

03.31 Lenders Mortgage Insurance

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1. About this policy

1.1 Why this policy

Purpose	<p>Lender's mortgage insurance :</p> <ul style="list-style-type: none">protects the Bank against loss in the event the borrower defaults which results in the sale of the security property, and there is a shortfall in the sale proceeds to cover the debt owing to the Bank.does not provide any protection for the borroweris required when the loan to security value ratio (LVR) exceeds the Non-MI maximum lending value ratio. Refer Loan to Value Ratio (LVR)
Applicable to	<p>Consumer mortgage applications for:</p> <ul style="list-style-type: none">new loan

	<ul style="list-style-type: none"> • loan increase • variations to an existing mortgage insured loan where the mortgage insurer's risk is increased or amended
Lender's mortgage insurance cover	<ul style="list-style-type: none"> • For construction loans, commences from the date of the first draw down (i.e. settlement for land) or the date of the initial loan establishment and / or drawdown and where payment of the LMI Premium is received. • Will be for 100% of the principal, interest, legal and selling costs • For all loans, LMI cover is valid for the duration of the loan contract or the expiration of the loan term (i.e. residential principal and interest loans, or residential Combination Loans) unless a variation to the contract's terms and conditions are agreed to, which may necessitate an additional premium being payable. • For Bridging loans the period of cover applies for the Bridging period and will continue on the end debt situation if LMI cover is still required.

2. Rules you must apply

2.1 Current and historical mortgage insurers

Feature	Insurer	
For loans written on or after 01/09/2021	ALMI	
For loans written before 01/09/2021:	Refer below	
<ul style="list-style-type: none"> • Equal to or less than 90% LVR ¹ 	WLMI	
<ul style="list-style-type: none"> • Greater than 90% LVR¹ 	For loans written on or after 18/5/15	WLMI
	For loans written between 12/11/12 and 17/5/15	QBE (Legacy LMI provider)
	For loans written prior to 12/11/12	Helia (formerly Genworth Financial) (Legacy LMI provider)
Also refer to ' Existing insured loans – Variations and Top Up premiums '		

¹ Capitalised LVR is used when the premium has been capitalised

² SGB, BoM, BSA and RAMS are considered to be external providers

2.2 Lenders Mortgage Insurance Premium

Premium payable	<ul style="list-style-type: none"> A once only premium is payable by the customer, except where a Variation or Top Up to an existing mortgaged insured loan requires a new or additional premium to be paid Customers have the option to capitalise the LMI premium on top of the base loan amount. <p>Refer to Premium rates and stamp duty</p>
Premium refund	Refer to Premium Refunds

2.3 Lenders mortgage insurance approval

Restrictions	<ul style="list-style-type: none"> An LMI policy, approval or In Principle Approval (IPA) should not be issued until applicants have met acceptable minimum credit standards. Final approval is subject to the satisfactory completion of all verification activities required of the Broker, Assessor and the Mortgage Centre / Verification Teams A consumer mortgage application meeting LMI lending value ratio is not an indication of approval
ALMI Underwriting Standards	<ul style="list-style-type: none"> ALMI will underwrite mortgage insurance up to the following: <ul style="list-style-type: none"> \$2,500,000 mortgage insured exposure to a single borrower across the Westpac Group \$2,500,000 at an LVR of up to 95% in a single loan including capitalising of the LMI premium ALMI has its own set of acceptance criteria 'ALMI Underwriting Policy', based on the level of risk it is prepared to undertake. This criteria may vary from the Bank's credit policy for acceptable risk.
Credit Rules - Loan amount and LVR	<ul style="list-style-type: none"> All Credit rules utilise the base loan amount and the base LVR, with the exception of serviceability assessments where repayments are based on the capitalised loan amount
LMI approval and authorities	<p>ALMI operates a Delegated Underwriting Authority (DUA) in conjunction with authorised Credit employees, whereby Credit may issue LMI policies on behalf of ALMI, provided that certain criteria are met.</p> <p>Approval criteria is detailed within Consumer Credit Policy and the</p>

	<p>individuals DUA authority letters.</p>				
	<p>LMI may be approved either:</p>				
	<ul style="list-style-type: none"> • within LMI open policy (DUA1) by authorised WBC employees 				
	<ul style="list-style-type: none"> • outside open policy: 				
	<table> <tr> <td> <ul style="list-style-type: none"> • by authorised LMI DUA Holders (DUA2): </td><td> <ul style="list-style-type: none"> • Applications referred outside the open policy should have a basis for consideration given higher LVR • Lenders / Assessors need to provide mitigating factors, such as financial position, stability, income / servicing, existing customer history and / or security to warrant cover at the level sought </td></tr> <tr> <td> <ul style="list-style-type: none"> • by ALMI underwriters (DUA4), for loan applications outside of both open policy parameters and DUA2 approval levels </td><td> <ul style="list-style-type: none"> • Credit must assess the credit worthiness of the application and if they consider the application worthwhile, recommend the loan to ALMI underwriters (DUA4) for consideration and approval. </td></tr> </table>	<ul style="list-style-type: none"> • by authorised LMI DUA Holders (DUA2): 	<ul style="list-style-type: none"> • Applications referred outside the open policy should have a basis for consideration given higher LVR • Lenders / Assessors need to provide mitigating factors, such as financial position, stability, income / servicing, existing customer history and / or security to warrant cover at the level sought 	<ul style="list-style-type: none"> • by ALMI underwriters (DUA4), for loan applications outside of both open policy parameters and DUA2 approval levels 	<ul style="list-style-type: none"> • Credit must assess the credit worthiness of the application and if they consider the application worthwhile, recommend the loan to ALMI underwriters (DUA4) for consideration and approval.
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<ul style="list-style-type: none"> • by ALMI underwriters (DUA4), for loan applications outside of both open policy parameters and DUA2 approval levels 	<ul style="list-style-type: none"> • Credit must assess the credit worthiness of the application and if they consider the application worthwhile, recommend the loan to ALMI underwriters (DUA4) for consideration and approval. 				
<p>Genuine savings, 10% equity, Customer contribution</p>	<p>New loans and loan increases requiring LMI must comply with the policy detailed under Genuine Savings, Equity and Customer Contribution.</p>				
<p>Duty of disclosure</p>	<p>Duty of disclosure is owed to the insurer under the Insurance Contracts Act.</p> <p>It requires disclosure to the mortgage insurer of all matters known, or that could reasonably be expected to have been known, that are relevant to the Insurer's decision as to whether to accept the risk of the Insurance, and if so, on what terms.</p> <p>This duty also extends to any subsequent renewal, variance or reinstatement of the LMI contract.</p> <p>Failure to comply with the duty of disclosure, may entitle the insurer to reduce its liability under the LMI contract in respect of a claim and or to cancel the contract.</p> <p>If the non-disclosure is dishonest (made knowingly), the insurer</p>				

may also have the option of avoiding the contract.

Also see [Loan Application and Approval](#) > Validation of information provided by the customer

2.4 Existing insured loans - Variations and Top Up premiums

Scenario	Action	LMI waiver - Legacy LMI providers 'QBE and Helia (formerly Genworth)'
<p>For:</p> <ul style="list-style-type: none"> A Loan Increase or other variation to an existing mortgaged insured loan, or An internal refinance of an existing mortgaged insured loan¹, or A new application using security collateral already covered by an existing mortgage insurance policy 	<ul style="list-style-type: none"> Whenever the mortgage insurer's risk is increased or amended, the mortgage insurer will be notified by the responsible processing area Prior to the Bank notifying approval to the customer, the mortgage insurer is to approve the variation and use of the existing policy The change will generally be applied to the existing policy and insurer Where additional LMI is required, the premium will be calculated by using the new total exposure amount and LVR Policy, and taking into consideration any previous premiums paid by the customer (premium credits). <p>Exceptions apply for 'Legacy LMI providers 'QBE and Helia (formerly Genworth)' as detailed in the next column</p>	<p>Where Lender's Mortgage Insurance is required and the existing policy cover is held with QBE or Helia (formerly Genworth):</p> <ul style="list-style-type: none"> OBP will waive Lender's Mortgage Insurance up to the MI-Max base LVR applicable under 'Loan to Value Ratio (LVR)' policy for any of the below scenarios: <ul style="list-style-type: none"> Loan increase to the existing insured loan An internal refinance of the existing mortgaged insured loan A new application using security collateral already covered by the existing mortgage insurance policy <p>Applications with this waiver applied are assessed to non-LMI standards</p> <p>It is not permissible to have multiple insurers with an interest in the same property.</p> <p>A restructure of a new mortgage insured application is required when:</p> <ul style="list-style-type: none"> an existing security collateral offered is already covered by an existing ALMI or WLMI

Scenario	Action	LMI waiver - Legacy LMI providers 'QBE and Helia (formerly Genworth)'
		mortgage insurance policy, and <ul style="list-style-type: none"> another existing security collateral offered is already covered by an existing QBE or Helia (formerly Genworth) mortgage insurance policy
¹ For WBC: SGB, BoM, BSA and RAMS are considered to be external providers		

2.5 Requests for premium refunds

Cancellation of the policy and appropriate premium refund will be requested **only** where the below conditions are met. The refund process will commence automatically, once the Bank notifies the Mortgage Insurer that the loan has been paid in full and the mortgage discharged.

The decision to refund a premium is at the discretion of the Insurer.. The Bank makes no decision about whether or not a refund is due.

Scenario	Conditions
For proposals which proceed	<ul style="list-style-type: none"> The loan has been paid and discharged in full, and Within the first two years of the policy commencement, and The loan has not been reported to have arrears, and The loan is not in Collections, and The loan is not subject to a claim, and There are no additional loans still outstanding covered under the original LMI policy, and Where the insurer is QBE or Helia (formerly Genworth), the amount payable is not less than \$500, or Where the insurer is WLMI, WLMI-A or ALMI, the amount payable is not less than \$400
For proposals which do not proceed	If the proposal does not proceed for any reason and the premium has already been paid

2.5.1 Refund Rates - Loans Repaid in Full

Period from date of premium payment to date when loan has been repaid in full	Refund payable (net of stamp duty)
1 year or less	40%
Over 1 year to 2 years	20%

2.6 Premium rates and stamp duty

The below formula for calculating LMI Premiums is provided for *information purposes only*.

Loan Value x Effective Rate
 + Stamp Duty
 + (GST- Reduced Input Tax Credit)
 = Total payable by customer

2.6.1 Premium Rates

The below Lenders Mortgage Insurance premium rates (current as at 21/08/2022) are subject to change and are for guidance only when discussing insurance with eligible customers.							
Base LVR Bands	\$0 - \$300,000	>\$300,000 - \$500,000	>\$500,000 - \$750,000	>\$750,000 - \$1M	>\$1M - \$1.5M	>\$1.5M - \$2M	>\$2M - \$2.5M
Up to 75%	0.27	0.39	0.49	0.49	0.58	0.66	0.75
>75 - 76%	0.34	0.41	0.59	0.60	0.65	0.68	0.72
>76 - 78%	0.34	0.45	0.59	0.68	0.68	0.69	0.72
>78 - 80%	0.46	0.54	0.75	0.80	0.90	0.91	0.92
>80 - 81%	0.60	0.600	0.74	0.74	0.93	0.93	0.93
>81 - 82%	0.61	0.61	0.74	0.74	0.93	0.93	0.93
>82 - 83%	0.80	0.85	0.97	0.97	1.24	1.24	1.24
>83 - 84%	0.80	0.88	1.02	1.02	1.30	1.30	1.30
>84 - 85%	0.81	1.08	1.18	1.18	1.52	1.52	1.52
>85 - 86%	0.84	1.11	1.26	1.26	1.58	1.58	1.58
>86 - 87%	1.18	1.22	1.45	1.45	1.81	1.81	1.81

The below Lenders Mortgage Insurance premium rates (current as at 21/08/2022) are subject to change and are for guidance only when discussing insurance with eligible customers.

Base LVR Bands	\$0 - \$300,000	>\$300,000 - \$500,000	>\$500,000 - \$750,000	>\$750,000 - \$1M	>\$1M - \$1.5M	>\$1.5M - \$2M	>\$2M - \$2.5M
>87 - 88%	1.20	1.28	1.58	1.58	1.86	1.91	1.97
>88 - 89%	1.24	1.60	2.00	2.00	2.34	2.34	2.34
>89 - 90%	1.68	1.80	2.41	2.41	2.66	2.68	2.80
>90 - 91%	1.94	2.38	3.38	3.38	3.52	3.84	4.06
>91 - 92%	1.94	2.55	3.51	3.52	3.65	4.03	4.06
>92 - 93%	2.28	2.74	3.66	3.66	3.91	4.16	4.33
>93 - 94%	2.32	2.76	3.81	3.82	3.98	4.23	4.43
>94 - 95%	2.55	3.12	4.00	4.03	4.17	4.55	4.78

2.6.2 Stamp Duty

Stamp Duty is applicable as a percentage of the premium amount. This is calculated by the LMI Premium Calculators.

State	NSW	VIC	QLD	SA	WA	TAS	ACT	NT
Amount	0.0%	10.0%	9.0%	11.0%	10.0%	10.0%	0.0%	10.0%

Change History

Amendment number	Amendment issue date	Description of changes
1	3 November 2021	First OBP issue online for Brokers on the OKA platform.
2	10 November 2021	Links updated
3	22 May 2022	Change 1 Updated section 2.4 Duty of disclosure

Amendment number	Amendment issue date	Description of changes
		Added Also see Validation of information provided by the customer > Comprehensive Credit Report (CCR) mismatch (scenario table) > scenario 3 'The CCR shows a facility but the borrower forgot they had the facility and did not declare it.'
4	21 August 2022	Change 1 Impacted section 3.2 Premium Rates – WBC Changes made to premium rates and bands.
5	2 October 2022	Change 1 Updated sections: <ul style="list-style-type: none"> • 'Stamp Duty': <ul style="list-style-type: none"> ◦ Added words in bold 'Stamp Duty is applicable as a percentage of the premium amount. This is calculated by the LMI Premium Calculators. • 'Mortgage Insurers': <ul style="list-style-type: none"> ◦ Identified Genworth Financial and QBE as 'Legacy LMI provider' ◦ Replaced instructions relating to Top Up and variations with a reference link to the updated section 'Existing insured loans - Variations and Top Up premiums' • 'Variations to loans' <ul style="list-style-type: none"> ◦ Renamed section 'Existing insured loans - Variations and Top Up premiums' ◦ Replaced existing content within a table detailing the scenarios and action required (clarification only) ◦ Added the below new rules regarding LMI waiver for legacy LMI providers QBE and Genworth: 'Where Lender's Mortgage Insurance is required and the existing policy cover is held with QBE or Genworth: • OBP will waive Lender's Mortgage Insurance up to the MI-Max base LVR applicable under 'Loan to Value Ratio (LVR)' policy for any of the below scenarios: <ul style="list-style-type: none"> ◦ Loan increase to the existing insured loan ◦ An internal refinance of the existing mortgaged insured loan ◦ A new application using security collateral already covered by the existing mortgage insurance policy Applications with this waiver applied are assessed to non-LMI standards

Amendment number	Amendment issue date	Description of changes
		Warning: It is not permissible to have multiple insurers with an interest in the same property. OBP will prevent the processing (and re-structure will be required) of a new mortgage insured application, where: <ul style="list-style-type: none"> • An existing security collateral offered is already covered by an existing ALMI or WLMI mortgage insurance policy, and • Another existing security collateral offered is already covered by an existing QBE or Genworth mortgage insurance policy'
6	26 March 2023	Change 1 Update to show Company Name change for Mortgage Insurance Provider Genworth to Helia
7	21 May 2023	Change 1 <ul style="list-style-type: none"> • re-format and re-wording of policy to improve clarity (with no change to policy)

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Published Date 21/05/2023