

[How to avoid paying LMI](#) ^[1]



Lender's mortgage insurance ([LMI](#)) ^[2] is required in many instances when a loan is worth more than 80 per cent of a property's purchase price, as well as in some other circumstances. In very basic terms, when a lender considers a loan to carry a high risk, LMI is likely payable. Here's how you can avoid paying the costly premium.

Save for a higher deposit

The purpose of LMI is to protect lenders in case the borrower fails to make repayments and, when the loan-to-valuation ratio ([LVR](#)) ^[3] exceeds 80 per cent, so the loan amount is more than 80 per cent of the value of the property being mortgaged, the risk of a lender not recouping their costs should the borrower default is increased. A higher deposit means a smaller loan amount, so will decrease the LVR and the perceived risk, and may be the key to avoiding paying LMI.

Get a guarantor

If you don't have the financial capacity to meet a 20 per cent deposit but still want to avoid LMI, you do have the option of getting a [guarantor](#) ^[4] on your loan. Normally a close relative, such as a parent, guarantors can use the equity in their property to help you secure yours. In some instances, having a guarantor on your loan may mean that you won't need a deposit at all.

Take advantage of professional benefits

Although special offers based on the borrower's profession are not limited to medical professionals,

doctors are the big winners when it comes to waived LMI fees. Due to the perceived stability and high income, some lenders consider professionals earning a minimum of \$150,000 a year as 'low risk' borrowers and therefore offer them special loan benefits.

A little insider knowledge from Nick Kirlew, an MFAA accredited mortgage broker will go a long way in helping you find a loan that won't require you to fork out for LMI.

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