



Lender's Mortgage Insurance

Lender's Mortgage Insurance can help you enter the market sooner.

Lender's Mortgage Insurance (LMI) helps Australian homeowners enter the market earlier through allowing you to borrow a higher percentage of a property's value.

For first home buyers, particularly those struggling to save a deposit but more than comfortable to meet their mortgage repayments, it can be a key tool to break free of the rental trap.

Through financing a higher proportion of a property's purchase price lenders take on a higher level of risk that you will fail to meet mortgage repayments, and the property needs to be repossessed and resold.

LMI is therefore paid by you to insure your lender against loss should this happen. It is important to be aware that LMI only covers the lender if you default, not you.

The bigger the percentage of the property's purchase price you have to borrow, the greater the amount you're likely to pay on insurance. So if your deposit is less than 20 per cent of the value of the property, and especially if you have no deposit at all, you will need to factor LMI into your home loan.

Remember that in some cases lenders may require LMI for lower LVR loans, depending on the type and style of property you're purchasing – for example some inner-city apartments or rural land.

LMI is usually paid as a one-off lump sum at the time of settlement but in many cases it can also be added into the loan amount and paid off over the life of the loan – a term known as capitalising the LMI. Speak with your broker to assess whether this option is right for you.

If you default on your loan, Lender's Mortgage Insurance only covers the lender not you.

For more information, or to request your free copy of the Home Buyers Guide, contact: