Fact sheet
Lenders Mortgage Insurance (LMI)

What is LMI?

Lenders Mortgage Insurance (LMI) is insurance that provides ING (the lender) with additional protection in cases where you (the borrower) are in default on your home loan and the sale proceeds for the secured property is not enough to repay the full amount you owe under your home loan. LMI does not provide you with any protection and ING may still seek to recover this shortfall from you.

Your LMI premium is a one-off premium you pay upfront, at the time of settlement of your home loan. ING uses a third-party insurer for its LMI, and ING passes this cost on to you.

LMI is payable where your deposit is less than 20% of the value of the property. So LMI enables you to borrow loan amounts in excess of 80% LVR.

How much LMI do you have to pay?

Your LMI premium depends on a few things relating to your borrowing circumstances. The main factors which determine the cost of your LMI premium are:

- the total amount you're borrowing (that is, the total loan amount);
- the total amount of your deposit;
- the Loan to Value Ratio (commonly referred to as the LVR, which is a percentage calculated by dividing the amount you want to borrow by the property value);
- whether you are borrowing as an owner-occupier or investor; and
- your employment status.

As the LVR and total loan amount increase, so does the cost of your required LMI. To know exactly how much LMI will cost you, please speak to your ING Home Loan Specialist or your broker.

Does LMI insure you?

No, LMI protects ING (as the lender) against any losses in cases where you (the borrower) are in default on your home loan, ING sells the secured property to recover the amount you owe under your home loan, and the proceeds of that sale are less than the amount you owe to ING under your home loan.

What's the difference between LMI and mortgage protection insurance?

LMI is very different to mortgage protection insurance. LMI is insurance which protects ING (the lender) if you default on your home loan, whereas mortgage protection insurance protects you from defaulting on your home loan. LMI provides a benefit to ING (the lender), whereas mortgage protection insurance provides a benefit to you (the policyholder) (i.e. with mortgage protection insurance your monthly mortgage repayments may be covered if you are unable to work due to serious illness, disability, redundancy or death).

How do I pay for LMI?

The LMI premium is a one-off upfront payment, which is added (capitalised) to your home loan at settlement. This capitalised premium is paid off with your home loan by making your required repayments. As the LMI premium is added to your total home loan amount, you will also pay interest on this amount and it will increase what you owe on your loan and your minimum monthly repayments.

Can I get a refund of my LMI premium?

No, the LMI premium is not refundable for any reason, including in the event of early payment or termination of your home loan or reducing your LVR below 80% after settlement. Also, you're unable to transfer the LMI cover to another lender or loan, even if that loan is in your name with ING.

Does ING obtain a commission on the LMI premium charged by the lenders mortgage insurer?

ING will only charge you the actual cost of the LMI premium calculated by the lenders mortgage insurer and does not obtain a commission. The entire LMI premium is set out in your loan offer and paid by you to ING upon settlement. ING adds that amount to your total home loan amount, and forwards the premium to the insurer.