more than money

Lender's Mortgage Insurance
Customer Fact Sheet

What is LMI?

- Lender's Mortgage Insurance (LMI) is insurance that a lender takes out to insure itself against the risk of not recovering the outstanding loan balance if you, the borrower, are unable to meet your loan payments and the property is sold for less than the outstanding loan amount (known as the 'shortfall debt').
- The Lender will normally require LMI if you do not have the required home loan deposit (typically 20% of the property value) and the cost is usually passed to the borrower as a fee.
- Paying LMI may mean that you are able to apply for a home loan sooner, however a smaller deposit may also increase the possibility of a shortfall debt as there is less of a buffer between the outstanding loan amount and the property value.
- It's important to note that LMI is insurance that protects NAB, not you (or any guarantors) against loss. Only the Lender can make a claim under the LMI policy, not you.

Frequently asked questions

How might LMI benefit you?

Where you meet all other lending criteria, LMI is one way of buying your home sooner without having the 20% deposit typically required by lenders. Without LMI, a lender may not be able to offer you a home loan even where those other lending requirements are met.

LMI vs. Mortgage Protection Insurance?

LMI should not be confused with Mortgage Protection Insurance (MPI). MPI covers you if you're unable to meet your mortgage repayments due to unemployment, death or disability. MPI protects you whilst LMI protects the lender.

What is the cost of LMI?

The cost of LMI depends on various factors including, the amount of your home loan, the value of the property you're buying and the type of loan you get. Your NAB banker or your broker will provide you with the amount of the LMI fee when you apply for your home loan.

How does LMI get paid?

LMI is charged as a once off cost by the LMI provider to us. We pass on this cost as an LMI fee to you and no more. The LMI fee is generally added to the amount you borrow and payable at draw down. In some cases, you may be able to pay this upfront using your own funds – speak to us to find out more.

Is LMI refundable or transferable to another financial institution?

LMI is not transferable to other financial institutions. You may be entitled to a partial refund of the LMI fee if you meet the conditions below:

If your settlement or drawdown date was on or after 10th June 2024, you'll be refunded:

- 40% of your LMI fee if you repay your home loan within 12 months of the date of settlement or drawdown.

You won't be refunded any of your LMI fee if you repay your home loan after 12 months of the date of settlement or drawdown.

If your settlement or drawdown date was between 25th November 2019 and 9th June 2024, you'll be refunded:

- 40% of your LMI fee if you repay your home loan within 12 months of the date of settlement or drawdown.
- 20% of your LMI fee if you repay your home loan between 12 and 24 months after the date of settlement or drawdown.

You won't be refunded any of your LMI fee if your drawdown or settlement date was before 25th of November 2019. If you wish to refinance to another lender, you may need to pay LMI again with your new lender if you do not meet their minimum deposit requirements.

What happens if my property is sold because I defaulted on my home loan?

If you are unable to make your loan repayments and default on your home loan, your property may be sold to cover the outstanding loan amount. If the property is sold for less than the outstanding loan amount, NAB will incur a loss and submit a claim to the LMI provider. The LMI provider pays NAB this amount (subject to the LMI policy) and the LMI provider or their authorised third-party debt collector may then seek to recover this amount directly from you as the borrower, or any guarantors. For example:

Peter and Emma buy a home valued at $750,000. LMI is required and included (or capitalised) into the loan amount of $700,000. Unfortunately, Peter and Emma are unable to meet their loan repayments and default on their loan.
The property is sold for a loss at $650,000. The outstanding loan balance at the time of sale is $725,000 made up of the original loan amount, unpaid interest that has accumulated during the default period and other fees/charges associated with the sale. This means there is a shortfall of $75,000 (being the difference between the outstanding loan balance of $725,000 and the sale proceeds of $650,000). In this case, the LMI provider would pay NAB the shortfall. The LMI provider may then seek repayment of this amount from Peter and Emma.

Difficulty making your repayments?

If you are experiencing financial difficulties or are concerned about not being able to make your home loan repayments, you can contact NAB Assist on 1300 135 323. They will assess your situation and work through options with you to help you get back on track.

Where can I find more information on LMI?

You can find further information on our website at
www.nab.com.au/personal/life-moments/home-property/buy-first-home/lmi