

# Credit Proposal

**Our journey continues.**



Hi Percy,

Thank you for choosing me as your broker.

I am pleased to present a Credit Proposal incorporating a Preliminary Assessment which captures the following details for you to review and approve:



**Your requirements and objectives for your loan**



**My recommended loan product/s, and why I selected this product/s for you**



**Information about the fees payable to the lender and how I am paid if you agree to go ahead with an application for a recommended loan product**

Once you've reviewed the Credit Proposal and are happy to proceed, I'll need your signature

to confirm your approval for me to prepare the loan application.

If you have any questions, please do not hesitate to reach out - I'll be here to help you.

Yours sincerely,

**Maniel Dills**

qa.manielufinancialcomau@afgonline.com.au

**Ufinancial**

Level 4, 580 St Kilda Road

Melbourne, VIC, 3004

## Summary

This information provides you a summary of my recommendations to you and the important items I have considered in providing a tailored loan solution to you. Further information can be found within the detailed sections of this document.

## Your Requirements and Objectives

Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application.

### Product/s we have recommended

**Lender:** Commonwealth Bank  
**Product/s:** Extra Home Loan 80% - 95% LVR Owner Occupied P&I (3.13%)  
**Total Loan Amount:** \$500,000.00  
 Maximum Upfront Commission: \$3,575.00  
 Estimated Upfront Commission: \$3,575.00  
 Maximum 1st Year Ongoing Commission: \$825.00  
 Estimated 1st Year Ongoing Commission: \$825.00

All commissions are paid by the lender.

### Reasons why we selected this Product

Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application.

### Other products considered

Lender	Product	Interest Rate	Maximum Upfront	Upfront Estimated	Maximum Ongoing (1st Yr)	Ongoing Estimated (1st Yr)
AFG Home Loans - Retro	Retro Home Loan (\$500k - \$750k 80% - 90% LVR) Owner Occupied P&I Special.	3.34%	\$3,575.00	\$3,575.00	\$825.00	\$825.00
Westpac	Premier Advantage Rocket Repay Home Loan >70% LVR \$150k+ P&I	3.29%	\$3,575.00	\$3,575.00	\$825.00	\$825.00

\*Commissions are paid on a percentage of the loan drawn down in most cases net of any offset amount. If for any reason this loan is discharged within 2 years, I will forfeit part, or all commissions earned. Refer to Fee Summary for further detail.

## Customer Disclosure & Acknowledgement

- I am / We are comfortable with my / our ability to make repayments under the proposed loan without difficulty

(based on the uncommitted monthly income relative to the repayments listed).

- I am / We are aware that additional interest and other costs will be incurred if I / we elect to borrow money to pay additional expenses i.e. insurance, stamp duty.
- I / We acknowledge that interest rates fees and repayments stated in this document may change due to economic circumstances or the recommended lender changes its terms before my / our loan is settled.
- I / We acknowledge that the recommended product is not unsuitable for my / our requirements.
- I/We confirm that the information contained in this document is a reliable reflection of my financial position and that there is nothing else to declare that may reasonably be expected to have a bearing on my application for credit. I understand that any omission of relevant information may create problems in the future.

Client Name

Percy Douglas

Client Signature

Date

This document provides you with information on:

- Your requirements and objectives for this loan
- The preliminary assessment we completed to ensure we recommend a loan which is not unsuitable for you
- The product(s) selected
- Fees payable by you to the Financial Institution if you proceed with the loan
- Fees payable by you to us
- Commissions and remuneration that we will receive if you proceed with the loan

Please read through and sign the disclosure & acknowledgement to indicate that the content is true and correct at the time of signing.

## About Us

<b>Broker</b>	<b>Maniel Dills</b>		
<b>Authorised Credit Representative name and Credit Representative number</b>	Daniel James Mills 503567		
<b>Organisation/Trading Name</b>	Ufinancial		
<b>Address</b>	Level 4, 580 St Kilda Road Melbourne, VIC, 3004	<b>Phone:</b>	
		<b>Fax:</b>	
<b>Email Address</b>	qa. manielufinancialcomau@afgonline. com.au	<b>Mobile:</b>	0481418801
<b>Australian Credit Licence (ACL) name and Australian Credit Licence number</b>	Australian Finance Group Ltd (ACL# 389087)		
<b>Australian Company Number of ACL holder</b>	158 934 331		

If your broker is a Credit Representative, this Credit Proposal incorporating Preliminary Assessment is being provided on behalf of the Licensee.

## About You

<b>Percy Douglas (Primary Applicant)</b>		
<b>Primary Contact Details</b>		
<b>Address:</b> 25 SEAGATE STREET, SAFETY BAY, WA, 6169		
<b>Home:</b>	<b>Work:</b>	<b>Mobile:</b> 0400000000
<b>Email address:</b> Ally85@yahoo.com		

## Requirements and Objectives

### Loan Type:

125 - Purchase of newly erected dwelling - House

Loan Amount: \$500,000.00

Loan Term (years): 20

### Product Type:

Variable

Reason why the Product was selected: Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application.

### Repayment Type:

Principal & Interest

### Your Requirements and Objectives:

Product features requested: Bpay Access, Extra Repayments

Additional requirements & considerations: Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application.

### Foreseeable Changes in Financial Position including Exit Strategy

You do not expect any significant change to your financial situation over the foreseeable future that would impact your ability to meet loan repayments or reduce your income stated in this document. You have confirmed you will not be retiring before the end of the recommended loan term.

## Lender and Product Information

We recommend after assessment, the following lender & product/s

*Commonwealth Bank - Extra Home Loan 80% - 95% LVR Owner Occupied P&I*

Base Loan Amount	\$500,000.00
LMI Amount	\$6,352.50
Loan Amount inc. LMI	\$506,352.50
Variable Rate	3.13%
Intro/Fixed Rate	0.00%
Monthly Repayment	\$2,805.64
Assessment Rate	6.13%
Assessed Re-Pmt (Mth)	\$3619.76
I/O Term (years)	N/A
Term (years)	20
Repayment Type	Principal & Interest

\* Interest rates, fees, and repayments may change if the lender changes its loan terms.

\*\* Lenders use an assessment rate to predict the capacity to repay a loan should interest rates rise. This may impact your capacity to meet the lenders approval process / policy.

## Additional Product Information

**Commonwealth Bank - Extra Home Loan 80% - 95% LVR Owner Occupied P&I**

Fee Details:	\$600 Establishment fee and \$8 monthly fee waived
Ongoing Fees:	\$0.00
Rate details:	Discount of 0.65% for the life of the loan is included. Min loan amount of \$10k available for new lending only. Existing customers must have min \$150k new borrowings on existing loan balances at the time of any switch.
Current Specials:	OFI Refinance \$2,000 Cashback Offer available to Owner Occupied loans, all Investment home loans and all lines of credit. Min refinance loan amount \$250k (new money and top up applications are not included in the \$250k). Refinance of existing CBA or Bankwest loans are not eligible. Available from 07/04/2020 to 03/08/2020 and must be funded by 09/10/2020. The cashback amount will only be credited to a CommBank Transaction Account. Not available in conjunction with the MAV fee waiver. Limit of one cashback

	payment per borrowing entity and per customer. If the customer is completing a Bridging Loan application at the same time as the refinance application, they are not eligible for the \$2,000 OFI Refinance Cashback Offer. Offer may be terminated at any time.
<b>Other Notes:</b>	The Extra Home Loan is a simple, competitive, variable rate product that offers customers a discounted interest rate for the life of the loan. Available for owner occupied housing, bridging, land, 'off the plan' and building/construction (I/O repayments during construction. Must revert to P&I repayments after construction is complete and loan is fully funded).

## Assessment

In recommending the above product(s) and deciding to assist you to obtain this loan, we took into account the following information provided by you and utilized some calculations supplied by the Financial Institution for the product(s) identified in this document.

**Note:** Other Financial Institutions may apply different assessment criteria in determining loan serviceability, and these factors will affect your capacity to borrow.

The financial information in this document has been verified using the following evidence supplied by you.

<b>PAYG slips</b>	Yes
<b>Tax returns / ATO Tax Assessments</b>	No
<b>Deposits / Savings Account Statements</b>	Yes
<b>Accountants Declaration</b>	No
<b>Loan statements</b>	Yes
<b>Other (specify)</b>	

Financial Institutions may conduct further checks that can affect the outcome of this assessment.

## Your Assets

Item - Asset	Description	Ownership	Value
Motor Vehicle & Transport	Toyota Hilux 2019	Percy Ocie Douglas 100%	\$55,000.00
<b>Total</b>			<b>\$55,000.00</b>

## Your Liabilities

Liability	Limit	Expiry Date	Description	Ownership	Refinancing	Amount / Balance
Car Loan - 86 400	\$55,000.00	10/10/2030		Percy Ocie Douglas 100.00%	N	\$45,000.00
<b>Total</b>						<b>\$45,000.00</b>

## Your Monthly Income

### Percy Douglas's Income

Income Type	Amount
Bonus	\$416.67
Overtime - Gross	\$1,666.66
Salary - Gross	\$11,666.67
<b>Total</b>	<b>\$13,750.00</b>

## Your Monthly Expense Information

### Household Expenses

#### Alexanne Ward's household:

Expense Type	Amount
Utilities & Rates - OO	\$333.00
Insurance	\$333.00
Education	\$333.00
Groceries	\$333.00
Transport	\$333.00
Recreation & Entertainment	\$333.00
Childcare	\$333.00
Medical & Health(ex Insurance)	\$333.00
Clothing & Personal Care	\$333.00
Telephone & Internet	\$333.00
Utilities & Rates - INV	\$333.00
Other Living Expenses	\$333.00
<b>Total</b>	<b>\$3,996.00</b>



## Applicants' Additional Expenses

### Percy Douglas's Additional Expenses

Expense Type	Amount
Car Loan	\$1,083.33
<b>Total</b>	<b>\$1,083.33</b>

\* The credit card monthly payment is calculated at a rate of 3.82% of the credit card limit. Different lenders apply different rates to the credit card repayments and this may affect the monthly credit card repayment. If the actual monthly credit card repayments are more than the amount displayed, this will also impact your capacity to afford this loan.

## Summary of Financial Position

Category	Applicant Declared	Lender Calculated
Net Income (Lender Calculated)	\$9,174.63	\$9,174.63
Commitments	\$1,083.33	\$1,084.00
Living Expenses	\$3,996.00	\$3,663.00
<b>Uncommitted Monthly Income</b>	<b>\$4,095.29</b>	<b>\$4,427.63*</b>
Assessed Repayments	\$3,619.76	\$3,619.76
<b>Surplus</b>	<b>\$475.53</b>	<b>\$807.87</b>

\* The Lender Uncommitted Monthly Income is generally calculated by subtracting the total fixed expenses and the calculated living expenses from the monthly net income amount. For some scenarios, the amount displayed above will vary from the calculated parameters due to the lending policy applied by the lender.

## Your Security Property Information

25 TRADE WINDS DRIVE, SAFETY BAY, WA, 6169

Usage	Purchasing
Purpose	Owner Occupied
Value	\$600,000.00

## Funding Position

Funds Required	Amount			
Property Purchase	\$587,000.00			
Fees*	\$30,478.95			
Refinance Costs	\$0.00			
Refinance Amount	\$0.00			
Cash Out	\$0.00			
Funds Available		Amount		
Cash		\$100,000.00		
Proposed Loan Amt inc. LMI		\$506,352.50	LVR inc. LMI	86.26%
<b>Totals</b>	<b>\$617,478.95</b>	<b>\$606,352.50</b>	<b>Surplus</b>	<b>\$-11,126.45</b>

\* Please refer to the Fees and Disbursements Table in the Fee Summary section.

Reason why the customer is proceeding with excess surplus funds: Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the application. Please provide written descriptions to the following in order to proceed with the

application. Please provide written descriptions to the following in order to proceed with the application.

## Fee Summary

These fees are payable by you to the nominated person, organisation or institution for the purpose of the loan application and subsequent settlement. These figures are reasonable estimates and may change. The final figures payable to the lender will be shown in your credit contract or lease. Some or all of these fees may be included in the loan amount and paid from the finance proceeds at settlement. These fees are once-only payments.

Fees and Disbursements		
<b>Lender Application and Settlement Fee</b> (Override: N)		\$0.00
<b>Lender Loan Stamp Duty</b> (Override: N)		\$0.00
<b>Lender Mortgage Insurance</b> (estimate only) (Override: N)		\$6,352.50
<b>Lender Extra Evaluation Fee</b> (Override: N)		\$0.00
<b>Lender Split Loan Fees</b> (Override: N)		\$0.00
<b>Govt. Mortgage Registration</b> (Override: N)		\$178.20
<b>Property Fees</b> (Override: N)		\$23,948.25
	Est. Conveyancing Fee (to solicitor/conveyance)	\$1,762.55
	Govt. Title Transfer Stamp Duty	\$21,897.50
	Govt. Transfer Fee	\$288.20
<b>Other Fees or funds required for the application</b>		\$0.00
<b>Total Fees (including Mortgage Registration)</b>		<b>\$30,478.95</b>

We are not aware of any other fees or charges payable to anyone else in relation to the application for finance, however the financier may impose some additional fees and requirements including ongoing fees as indicated in the product description.

### Information on how we are paid if you proceed with our recommendation

If you have not received a Credit Quote, this indicates that no fees are payable by you to us. If a Credit Quote was previously issued to you, this will indicate the fees payable by you to us.

### Commission paid to the Licensee by the lender (through AFG) after settlement

The maximum upfront commission paid by Commonwealth Bank is 0.715% of \$506,352.50 (loan amount) = \$3,575.00 (inclusive of GST).

The maximum trail commission paid by Commonwealth Bank is 0.165% of \$506,352.50 (loan amount) = \$68.75 (monthly inclusive of GST).

Payee	*Upfront	**Trail (Monthly)
AFG	\$3,575.00	\$68.75
Paid to Licensee/Organisation	\$0.00	\$0.00
Paid to Representative/Loan Writer	\$0.00	\$0.00
Other Parties	\$0.00	\$0.00
Paid to Referrer (0)	\$0.00	\$0.00
<b>TOTAL</b>	<b>\$3,575.00</b>	<b>\$68.75</b>

From time to time we receive benefits in the form of conferences and training sessions provided by the licensee, financiers, or others. The value of these benefits cannot be ascertained.

Other Parties being remunerated:

#### Other remuneration for this loan submission:

\* Upfront commission is a one-time payment from the lender and is based on a percentage of the principal loan amount that is advanced at Settlement.

\*\* Trail commission is an annual payment that is paid by the lender to us in monthly instalments (payable throughout the term of the loan). This is expressed as a maximum value. The trail amount may vary from year to year, depending on the lender, the product selected and the balance of the loan. Therefore, this is an estimate of the maximum amount that will be received as a monthly trail commission. As the loan amount decreases over time, the monthly trail payment will correspondingly decrease over time. Some lenders do not pay any trail commission in the first 12 months after loan settlement.

All amounts are inclusive of GST.

\*\*\* Where clients have been referred, the licensee or credit representative may remunerate the referrer in accordance with usual business practices. This means that we may remunerate parties through payments, rewards or benefits. Any key referral payments are disclosed above. These referral fees are generally small amounts and accord with usual business practice. These are not fees payable by you.

\*\*\*\*Commissions are paid based on a percentage of the loan balance that is drawn down which in most cases will be net of any amounts you hold in an offset account. The way commissions are calculated and paid to us by lenders may vary. By following the responsible lending requirements, we will ensure the loan recommended to you is not unsuitable for your situation and objectives.

## Date of Assessment

This assessment is based on the information provided by you, and it has been assessed that the loan is / was not unsuitable for you.

<b>Approximate date the assessment was made</b>	March 9, 2022
<b>Period covered by assessment</b>	90 days from the date the assessment was made.

**Warning:** Before settlement the lender will send you the formal loan offer contract. When signing these lender documents, you should check the contract carefully to ensure that the terms of the loan meet your requirements. The terms of the loan offer may be different from the terms set out in this document.

## Capitalisation of Lenders Mortgage Insurance Premiums

Lenders mortgage insurance (LMI) premiums are payable in two ways: as 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. This will mean you are also paying interest on the LMI for the life of the home loan, so are likely to pay more. Capitalisation is the most common way of paying for LMI.

### 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 they can buy the property sooner but it will add to 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. If 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. Buying a property sooner using LMI means they will no longer be paying rent which in some cases may be more than the mortgage payments inclusive of capitalised LMI.

## Frequency of Repayments and Paying off your Mortgage Faster

Making higher or more frequent payments on your mortgage will save you money and help you pay down your home loan faster.

### Switch to fortnightly payments

If you are currently paying monthly, consider switching to fortnightly repayments. By paying half the monthly amount every two weeks you'll make the equivalent of an extra month's repayment each year (as each year has 26 fortnights).

### Make extra payments

Extra repayments on your mortgage can cut your loan by years. On a typical 25-year principal and interest mortgage, most of your payments during the first five to eight years go towards paying off interest. So, anything extra you put in during that time will reduce the amount of interest you pay and shorten the life of your loan.

### Make higher repayments

Another way to get ahead on your mortgage is to make repayments as if you had a loan with a higher rate of interest. The extra money will help to pay off your mortgage sooner.

If you switch to a loan with a lower interest rate, keep making the same repayments you had at the higher rate and if interest rates drop, keep repaying your mortgage at the higher rate.

### Consider an offset account

An offset account is a savings or transaction account linked to your mortgage. Your offset account balance reduces the amount you owe on your mortgage. This reduces the amount of interest you pay and helps you pay off your mortgage faster.

For example, for a \$500,000 mortgage, \$20,000 in an offset account means you are only charged interest on \$480,000.

If your offset balance is always low (for example under \$10,000), it may not be worth paying for this feature.

### Avoid an interest-only loan

Paying both the principal and the interest is the best way to get your mortgage paid off faster. Most home loans are principal and interest loans. This means repayments reduce the principal (amount borrowed) and cover the interest for the period.

With an interest-only loan, you only pay the interest on the amount you have borrowed. These loans are usually for a set period (for example, five years).

Your principal does not reduce during the interest-only period. This means your debt is not going down and you will pay more interest over the term of the loan.

### Frequency of Mortgage Repayments

As home loan interest is calculated daily; weekly and fortnightly repayments are better than monthly repayments to save you interest over the life of the loan.

If a bank allows you to make fortnightly payment as half of your monthly payment you will pay one extra payment per year as 26 fortnights is the equivalent of 13 monthly payments. This repayment strategy will save you interest and reduce your loan term.

	Monthly	Fortnightly	Weekly
Required repayments per year	\$1,934.00	\$967.00	\$483.50

<b>Total paid per year</b>	\$23,208.00	\$25,142.00	\$25,142.00
<b>Extra paid per year</b>	N/A	\$1,934.00	\$1,934.00
<b>Total interest over 25-year term</b>	\$233,054.00		
<b>Time saved on loan term</b>	N/A	3 Years	3 Years

*\*Based on a home loan of \$350,000 with a 25-year loan term, at the current average standard variable interest rate of 4.44% p.a.*



## Government Grants

The state and federal governments currently make several different grants available to First Home Buyers. What grants and/or concessions are currently on offer in your state or territory may vary and change over time however the information below provides an overview of the grants and schemes and links to relevant websites you can obtain more information relevant to your state.

### First Home Super Saver Scheme

The First Home Super Saver (FHSS) scheme was introduced by the Australian Government in the Federal Budget 2017-18 to reduce pressure on housing affordability.

The FHSS scheme allows you to save money for your first home inside your super fund. This will help first home buyers save faster with the concessional tax treatment of superannuation.

From 1 July 2017, you can make voluntary concessional (before-tax) and voluntary non-concessional (after-tax) contributions into your super fund to save for your first home.

From 1 July 2018, you can then apply to release your voluntary contributions, along with associated earnings, to help you purchase your first home. You must meet the [eligibility requirements](#) to apply for the release of these amounts.

You can use this scheme if you are a first home buyer and both of the following apply:

- You either live in the premises you are buying or intend to as soon as practicable.
- You intend to live in the property for at least six months within the first 12 months you own it, after moving in.

You can apply to have a maximum of \$15,000 of your voluntary contributions from any one financial year included in your eligible contributions to be released under the FHSS scheme, up to a total of \$30,000 contributions across all years. You will also receive an amount of earnings that relate to those contributions.

More information on the First Home Super Saver Scheme can be found on the ATO Website [HERE](#).

### First Home Owner Grant (FHOG)

The First Home Owner Grant Scheme was introduced on 1 July 2000 to offset the effect of GST on home ownership. The FHOG scheme is a national scheme that is funded by each state and territory of Australia under their relevant legislation.

The FHOG Scheme provides a one-off grant to home buyers that meet the applicable eligibility criteria.

The scheme varies in each state. More information can be found via the following links:

- [ACT](#)
- [NSW](#)
- [QLD](#)
- [NT](#)
- [SA](#)
- [TAS](#)
- [VIC](#)
- [WA](#)

### Commonwealth Government First Home Loan Deposit Scheme

The First Home Loan Deposit Scheme is an Australian Government initiative to support eligible first home buyers purchase their first home sooner.

Usually first home buyers with less than a 20 per cent deposit need to pay lenders mortgage insurance. Under the Scheme, eligible first home buyers can purchase a modest home with a deposit as little as 5 per cent (lender criteria also apply). The National Housing Finance and Investment Corporation (NHFIC) guarantees to a participating lender up to 15 percent of the value of the property purchased that is financed by an eligible first home buyer's home loan.

There are currently [27 participating lenders](#) across Australia offering places under the First Home Loan Deposit Scheme.

More information on the First Home Loan Deposit Scheme can be found in the NHFIC website - [HERE](#).

### **Stamp Duty Concessions**

As an incentive for first home buyers most states and territories in Australia offer stamp duty concessions to first home purchasers. Generally, first home buyers will be exempt from paying stamp duty charges for purchases of established homes up to a certain amount.

The scheme varies in each state. More information can be found via the following links:

[ACT](#)  
[NSW](#)  
[NT](#)  
[QLD](#)  
[SA](#)  
[TAS](#)  
[VIC](#)  
[WA](#)

## Lenders Mortgage Insurance

Achieving the dream of home ownership is one of the most exciting times in your life. However, it also comes with a big challenge - the time it takes to save the substantial deposit lenders often require (typically 20% of the home's purchase price).

If you do not have a substantial deposit saved, your lender may be prepared to provide you a home loan with a smaller deposit (as little as 5%), by taking out Lenders Mortgage Insurance.

Lenders Mortgage Insurance is an insurance policy that your lender takes out to protect itself against the risk that you (the borrower) default on your loan repayments and your lender is unable to recover the full outstanding loan amount. The lender protects itself with Lenders Mortgage Insurance and a borrower buys a home sooner with a smaller deposit.

### **Lenders Mortgage Insurance protects your lender, not you, the borrower**

It is important to note that Lenders Mortgage Insurance does not protect you (the borrower) or any guarantor. It should not be confused with Mortgage Protection Insurance which is a separate insurance policy that protects you (the borrower) if you are unable to make repayments on your loan.

### **How does Lenders Mortgage Insurance help you, the borrower?**

Lenders Mortgage Insurance enables you (the borrower) to obtain a home loan that might not otherwise be available, by reducing the deposit you are required to provide. This means you will be able to:

- Buy a home sooner and stop paying rent; or
- Buy a more expensive property with the deposit that you have.
- It may also enable you to borrow at an interest rate that is comparable to a borrower with a substantial deposit.

### **Lenders Mortgage Insurance is a oneoff cost**

Lenders Mortgage Insurance is arranged by your lender and the premium is a one-off cost your lender pays to the insurer upon settlement of your property purchase. This cost is passed on to you (the borrower) by your lender, as a fee.

Your lender will tell you how much it will cost after you apply for your loan. The cost will depend on various factors including the size of your deposit and the type of loan you take out.

You may be able to add the cost of this fee to your loan amount, which means you will pay interest on it over the term of your loan. Otherwise you will need to pay it up front before your lender provides your home loan.

### **Refunds**

The Lenders Mortgage Insurance fee that your lender charges you may be partially refundable if your loan is terminated within the first two years.

Alternatively, your lender may not provide a refund because it has arranged to receive a larger up-front discount on its Lenders Mortgage Insurance premium (instead of the right to a refund). In this case the full amount of this discount is passed on to you. This means that if you were to refinance your home loan with another lender or increase your loan amount, you may be required to pay a Lenders Mortgage Insurance fee again.

You should check with your lender to find out if they have a refund policy and if it applies to you.

### **What happens if you default and your property is sold?**

If you default on your loan your property might be sold. If the money received from the sale of your property is not enough to repay your outstanding loan, your lender can make a Lenders Mortgage Insurance claim and the insurer will pay your lender the shortfall.

Once a claim has been paid, you (the borrower) continue to be responsible for the outstanding shortfall debt. Typically, this debt is passed on to the insurer by your lender and we may seek to recover the outstanding shortfall debt directly from you (the borrower) and any guarantors.

## Principal and Interest Repayments

Most people take on this type of home loan. You make regular repayments on the amount borrowed (the principal), plus you pay interest on that amount. You pay off the loan over an agreed period (loan term), for example, 25 or 30 years.

The interest rate on a standard home loan will often be cheaper than a more sophisticated loan that offers additional features.

Fixed, variable and partially fixed rate loans are all variations on standard principal and interest loans. There will always be penalties for paying out the fixed rate portion of a loan early.