

what is lender's mortgage insurance (or LMI)?

fact sheet



LMI covers the lender, not you - this information sheet explains how this insurance works

Dnister sometimes requires a borrower to pay a premium for LMI. Even though you pay the premium, if we make a claim you can still be required to pay the balance outstanding on your debt to the insurer.

What happens if I can't meet my repayments?

If you can't meet your loan payments and the lender has to sell your property, the LMI insurer will pay to the lender any shortfall on the outstanding amount of the loan — see the example opposite.

LMI provides consumers with a benefit because it allows lenders to provide finance to those who might not otherwise be eligible for a home loan.

What is the cost of LMI?

If you are charged a premium for LMI, we will tell you what the cost is before you, the borrower, enter into a home loan. The cost varies depending on a number of factors including the insurer's requirements, how much is borrowed and the size of the deposit.

You may, in certain circumstances, get a refund of some of the LMI premium you pay if your loan is paid out early.

If you refinance your home loan, you may have to pay a new LMI premium (especially if you are increasing your loan amount).

What happens if I default and my property is sold?

If you default and your lender has to sell your property, it is possible your house will be sold for less than the amount owing under your home loan. If this is the case, the LMI insurer may pay Dnister the difference between the amount outstanding and the sale price and can then ask you, the borrower, to repay this sum, plus any enforcement expenses, directly to them.

IMPORTANT

If you experience problems making your repayments, you need to contact your lender as soon as possible as you may be able to arrange a payment variation on the grounds of hardship.

Where can I find out more information about LMI?

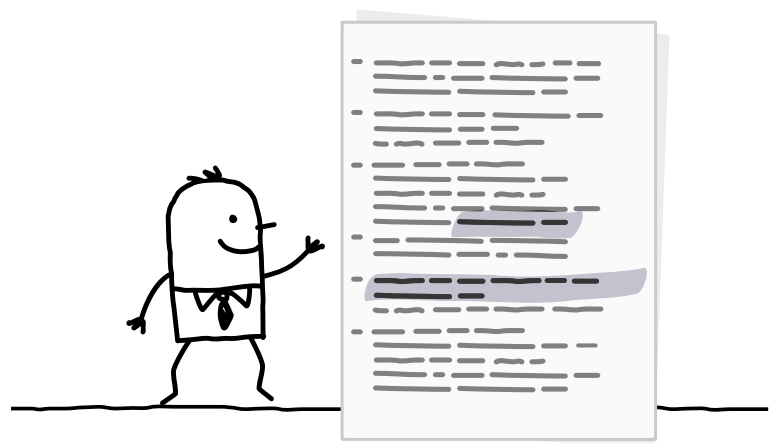
You can ask us for more information about LMI or visit the financial information website of the Australian Securities and Investments Commission at www.moneysmart.gov.au

EXAMPLE

A borrower defaults on their home loan and the lender sells their house.

There is still \$50,000 owing after the sale.

The LMI insurer under the policy pays the lender \$50,000 and then requires the borrower to pay this amount, plus any enforcement expenses, directly to them.



To discuss your home loan options or to apply, contact our lending specialist now. Free call 1800 353 041.