

Key facts about Lender's Mortgage Insurance (LMI).



Key facts

What is Lender's Mortgage Insurance (LMI)?

LMI is an insurance that protects the lender in the event that the borrower defaults on their home or investment loan.

Sometimes when a security property is required to be sold as a result of a default, the net proceeds of the sale may not always cover the full balance outstanding on the loan. Where this occurs, the lender is entitled to make an insurance claim to the mortgage insurer for the reimbursement of any shortfall.

Who is covered under the policy?

It's important to understand that LMI covers the lender as the insured party and beneficiary of the insurance cover, and not the borrowers or any guarantors. Where a claim for loss is paid to the lender, the mortgage insurer may additionally seek recovery from the borrower, or any guarantor, for any shortfall amount.

The borrower cannot make a claim under the LMI – only the lender can make the claim.

When is LMI required?

Whether or not the lender requires LMI depends on a number of factors, including but not limited to the amount of the loan, the level of your equity in the security property (how much deposit a borrower is contributing) and the level of risk associated with the loan application.

The LMI premium is paid by the borrower.

How is the insurance premium calculated?

The LMI premium is a one-off cost and provides cover for the full term of the loan. The cost of LMI premium is payable either on settlement of the loan, or in some instances may be added to the borrower's loan repayments over the term of the loan.

This premium is charged by the mortgage insurer to the lender and BOQ passes this cost onto the borrower. The lender will not charge the borrower more for LMI than the actual costs incurred. The lender does not receive a commission from the mortgage insurer on the LMI payable.

The cost of LMI varies depending on a number of factors however predominantly depends on the loan size, the level of equity in the security property and the risk associated with the particular loan product.

Who underwrites the insurance policy?

When you apply for a mortgage, the lender may then apply to Helia Insurance Pty Ltd, a 'mortgage insurer' for lender's mortgage insurance.

What if I vary my home loan and LMI is needed?

A premium credit for the LMI fee charged at the commencement of the original loan will be applied and you will need to pay the difference or minimum amount.

If you require further information relating to LMI, please contact your local branch or call our contact centre on **1300 55 72 72**.