

## Fact Sheet

### Lenders Mortgage Insurance (LMI)

LMI is required on most loans where the Loan to Valuation Ratio (LVR\*) exceeds 80% for standard loans or 60% for Low Doc Loans.

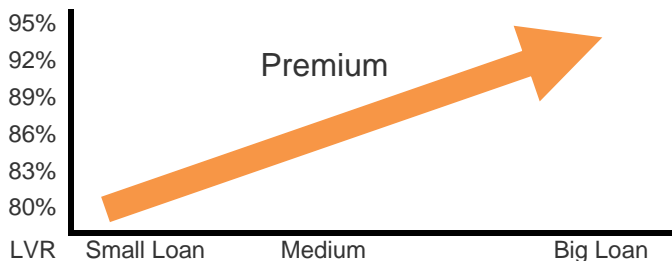
To work the Loan to Valuation Ratio (LVR) take the proposed loan amount and divide by the valuation or purchase price of the property. LVR is the opposite of Equity. An LVR of 80% is the same as having 20% Equity in a property.

**LMI protects the lender and not the borrower against loss should a borrower default on their loan. The only benefit LMI provides to the borrower is that it allows people with a minimal deposit to enter the property market.**

#### LMI PREMIUMS

The premium is paid by the borrower at settlement or funding.

The premium amount is determined by the LVR and the amount of the loan. The higher the LVR and the Amount of the loan the higher the premium.



#### LIMITED NUMBER OF INSURERS

There are only a limited number of Mortgage Insurers in the Australian Market. Some mortgage insurers represent a number of different lenders. It is therefore

#### CREDIT SCORING

Mortgage Insurers can credit score – which means you should make sure you do not send multiple applications to different lenders.  
 (1) it will probably go to the same insurer  
 (2) it may reduce your credit score

#### \* LOAN TO VALUATION RATIO (LVR)

The LVR is a very common term used in Finance. It is the ratio of the Loan Amount to the Value of the security held as security

Security \$500,000	Equity \$200,000	The example shows a property worth \$500,000 and a loan of \$300,000. The LVR would be as follows:
	Loan \$300,000	
		<b>\$300,000</b> / <b>\$500,000</b> = <b>LVR = 60%</b>

#### LMI PREMIUMS

If the loan is repaid within a 2 year period, the borrower may be eligible for a partial refund of the lenders' mortgage insurance charge.