

UPDATE

CommonwealthBank



Third Party Banking



10 June 2010

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Change to LMI and LDP Premiums and New Quotation Tool

As from Saturday 12 June 2010, Lenders Mortgage Insurance (LMI) and Low Deposit Premiums (LDP) will be increasing for new home loan applications from existing customers. The premium increase is being applied to additional home loan applications such as top ups, new investment home loans and loan consolidations where the property securing the new debt is already insured by an existing LMI/LDP policy. The premium increase will be applicable for cross-collateralised loans where an existing LMI/LDP cover is in place.

Background

Australia Prudential Regulatory Authority (APRA) recommended to Genworth to increase the amount of capital they hold for their loan scenarios. The Bank is introducing a new methodology to meet Genworth's requirements. This is an interim measure until systems can be modified. The new method of calculation brings Genworth in line with market standards. All Genworth customers have had to implement a change to meet the APRA requirements.

Note: For applications where securities are not secured against an existing LMI/LDP insured Commonwealth Bank debt, customers will be charged the current LMI/ LDP premiums rates.

How to calculate new LMI premium

Total LMI premium = LMI premium + LMI Stamp duty

Calculation for total LMI premium is:

Loan amount X applicable LMI premium rate from current LMI rate tables X 2.11

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

EXAMPLE - LMI

Existing Loan:	\$150,000
Top up requested:	\$50,000
Security (NSW):	\$230,000
LVR:	86.96%
Premium Rate:	0.6988636364
Stamp Duty Rate:	9.6585365854

Calculation:

$\$50,000 \times 0.6988636364\% = \$349.43 \times 2.11 = \$737.30$ premium

$\$737.30 \times 9.6585365854\% = \71.21 Stamp Duty

Total Premium: $\$737.30 + \$71.21 = \$808.51$ rounded down to \$808.00

For information on Commonwealth Bank home loan products and credit policies go to

<http://www.commbroker.com.au/>

Update issued by Third Party Banking, Commonwealth Bank of Australia ABN 48 123 123 124. This content is for the information of accredited mortgage brokers only.

How to calculate new LDP premium

Calculation of LDP premium is:

Loan amount X applicable LMI premium rate from current LMI rate tables X 2.11

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)

EXAMPLE - LDP

Existing Loan: \$150,000
Top up requested: \$50,000
Security (NSW): \$230,000
LVR: 86.96%
Premium Rate: 0.6988636364

Calculation:

Premium: $\$50,000 \times 0.6988636364\% = \$349.43 \times 2.11 = \$737.30$ rounded down to \$737.00

New LMI premiums will apply for any new loan where any properties securing the new loan also secure an existing Commonwealth Bank mortgage insured loan. For example, a customer has an existing mortgage insured Home Loan, secured by their home. They apply for a new Investment Home Loan (IHL) with the investment property and their existing home as security. As their home is held as security for an existing mortgage insured Commonwealth Bank Home Loan, the increased LMI/LDP premium will apply to the new IHL.

The increased premiums do not apply to any new Home/Investment Home Loans, Lines of Credit and/or Top Ups that do not currently have LMI or LDP cover on existing loans against any of the properties securing the application.

NEW LMI/LDP QUOTATION TOOL

The existing LMI calculator (excel) has been upgraded to a new 'LMI/LDP Quotation Tool' and is in Adobe format. The new version of this tool was made available to Head Groups on Monday 7 June 2010 and will be available on the CommBroker website as from Saturday 12 June 2010, under Tools & Calculators.

NOTE: 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

Example 1 – Top up	Amount
Existing mortgage insured loan	\$250,000
Top Up amount	\$70,000
Total loan required	\$320,000
LVR	88.89%
LMI premium- Pre 5 June	\$829
LMI premium- Post 5 June	\$1,750

Example 2 – New Investment Home Loan (IHL) (Cross Collateralised Security)	Amount
New IHL amount:	\$400,000
Existing insured Home Loan	\$175,000
LVR	82.14%
Existing property used LMI premium- Pre 5 June	\$4,291
Existing property used LMI premium- Post 5 June	\$9,055

Example 3 – Internal Refinance	Amount
New loan amount:	\$300,000
Mortgage insured loan being refinanced	\$240,000
LVR	88.24%
LMI premium- Pre 5 June	\$551
LMI premium- Post 5 June	\$1,162

Note: Customers will also receive a higher premium when joint applicants/ guarantors use the security of an existing mortgage insured Commonwealth Bank debt at the time of application.

Minimum Standards to submit a Home Loan to Commonwealth Bank

To provide world class home loan processing, the Bank will be introducing a minimum standard before a home loan will be processed.

As from Monday 14 June 2010, applications will not commence processing unless the following items as a minimum are sent to the Bank:

- Third Party Banking Application checklist 001-286 (or equivalent) signed by broker
- Applicant/s privacy consent – via the Home Loan Privacy Consent and Supplementary Products Application 002-829.
- Satisfactory Identification must be provided.

Applications submitted without these items will not progress. A notification will be returned to the Broker using the standard method.

There are no changes to top 5 error categories used to determine Head Group submission quality targets.

13 25 88 Option 2 for customers now removed

Option 2 of phone line 13 25 88 which offers a service to home loan customers is now being diverted to 13 24 07, the post settlements call centre. This action is being taken due to the number not being promoted to customers and very few callers using this option.

Queensland: Introduction of Regional First Home Owners Grant

Effective immediately, a new \$4,000 Regional First Home Owners Grant (RFHOG) is available in Queensland in addition to the \$7,000 First Home Owners Grant (FHOG). The RFHOG will form part of the current FHOGS process and the existing FHOGS Application form will not be updated at this stage.

Northern Territory: Changes to Transfer Stamp Duty Concessions

Effective immediately, the First Home Owner Concession (FHOC) in Northern Territory has increased to a maximum of \$26,730 from \$15,515.50, for established dwellings valued up to \$750,000. The Principal Place of Residence Rebate (PPRR) has also increased from \$2,500 to a maximum of \$3,500.

The FHOC for vacant land will continue to have no duty payable for land values up to \$385,000 and full duty payable (no concession) for land values over \$385,000.

Note: PPRR is not available for customers eligible for the FHOC.