

# KEY FACT SHEET: BORROWER FREQUENTLY ASKED QUESTIONS FOR LENDERS MORTGAGE INSURANCE

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## WHAT IS LENDERS MORTGAGE INSURANCE?

Lenders Mortgage Insurance protects lenders against a loss should a borrower no longer be able to afford their loan repayments. If the property has to be sold, Lenders Mortgage Insurance can cover the lender for a shortfall where the sale price of the property does not cover the outstanding loan balance plus claimable costs.

ANZ's Lenders' Mortgage Insurer is ANZLMI which is a wholly owned subsidiary of ANZ. However, ANZLMI maintains independent management and is a separately regulated and governed insurance company.

## WHO IS INSURED?

The lender, ANZ, is the insured party and the beneficiary of the insurance cover. The borrower, or any guarantor, is not insured in any capacity by Lenders Mortgage Insurance.

Where a claim for loss is paid to ANZ, ANZLMI may seek recovery from the borrower, or any guarantor, for any shortfall amount. Lenders Mortgage Insurance **should not** be mistaken for Mortgage Protection Insurance, which can cover the borrower for events like death, sickness, unemployment or disability.

## WHY DOES MY LOAN REQUIRE LENDERS MORTGAGE INSURANCE? HOW DOES IT BENEFIT ME?

Most banks and financial institutions require you to contribute a deposit based on a percentage of the purchase price of your property. With Lenders Mortgage Insurance, lenders may allow you to borrow a higher portion of the purchase price, allowing you to purchase a property sooner and with a smaller deposit than would otherwise be required.

Lenders Mortgage Insurance can also allow property investors to have higher borrowing ratios, providing the opportunity to leverage off the possible benefits of negative gearing.

## WHAT COSTS ARE INVOLVED?

Unlike traditional insurance products, there is a once-only payment for Lenders Mortgage Insurance. This is payable when the loan funds are advanced and provides the lender with cover for the full term of the loan. The cost of Lenders Mortgage Insurance varies depending on the amount of the loan, the level of your equity in the security property and the level of risk associated with the particular loan product.

ANZ may allow you to add the cost of the Lenders Mortgage Insurance to your loan. Your loan repayments will increase marginally to cover the cost of the Lenders Mortgage Insurance.

In the event of the loan being restructured or increased in the future, a new or additional cost may also be applicable at that time.

## WHAT TYPES OF LOAN CAN BE INSURED?

ANZLMI can provide Lenders Mortgage Insurance to ANZ for most residential mortgage loans, including:

- Owner occupier loans
- Residential investment loans
- Construction loans
- Home improvement or extension loans
- Lines of credit

The loan will need to meet ANZLMI's requirements.

## WHAT TYPES OF SECURITY PROPERTY ARE ACCEPTABLE TO ANZLMI?

The security property that you offer will need to meet ANZLMI's requirements. Most types of security are acceptable including freestanding dwellings, semi-detached and terrace houses, home units, townhouses, villas and vacant land.

ANZLMI will consider security properties based on their individual characteristics and merit to determine if the property is suitable for Lenders Mortgage Insurance purposes.

## HOW IS LENDERS MORTGAGE INSURANCE ARRANGED?

If your loan requires Lenders Mortgage Insurance, ANZ will arrange it and will advise the cost and any additional information that may be required.

## ARE GST AND STAMP DUTY PAYABLE?

GST is payable and will be included in the amount quoted by ANZ.

Stamp duty may also be payable and varies according to the State or Territory location of the security property. Where applicable, this amount will be included in the cost.

## IS THE PREMIUM REFUNDABLE IF THE LOAN IS REPAID EARLY?

ANZ may (but is not required to) give you a partial refund of the premium you paid for a Lenders Mortgage Insurance policy for your loan if that loan is repaid early, subject to the following:

1. The policy was issued on or after 1 October 2017.
2. The loan is repaid in full (e.g. not partially discharged or refinanced internally within ANZ or consolidated with other loans) within 24 months from the date the policy commenced.
3. The policy is fully terminated (e.g. does not continue in respect of other loans).
4. The policy is not subject to any claim at the time the loan is repaid in full.
5. Any security given in relation to the repaid loan does not continue to secure any other loan you have.
6. If ANZ gives you a refund, the refund amount will be:
  - a) 50% of the premium you paid, if the loan was fully repaid within 12 months from the date the policy commenced; or
  - b) 25% of the premium you paid, if the loan was fully repaid within 24 months from the date the policy commenced.

## FOR MORE INFORMATION ABOUT LMI

Contact the Insurance Council of Australia for more information on Lenders Mortgage Insurance

**INDICATIVE COST OF LMI  
FOR YOUR SCENARIO:**

Proposed loan amount: \$ \_\_\_\_\_

Security value: \$ \_\_\_\_\_

LMI Cost: \$ \_\_\_\_\_

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