

Fact Sheet: Lenders Mortgage Insurance (LMI).



What is Lenders Mortgage Insurance and what does it cover?

RAMS has an arrangement with Westpac under which Westpac provides the funds that are lent to you through your RAMS home loan.

Lenders Mortgage Insurance insures Westpac, your lender, for any shortfall in the event that you default on your loan and if the proceeds from the property sale are not enough to pay off the loan in full.

You are still liable to pay the shortfall (for example, to the mortgage insurer if Westpac claims on Lenders Mortgage Insurance). If a guarantor is guaranteeing your loan, depending on the terms of the guarantee, the guarantor may also be liable to pay the shortfall.

It's important to understand that Lenders Mortgage Insurance is obtained by and insures Westpac, not you.

Lenders Mortgage Insurance should not be confused with mortgage protection insurance, which is an insurance option to cover your mortgage and/or your mortgage repayments in the event of death, disability, unemployment or reduced income.

When is Lenders Mortgage Insurance required?

If your deposit is less than 20%, then Lenders Mortgage Insurance is usually required. As Lenders Mortgage Insurance reduces Westpac's risk as a lender when providing a home loan, you may be able to apply for a home loan and get into your home sooner, with a lower deposit.

What is the cost of Lenders Mortgage Insurance and who pays for it?

The cost of Lenders Mortgage Insurance is calculated as a percentage of the loan amount. The percentage applied will vary depending on a number of factors. Please speak to your RAMS representative if you would like to understand this process in more detail.

The cost of Lenders Mortgage Insurance premium is passed on to you. We do not receive a commission on Lenders Mortgage Insurance.

How is Lenders Mortgage Insurance paid?

Lenders Mortgage Insurance is taken out by Westpac where your loan requires it to meet our credit underwriting standards.

The Lenders Mortgage Insurance premium is usually a one-off charge and can be included either in your upfront costs and paid immediately, or added to your loan repayments so that it's spread out over the term of the loan. You can find out about these options by speaking to your RAMS representative.

Am I entitled to a refund if I repay my loan early?

Yes, you are eligible for a partial refund of the premium paid, if you meet all of the following conditions:

1. All loans covered under the Lenders Mortgage Insurance policy are repaid in full and any associated mortgage is discharged:
 - within 12 months of the settlement date, a refund of 40% of the premium will apply, or
 - from 12 months to less than or equal to 24 months, a refund of 20% of the premium will apply.
2. The loans covered have not been in arrears throughout the loan term.
3. The calculated refund is greater than the minimum threshold (any stamp duty is not refundable). You can find out the minimum threshold for your loan by calling us on **13 RAMS, that's 13 7267**.

If you'd like to understand more about Lenders Mortgage Insurance and how we could help you, contact us today.

Call 13 7267

Ask at your local RAMS Home Loan Centre