

# UPDATE

CommonwealthBank  
Third Party Banking



7 July 2010

## **Introduction of 5% loading for Lenders Mortgage Insurance (LMI) and Low Deposit Premium (LDP) as from Saturday 10 July 2010**

Effective Saturday 10 July 2010, Lenders Mortgage Insurance (LMI) and Low Deposit Premiums (LDP) will attract a 5% loading for home loan applications involving certain loan purposes.

The 5% loading is being introduced by our Lenders Mortgage Insurer, Genworth Financial, due to the higher risk associated with some loan purposes. The loading will be applied to the LMI Premium prior to the calculation of the LMI Stamp Duty.

The 5% loading **will not** apply if the loan is subject to the premium increase announced in Update 10 June 2010.

### **When does loading apply?**

The 5% loading will apply in the following cases:

- Refinancing from another financial institution
- New customers using funds for a purpose not listed in the 'Loan Purposes' table, below
- Existing customers without an LMI/LDP insured loan and using funds for a purpose not listed in the 'Loan Purposes' table, below.

### **When is loading exempted?**

The 5% loading will not apply when:

- Not refinancing from another financial institution and funds are used for a purpose listed in the 'Loan Purposes' table, below.

### **Loan Purposes Table**

<b>Loan purposes listed below are exempt from 5% loading</b>
Construction of a dwelling – House
Construction of a dwelling – Other
Purchase of a newly erected dwelling – House
Purchase of a newly erected dwelling – Other
Purchase of established dwelling – House
Purchase of established dwelling – Other
Alterations and additions to dwelling – NOT Owner Occupied
Alterations and additions to dwelling – Owner Occupied
Purchases of land – dwelling will be built in less than 12 months
Purchases of land – Other

For information on Commonwealth Bank home loan products and credit policies go to  
<http://www.commbroker.com.au/>

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**Notes:**

- The loan purposes listed above are as they appear in the Commonwealth Bank system.
- If not a refinance from another financial institution and application does not contain any of the above Loan Purposes, the 5% loading will apply.
- The 5% loading will be applied if the loan purpose 'Re-finance of existing home loans - Refinancing of house loans of other financial institutions' has been submitted with any of the above mentioned loan purposes. Refinance of other financial institution will always override any exempted purpose.
- Existing LMI/LDP premium rates remain unchanged. This communication is an introduction of a new loading on top of these rates.

**How to calculate LMI premium when 5% loading is applicable**

Total LMI premium = LMI premium + LMI stamp duty (rounded down to nearest dollar)

Calculation for total LMI premium is: Loan amount X applicable LMI premium rate from current LMI rate tables X 1.05

LMI stamp duty = LMI premium X LMI stamp duty rate from table.

**How to calculate LDP premium when 5% loading is applicable**

Loan amount X applicable LMI premium rate from current LMI rate table X 1.05 (rounded down to nearest dollar).

Note: LDP currently uses the same rates as LMI (the difference is that LDP does not incur stamp duty so is a lower overall charge). LDP is subject to customer eligibility which is determined by the system at the time of application. All applications must be submitted using LMI calculations.

**Scenarios to determine if 5% loading applies**

Scenario	Refinance from another financial institution	Loan purpose (as listed in table)	All other Loan purposes	5% Loading applies?
1	Yes	Yes or No	Yes or No	Yes
2	No	Yes	Yes or No	No
3	No	No	Yes	Yes

**New LMI/ LDP Quotation Tool**

[CommBroker](#) will have the new LMI/LDP Quotation tool available as from Saturday 10 July 2010.