



You don't have to pay for LMI up-front

Lenders mortgage insurance (LMI) premiums are payable in two ways, an up-front fee, or by capitalisation. Capitalising your LMI premium essentially means adding it to the total loan amount, and paying it off in regular instalments with your home loan.

Capitalisation is the most common way of paying for LMI, with most borrowers opting for the monthly option. Depending on the amount you are borrowing and your deposit, in some cases, capitalising the LMI premium can be less than \$23 a week extra, about the same as a cup of coffee a day, a relatively small sacrifice to make to own your own home.

How does capitalisation work?

Newlyweds Tim and Erica are battling to save a deposit for their home, and currently spend approximately 32 per cent of their combined monthly salary on rent.

Paying rent is putting a real strain on their ability to save a deposit and after speaking with their mortgage broker, Tim and Erica learn they can secure a home loan for up to 95 per cent of the value of the property they hope to buy if they take out LMI.

Tim and Erica have saved \$25,000 for a deposit and additional funds to comfortably meet the other commitments associated with their property purchase such as solicitor and application fees.

Keen not to miss out on the property they've decided to purchase, Tim and Erica's broker advises that they can capitalise their LMI premium which means adding the cost to their home loan.

Purchasing an apartment for \$400,000 with a home loan of \$375,000, the monthly repayments on their 30-year loan (rate 5.22 per cent) comes to approximately \$2,064.

The LMI premium on their \$375,000 home loan comes to approximately \$11,400. Should Tim and Erica capitalise their LMI premium, it will increase their monthly home loan repayments by \$63, taking the total monthly home loan repayment to \$2,127.

Please note that pricing may vary between lenders. Please contact your lender for more information on product fees.

For more information

The LMI Toolkit on the Genworth website contains tools and resources that will assist you to better understand LMI and the mortgage market. Among these resources are our Buy or Rent Calculator, fact sheets and videos that further explain LMI, the process of buying a home, and information on what you should do if you find yourself in financial hardship.

genworth.com.au/lmitoolkit

genworth.com.au/buyorrentcalculator

Disclaimer: information contained in this fact sheet is intended to be a general information source regarding the matters covered, does not constitute legal, accounting, tax or other financial advice, and is not tailored to a borrower's specific circumstances. Borrowers should consider their own personal circumstances and seek advice from their professional advisers before making any decisions that may impact their financial position.

Genworth Financial Mortgage Insurance Pty Limited • ABN 60 106 974 305
© Genworth, Genworth Financial and the Genworth logo are registered service marks of Genworth Financial, Inc and used pursuant to licence • © 2018 Genworth Mortgage Insurance Australia Limited. All rights reserved. DPLM10418

Genworth 