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RESOURCE - LMI EXPLAINED

# Lenders Mortgage Insurance

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LMI gets a bad rap. The truth is more nuanced - sometimes it's the smart move, sometimes it's not. Here's what it actually is and how to think about it.

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## The basics

### Q. What is Lenders Mortgage Insurance?

LMI is a **one-off, non-refundable premium** that's added to your home loan. It's calculated based on the size of your deposit and how much you're borrowing. The more you contribute to the purchase price, the lower the cost.

Critically — and this surprises many people — **LMI protects the bank, not you**. It covers any loss the lender would incur if you couldn't repay your loan.

### Q. Can LMI be avoided?

**Government schemes** assist with lower deposits and waive LMI. The criteria evolve, but they're a serious option for eligible borrowers.

**Certain professions** are eligible to have LMI waived entirely (medical, legal, accounting, and a handful of others — depends on the lender).

**A bigger deposit.** Hit 20% on an owner-occupied primary residence and you avoid LMI as standard. Investment properties have different policies and requirements.

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## Is LMI actually “bad”?

LMI gets framed as a fee to be avoided at all costs. Whether you have a 20% deposit or not, LMI itself is **neither good nor bad** — it's simply part of the home buying, refinancing, or borrowing process. What matters is whether paying it makes sense for *your* situation.

### When LMI makes sense

If paying LMI lets you stop paying rent and start building equity in an asset that's likely to appreciate, the cost may be well worth it. Time in the market often beats timing the market.

### When to think twice

If the property's prospects are flat or the LMI premium is unusually high relative to your purchase, it may be worth waiting and saving more — or exploring scheme eligibility before buying.

#### FOR REFINANCING

The same logic applies. If there's insufficient equity to avoid LMI but the purpose you need the money for outweighs the cost of incurring it, then it's your call to proceed. The point is — it's a decision, not a verdict.



## The bottom line

LMI isn't a punishment for not having 20%. It's a tool that lets the lending market accept lower-deposit borrowers. The right question isn't "how do I avoid LMI?" — it's **"does paying LMI get me to my goal sooner, and is the cost reasonable for that benefit?"**

### Got a question this raises?

Every situation is different. Book a free, no-obligation chat with Jonny and let's walk through your numbers.

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