



— Back to Basics —

Lenders Mortgage Insurance

Thanks for requesting your report about Lenders Mortgage Insurance.

Should you wish to discuss this further, please feel free to call us on 1300 187 894 or email finance@pebgroup.com.au.

We wish you well in obtaining your goals.

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Lenders Mortgage Insurance...

What is it?

If you are buying a property or land and have less than a 20 per cent deposit, you may be required to pay Lender's Mortgage Insurance.

Lenders Mortgage Insurance insures your lender against non-payment or default on a loan. While it protects the lender against loss and does not really assist you, mortgage insurance also makes it possible for purchasers to buy a home with a smaller deposit or invest in property with less equity.

How it works

When you take out a loan, you pay a once-off fee to the lender. Fees vary according to the amount borrowed and the size of your deposit. For example if you are borrowing 81% of the property value the mortgage insurance amount is less than say if you were borrowing 95% .

While Lender's Mortgage Insurance is not mandatory, most lenders require it if you are borrowing more than 80 per cent of the property's value. One way to avoid the insurance costs is to save more for your deposit or have other properties as security. There are advantages and disadvantages in using other properties.

Costs and Benefits

While Lender's Mortgage Insurance protects the lender in the event you default on your loan, there are plenty of benefits to home buyers. First time buyers benefit because it allows them to buy a home sooner with a smaller deposit. It is a ONCE OFF cost at the beginning of the loan, i.e. not an ongoing cost.

For investors it allows you to buy an investment property will less equity. In this case, these costs can be claimed as a tax deduction. We recommend you speak with your accountant on how to claim.

How do I cover Myself?

There are strategies on how you can cover your loan in the event of Death, Disablement Sickness or Accident

If you would like an obligation free consultation with our financial planning division to decide what insurances are necessary for your situation, please contact us on 1300 187 894 or email info@pebgroup.com.au.

Disclaimer: Information provided in this document is of a general nature and you should consider your own individual personal circumstance. Talk to us and we will tailor a package suitable to you.