Allows the home buyer to access the market sooner by protecting lenders from the risk of lending to home buyers with deposits under 20% of the property value.

How it works

LMI protects the lender if you are no longer able to pay your loan and they cannot recover all of the amount owing to them (loan and sale costs) after the sale of your home.

Things you should know

LMI protects the lender only. If the LMI provider pays a claim to the lender, it may seek to recover the outstanding debt from you.

Flexibility when things change

Refund

If you pay out your home loan with your lender, you may be eligible for a partial refund of the LMI fee paid when you took out the loan.

How it works

If you pay out your home loan (e.g. due to refinance) in the first two years a refund will be applicable based on the following table:

Age of policy	Refund percentage
Less than a year	40%
1-2 years	20%

Things you should know

A refund is not applicable if you regularly miss home loan payments or default on the loan.

Home Loan Variation

If you refinance or vary your home loan with your existing lender.

How it works

If the variation relates to an increase of the loan amount only (known as an Additional Advance or Top Up), a new LMI fee is payable. A credit for the LMI fee your lender charged at the commencement of your original loan will apply and you will need to pay the difference or minimum amount.

Things you should know

If the variation relates to other changes such as replacing the property that is used as security for your home loan, then a limited refund may be payable to you. Your lender will be able to advise if refund options are available based on your circumstances.

Use our online resources to help you understand what's right for you

Genworth's Deposit Comparison Estimator

Example 1
Using LMI to buy a home

Saving for the first home

"Dylan, this one is perfect! It's even got a backyard for Tilly!"

Emily and Dylan have found a home they want to buy for $600,000. Typically, they would need a 20 per cent deposit ($120,000) to secure a loan from their lender, they have $30,000 to put towards a deposit.

Ways to finance a home with a low deposit

"There must be a way..."

Emily and Dylan search for '**Home** Loans with $30,000'.

DYLAN!! Come have a look!

By taking out Lenders Mortgage Insurance, their lender is prepared to provide a loan up to 95 per cent of the value of the home.

"Yes! LMI is the answer..."

Based on the estimates of the LMI Fee Estimator, Emily and Dylan work out that they can secure a home loan sooner with only a 5 per cent deposit * ($30,000) and stop paying rent.

* Does not consider other upfront fees.

Getting family support

"It says that family members can support - maybe your family can chip in?"

With the Family Assistance payment option, family can support the home purchase by paying for the LMI fee on the home buyer's behalf. Helping the home buyer without the risk of being a guarantor.

"Thanks Dad! Emily will be over the moon!"

"It's only fair, I helped your brother as well."

Example 2
Managing a shortfall debt

The property is sold due to unforeseen circumstances

"It's such a terrible time to sell.."

"...what happens if there is any debt left after the apartment is sold?"

Jack and Chloe are self employed and own a restaurant. They have had to close down the restaurant. They can no longer afford their mortgage and have decided to sell their property. Chloe contacts the lender to discuss next steps and options.

The property will need to be sold with a shortfall as expected

"...do I have to repay the debt...?"

As expected, their property sells for less than the balance outstanding on their current investment property loan with $46,000 of outstanding debt.

The lender makes a claim with the LMI provider

The LMI provider makes contact with Jack and Chloe seeking repayment of the $46,000 outstanding debt. The LMI provider offers a range of options such as a repayment plan for an agreed amount.

Find out more

To find out more about Lenders Mortgage Insurance contact your lender, broker or financial adviser

Visit genworth.com.au