Monthly LMI.
Case study.

Helia

Lauren and David

Lauren and David were keen to purchase their first home. Currently renting, they would spend their weekends trawling through listings and attending open homes.

They dreamed of buying in the leafy north-western suburbs of Sydney, close to friends and relatives, a place where their children could grow up and enjoy creating happy memories. But after six months of searching, their dream seemed no nearer.

Finding the right place and securing it felt like an impossible dream.

They sensed that the market was reaching its peak and noticed that apartments and small homes were regularly selling for more than the estimated guide price. Lauren and David were unsure about the future of the market and wanted help understanding their position.

In addition, they both had busy jobs as a lawyer and physiotherapist. The time they spent searching was wearing them out.

They decided to engage a mortgage broker to help them understand their deposit options.

They also wanted to find the best home loan for their needs including a better understanding of all the upfront costs associated with buying a home.

They checked in with family and friends and were referred to a mortgage broker who was highly recommended by several people they spoke to.

Lauren and David's wish list

Apartment or small home in the leafy north-western suburbs of Sydney with access to facilities.

They were also conscious of longer-term benefits of capital growth.

Lauren and David's mortgage broker presented them with four options.

Option 1: Save for a full 20% deposit

Most lenders require a 20 per cent deposit before you can secure a home loan. In this scenario, based on a property worth $850,000, Lauren and David would require a deposit of $170,000 plus additional costs.

Benefits	Considerations
Smaller loan amount required Wider choice of competitive home loan products	May take years to save Home prices may rise at a faster rate than your savings

Option 2: Buy with guarantor

Home buyers can ask a family member to become a guarantor. The family member's home becomes the security property in case the home buyer defaults on their mortgage repayments.

Benefits	Considerations
Ability to use family support to buy a home sooner	Family member must put their home up as security and will be liable for paying back the whole loan if you can't Your family member may require you to pay them back if they have to cover payment of the loan

Option 3: Buy with LMI upfront fee

LMI protects the lender in case the home buyer defaults on their mortgage repayments and the outstanding loan amount can't be recovered through the sale of the security property.

Benefits	Considerations
Buy a home now with less than a 20 per cent deposit Stop paying rent and start building equity in your own home sooner	The LMI fee is added (capitalised) to the loan amount which means you will pay interest on it for the life of the loan

The fourth option, Monthly LMI, was the best option for them.

Option 4: Buy with Monthly LMI

Monthly LMI allows the home buyer to pay a monthly fee as an alternative to paying the LMI fee upfront or capitalising it into their loan. This means they don't need to save additional funds to cover the LMI fee or continue to pay interest on the fee for the life of the loan.

Benefits	Considerations
Buy a home now with a deposit less than 20 per cent Stop paying rent and start building equity in your own home sooner LMI fee is not capitalised into the loan so you won't pay interest on it When your loan-to-value ratio (LVR) drops below the amount set out by the lender (usually 80 per cent), you can stop paying for LMI	An LMI fee is payable every month

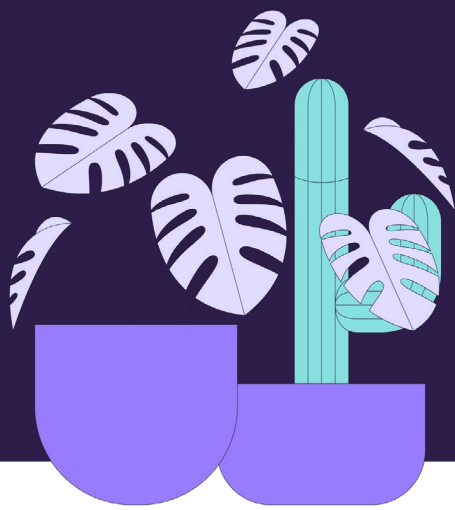
Crunching the numbers

LMI fee type	Monthly fee	Upfront fee
Purchase price	$850,000	$850,000
Total savings	$120,000	$120,000
NSW stamp duty*	$33,000	$33,000
Other upfront costs*	$3,000	$3,000
Upfront LMI fee (capitalised)**	$0	$10,135
Monthly LMI fee**	$245	$0
Available deposit	**$84,000**	**$84,000**
Purchase price + upfront costs	$886,000	$896,135
Loan amount	**$766,000**	**$776,135**
Monthly loan repayment *** (incl. Monthly LMI fee)	**$5,032**	**$4,850**

Home ownership is no longer a dream but a reality for Lauren and David.

With no upfront LMI fee to pay, Lauren and David maximised their savings, stopped paying rent and moved into their first home sooner. With no guarantor, no bank of mum and dad, and no interest to pay on the LMI fee, they now have an asset that will continue to grow over time.

Monthly LMI allowed Lauren and David the flexibility to start achieving financial wellbeing through home ownership.



* Stamp duty estimate based on desktop calculations. The amount of stamp duty payable will vary depending on the Australian state/territory where the relevant property is located. First home buyers should also consider their eligibility for assistance from federal, state or territory government schemes. Your mortgage broker can help you calculate how much you will need to pay in additional costs. Other upfront costs includes conveyancing and loan application fees. Lending criteria and conditions apply to approval of credit products.

** LMI fee may vary from estimate depending on a range of factors including, loan purpose, borrower type, security type or updated information received at the time of application. The upfront LMI fee is added to (or capitalised into) the loan amount by the lender.

*** Estimated monthly loan repayments based on a 30 year loan at an interest rate of 6.39% p.a. Variable rate subject to change over the loan term at the lender's discretion.

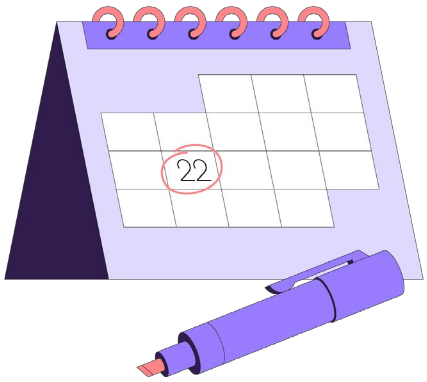
Key takeaways for home buyers

Adjust your lifestyle and save as much as you can. Following a budget may help you to save consistently to reach your savings goals.	Be flexible about your first property. It may not be the 'ideal' dream home but it can get you onto the property ladder.	Find a team of independent advisors to work for you (e.g. conveyancer, mortgage broker, etc).	Explore all your options (e.g. buying with the help of a family guarantor, check which lenders offer Monthly LMI as not all do, etc).

More about Monthly LMI

In the first 'pay by the month' LMI option to be offered in Australia, Helia provides an alternative to the one-off cost of Upfront Premium LMI, which means that home buyers don't have to save this additional amount before buying a home, or otherwise have to finance the upfront LMI premium as part of their loan amount.

This is a great option for home buyers who have strong serviceability, as the total loan amount can be maximised for use towards the property purchase, enabling them to buy their dream home.



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