

## Understanding Lenders Mortgage Insurance (LMI) Calculations in Australia

### What Is LMI and When Is It Required?

Lenders Mortgage Insurance (LMI) is a one-off insurance premium that protects the lender (not the borrower) against loss if the borrower defaults and the property sale doesn't cover the loan. In Australia, LMI typically applies when borrowing more than 80% of a property's value (i.e. LVR > 80%) on a standard full-doc loan[1][2]. For low-documentation loans, LMI can apply from 60% LVR upward[3]. Borrowers pay the LMI cost, even though it protects the lender. Major Australian lenders either obtain LMI through one of the two dominant insurers – **Helia** (formerly Genworth) or **QBE** – or sometimes self-insure via their own fee structures[4]. You cannot choose the LMI provider; each lender has a commercial arrangement with one insurer, which means LMI premiums can differ between lenders for the same scenario[5][4].

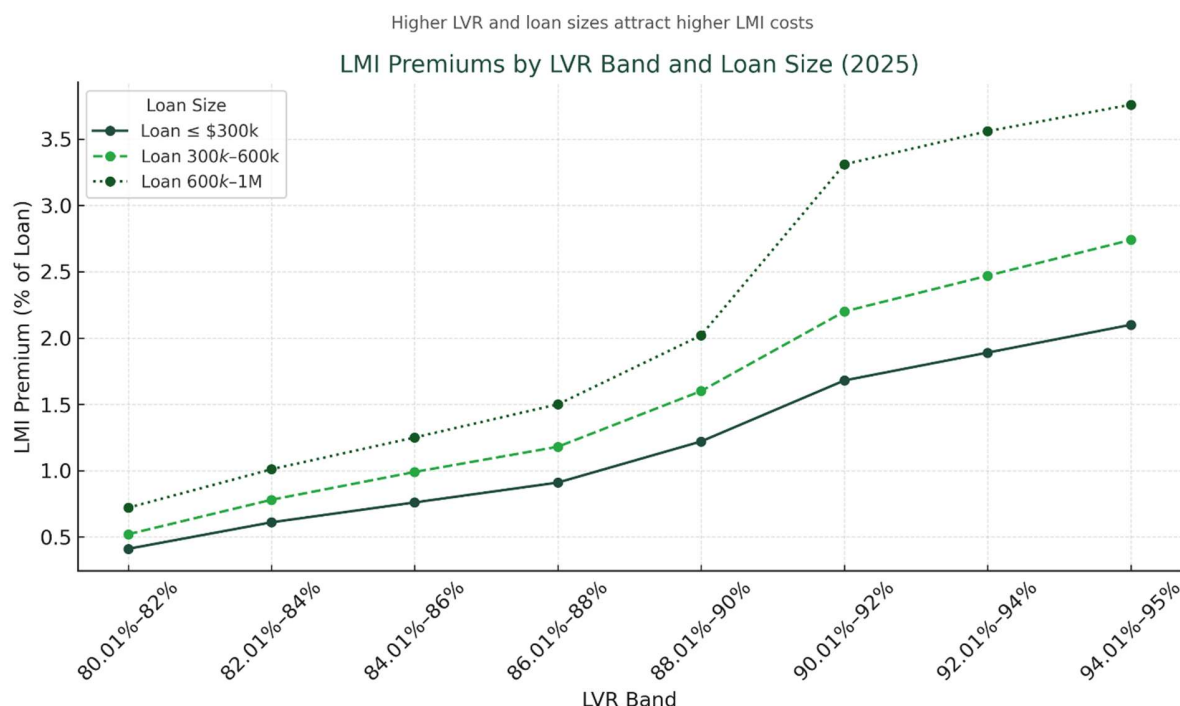
**Key point:** If your deposit is  $\geq 20\%$  (LVR  $\leq 80\%$ ), LMI is usually not required. But if LVR is above 80% (or above 60% for low-doc), LMI will likely be added as a condition of the loan[1].

### How LMI Premiums Are Calculated

LMI premiums in Australia are calculated as a percentage of the loan amount, based primarily on two factors[6]:

1. **Loan-to-Value Ratio (LVR):** Higher LVR means higher risk to the insurer, so the premium rate increases as the LVR increases[7]. LMI usually kicks in above 80% LVR and climbs steeply at high LVR tiers (e.g. 85%, 90%, 95%).
2. **Loan Amount:** Larger loans pose a greater absolute risk, so insurers tier their rates by loan size brackets[8]. Premium rates often jump at certain loan amount thresholds (e.g. <\$300k, \$300k–\$600k, \$600k–\$1M, etc.).

Major LMI insurers like Helia (Genworth) and QBE publish rate tables that combine these variables. **Fig 1** below shows an example LMI rate table (for a full-doc **owner-occupied** loan) from one lender's LMI schedule[9]. The premium is expressed as a percentage of the loan amount:



*Fig 1: Example LMI premium rates for full-doc (standard) loans by LVR and loan size[9]. Higher LVR and larger loan amounts both incur a higher percentage. (Loans above 95% LVR are generally not approved or have special conditions[10].)*

To calculate the LMI cost, the **premium rate** from the table is applied to the loan amount. For example, on a **\$490,000 loan at 91.6% LVR**, the premium rate might be **~2.20%**[11]. This results in a base premium of about **\$10,780**, and after adding roughly 10% insurance duty (see below) the total LMI cost is around **\$11,858**[12]. In practice, LMI can range roughly **1% to 5% of the loan amount** depending on LVR – e.g. a 90% LVR loan might incur ~2–3% of the loan in LMI, whereas a 95% LVR on a large loan could be 4–5%[13][14].

**Insurance Duty/GST:** Note that state governments charge stamp duty on insurance premiums, including LMI. This duty is usually **9–11%** of the LMI premium (exact rate varies by state/Territory)[15]. The duty (plus GST) is typically included in the quoted LMI cost[16]. For instance, the \$11,858 in the example above includes a 10% duty loading on the base premium[12].

## LMI Rates by Loan Type and Borrower Profile

Beyond LVR and loan size, **LMI insurers apply different rate tables or loadings for certain loan types and borrower categories**[17]:

- **Full-Doc vs Low-Doc Loans:** Low-documentation loans (for self-employed borrowers with limited income verification) attract higher LMI and stricter limits. LMI for **low-doc loans** usually applies from 60% LVR upward (not 80%) and uses higher premium rates[18]. For example, one

typical low-doc LMI table shows about **0.59%–1.54%** premium for 70–80% LVR (loan ≤\$1M)[19] – considerably higher than an equivalent full-doc loan at 70–80% LVR (which would incur no LMI at all, or a much lower rate if slightly over 80%). Many lenders cap low-doc lending at 80% LVR and will not lend higher even with LMI.

- **Owner-Occupier vs Investor Loans:** Investment property loans are often deemed higher risk. It's common for **investor loans** to incur a premium **loading of around 20%** on the base LMI premium[17]. In other words, if an owner-occupied loan's LMI premium is \$10,000, the same scenario as an investment loan might be ~\$12,000. Helia's estimator indicates that premiums are generally higher for equivalent **investment loans** than for owner-occupier loans[20]. (Some insurers/builders incorporate this by simply having a separate rate table for investor loans that has higher percentages, while others calculate a surcharge on the final premium.)
- **First Home Buyers vs Other Borrowers:** First Home Buyers per se do not pay a different LMI formula in normal circumstances – they are subject to the same LVR/loan amount pricing. However, **first-home buyers** have other avenues to avoid or reduce LMI (discussed later, e.g. government guarantees). Some insurers or lenders occasionally run specials targeting first-home buyers, but these are not industry-standard changes to the formula. The main difference is **borrower history** – first-timers might have no repayment history, but this isn't explicitly priced into LMI beyond what's reflected in LVR and loan size. (Notably, **self-employed** borrowers can face higher premiums with some insurers – see below – but being a first-home buyer by itself doesn't raise the premium, aside from the fact that many FHBs have high LVR which already leads to higher LMI.)
- **Employment/Documentation Type:** As noted, self-employed borrowers on full-doc loans may still see loadings. For example, some insurers **add ~20%** to the premium if the borrower is self-employed (even on a full-doc loan)[17]. This is because historically self-employed borrowers without stable PAYG incomes were seen as a bit riskier. Not all lenders/insurers apply this, but it's an example of a **borrower type loading**. Conversely, some lenders might slightly discount LMI for certain low-risk professions or first-home buyer status, but such practices are not universal. Overall, **different LMI providers have different premium charts** – what one charges for a given scenario could be thousands of dollars more or less than another[21], so shopping through a broker can be important.
- **Loan Term & Repayment Type:** The LMI premium generally covers the **entire life of the loan** (whether 25, 30, or even 40 years) with a single upfront premium[22]. There isn't a separate formula that increases the premium for a longer loan term – insurers assume a long-term risk (policies can remain in force ~9–10 years on average before loans are refinanced or paid off)[23]. However, certain loan features can impact risk: for example, **Interest-Only loans** (common with investors) don't pay down principal initially, so some lenders limit max LVR or charge higher interest rates for these, but the LMI *premium* itself is usually based on the same LVR/loan amount table (insurers may simply not insure IO loans beyond a certain LVR rather than charge a higher percentage). Importantly, if you pay off or refinance the loan very early, **partial LMI refunds** may be available – typically a 40% refund if the loan is terminated within 1 year, or 20% if within 2 years (no refund after 2 years)[24]. This policy varies by insurer; it used to be standard with some LMI providers that if you closed the loan in under 2 years, you could

get a small pro-rata refund. Borrowers should check with their lender/insurer about any refund clauses.

**Bottom line:** The **higher the perceived risk**, the higher the LMI premium. So high LVR, large loan, investor purpose, low-doc, or unconventional borrower scenarios will all push the premium up[17]. Each insurer has its own rate cards, so premiums can differ by lender since most lenders use one exclusive LMI provider[21]. In fact, the difference in LMI cost between two lenders for the *exact same* borrower can be over \$5,000[25], simply due to different insurer partnerships or calculation methods.

## Examples of LMI Premium Costs by LVR

To illustrate real-world premiums: below are some estimated LMI costs (including stamp duty) for various scenarios, based on 2025 data. These assume full-doc owner-occupier loans and typical insurer rates:

- **\$500,000 property:**
  - 15% deposit (85% LVR) -> roughly **\$6,300** LMI cost
  - 10% deposit (90% LVR) -> roughly **\$14,200** LMI cost
  - 5% deposit (95% LVR) -> roughly **\$17,000** LMI cost[26][27]
- **\$800,000 property:**
  - 15% deposit (85% LVR) -> about **\$21,850** LMI
  - 10% deposit (90% LVR) -> about **\$31,900** LMI
  - 5% deposit (95% LVR) -> about **\$35,550** LMI[28][29]
- **\$1,000,000 property:**
  - 15% deposit (85% LVR) -> ~**\$30,850** LMI
  - 10% deposit (90% LVR) -> ~**\$40,135** LMI
  - 5% deposit (95% LVR) -> ~**\$44,600** LMI[30][31]

As you can see, the premium climbs sharply at higher LVRs. For a given property value, cutting the LVR from 95% to 90% can save many thousands in LMI. For example, on a \$700k property, increasing the deposit from 5% to 10% (i.e. LVR from 95% down to 90%) saved around **\$4,000** in LMI in 2025 estimates[32][33].

## Lender-Specific Variations and LMI Waivers

**Most lenders pass the LMI premium cost to the borrower**, but there are variations in how it's handled:

- **Bank Self-Insurance and Risk Fees:** A few major banks operate their own LMI-equivalent or *self-insure* some loans. For example, **CommBank's "Low Deposit Premium (LDP)"** is an internal fee for loans just over 80% LVR. It's a one-off bank fee calculated similarly to LMI (based on how much under 20% deposit you are)[34]. CBA will charge either LDP *or* LMI – not both – depending on the scenario[35][36]. In practice, CBA often uses LDP for lower high-LVR ranges (e.g. 80–85% LVR) and uses traditional LMI for very high LVRs. The concept is the same (a percentage-based fee added to the loan), but CBA's LDP means CBA is effectively self-insuring

that loan instead of paying an external insurer. Similarly, Westpac historically had an in-house LMI unit which it recently sold to Arch Capital, who now provides LMI for Westpac loans[37][4]. Some non-bank lenders (e.g. Pepper Money) don't charge traditional LMI at all – *instead, they charge a “risk fee”* which often is comparable in cost. For instance, Pepper may allow loans to 85–90% LVR with no LMI policy, but the interest rate or fees include a built-in charge for the higher risk[38][39]. These alternative structures still ultimately protect the lender from default risk, but the terminology might differ.

- **LMI Absorbed or Discounted by Lender:** At times, lenders run promotions where they **cover the LMI cost** (either fully or partially) to attract certain borrowers. For example, in 2023–2024 some lenders offered “**no LMI up to 85% LVR**” for eligible borrowers. UBank, as of 2024, had a promo of **no LMI on owner-occupier loans up to 85% LVR** (P&I repayments)[40]. This means if you have 15% deposit, they waive the LMI fee entirely. Such offers are usually limited to certain products or borrower segments and can change over time. Other lenders might discount the LMI premium (or refund it) for **refinancers** who already paid LMI recently[41], or for **loyal customers** increasing their loan, etc. These are case-by-case marketing offers rather than standard calculations.
- **Professional LMI Waivers:** A common variation is that many banks **waive LMI for specific high-income professionals** (sometimes called **professionals package**). For instance, major banks like ANZ, NAB, Westpac (and others) will approve loans up to 90% or even 95% LVR with **no LMI** for doctors, surgeons, dentists, some medical professionals, and often accountants, lawyers, etc., provided they meet certain criteria[42][43]. Typically, the borrower must be in a prescribed profession, earn above a certain income (e.g. >\$90k or \$150k depending on field)[44], and sometimes be a member of their professional association. If eligible, the lender simply doesn't charge LMI (they either self-insure or consider the risk acceptable due to the borrower's strong profile). These waivers are significant cost savers for those who qualify – e.g. a young doctor can buy with 10% deposit and pay no LMI, saving tens of thousands. Each lender has its own list of eligible professions and max LVR (some cap at 90%, others 95% for certain fields)[45].
- **Government Schemes (LMI Substitution):** The Australian Government's **Home Guarantee Scheme (HGS)** allows eligible first-home buyers (and others, like single parents) to purchase with as little as 2%–5% deposit **without paying LMI**[46][47]. Under these schemes (First Home Guarantee, Family Home Guarantee, etc.), the government essentially guarantees the loan's top-up portion, so lenders don't require LMI. These programs have limited places and eligibility criteria, but they effectively let first-home buyers avoid the LMI cost entirely while borrowing 95–98% LVR. Additionally, some state first-home grants or upcoming policies (e.g. a proposed Labor policy from 2026) aim to eliminate LMI for FHBs with 5% down by providing a government guarantee[48]. These are not variations in LMI pricing *per se*, but alternatives that remove the need for LMI.

**Important:** In the absence of special waivers or schemes, **all borrowers with high LVR loans will pay LMI based on the insurer's formula**. The calculations might differ slightly by lender/insurer, but the structure (LVR tiers, loan amount brackets, etc.) is similar. Always get a personalized quote, because “*LMI providers calculate LMI differently, so it's best to get a quote directly for your scenario*”[38].

## Paying and Calculating LMI – Common Practices

When you incur LMI, you generally have two payment options:

- **Add it on top of the loan (Capitalised):** This is most common – the lender adds the LMI premium to your loan balance. You then effectively finance it over the loan term[49]. For example, if your base loan is \$500,000 and LMI is \$15,000, the loan at settlement becomes \$515,000. This increases your monthly payments slightly and you'll pay interest on the LMI amount, but avoids needing extra cash upfront.
- **Pay it upfront at settlement:** Less common, but you can pay the LMI in cash at settlement as a lump sum[50]. Borrowers choosing this often want to avoid paying interest on the LMI amount over time. Some insurers may even offer a slight **discount** if the premium is paid upfront out-of-pocket (Helia has hinted at upfront-pay discounts) – because normally capitalising increases the LVR a bit, which could push the premium rate higher. Check if any discount applies; otherwise, upfront vs capitalised doesn't change the base premium, it's just about financing.

Historically, LMI was always a lump sum, but **innovation in 2023–24** has seen insurers like Helia consider offering **monthly premium payments** as an option[51]. This would spread the cost like an insurance subscription, potentially making it easier for borrowers to handle (common in some overseas markets). As of 2025, the vast majority of LMI in Australia is still paid as a one-off premium (capitalised or upfront).

**Estimation Tools:** To help borrowers, most lenders and LMI providers have online **LMI calculators** or estimators. Helia (Genworth) offers an LMI fee estimator tool on its website[52], and many banks (e.g. Westpac, CBA, NAB) have integrated LMI calculators in their borrowing tools[53]. These calculators typically ask for: property value, loan amount, purpose (owner-occ or investment), location (for stamp duty), sometimes loan type (first home buyer, etc.), and they output an estimated premium. They are all using the underlying rate tables of whichever insurer the lender uses. Brokers also have access to premium tables and will compare LMI costs across lenders for you[25]. Because premiums **differ by insurer/lender**[21], using these calculators or asking your broker can highlight which lender might save you money on LMI for the same LVR. For instance, one lender's premium at 90% LVR might be thousands less than another's[54] – this is a hidden cost many borrowers overlook when focusing only on interest rates.

Finally, remember that **LMI is not transferable**. If you refinance to a new lender and still have >80% LVR, you'll have to pay a **new LMI premium** to the new lender's insurer – even if you paid one before (there's no "credit" for existing coverage)[55]. Also, LMI is not refundable if you simply hold the loan long-term; it's a sunk cost unless you pay off within that brief 1–2 year window where partial refunds apply. On a positive note for investors, LMI on an **investment loan is tax-deductible** (usually spread over 5 years) as a borrowing cost[56], including the stamp duty on it, which can slightly offset the cost.

## Summary of LMI Calculations and Practices

In summary, **LMI in Australia is calculated via tiered rates based on LVR and loan size, adjusted for loan type and purpose**. Major insurers Helia (Genworth) and QBE dominate the market and their pricing structures are similar (though not identical)[23]. A borrower's LMI premium will **rise in bands** as LVR goes from 81% up to 95%, and as the loan amount grows[57]. Typical premiums range from around **1% of the loan (for marginal high-LVR loans) to over 4% of the loan (for 95% LVR on a large loan)**[13][14].

Loan documentation type (full vs low-doc) and purpose (owner-occ vs investment) can further influence the cost via different rate schedules or loadings[17].

Many lenders have adopted strategies to soften the impact of LMI – whether by **absorbing the cost for certain borrowers (e.g. first-home buyer schemes, 85% no-LMI offers) or waiving it for select professionals** – but these don't change how the **underlying LMI formula** works; they are effectively the lender choosing to not pass on the cost in those cases. In all other cases, borrowers should expect to pay a one-time LMI fee as part of getting a high-LVR loan.

When planning for a mortgage with less than 20% deposit, it's wise to use an **LMI calculator** or get quotes for different LVR scenarios. Even a slight bump in your deposit (say from 10% to 12% of the price) might push you into a lower LVR band and significantly reduce the premium. LMI can be an expensive addition – but it enables people to buy homes sooner without a 20% deposit, which is its core purpose. By understanding the tiered calculation and knowing about any available waivers or discounts, borrowers can make informed decisions on how to handle LMI in their home ownership journey.  
[58][59]

#### Sources:

- Mortgage Experts Online – *Lenders Mortgage Insurance (LMI) Guide*[60][61]
- Mortgage Experts Online – “How much is mortgage insurance?” (Typical LMI premium tables and examples)[6][12]
- Money.com.au – *LMI Guide 2025* (premium ranges, examples, and ways to avoid LMI)[13][15]
- Helia (Genworth) – LMI Tools and Calculators (insurer's perspective on LMI costs)[20][62]
- CBA – *Low Deposit Premium* page (lender-specific LMI alternative)[34][35]
- Arch LMI (Westpac's LMI provider) – *LMI Fact Sheet* (calculation formula and refund policy)[63][24]
- Australian Broker News – *QBE and Genworth market info* (insurer market share and pricing approaches)[4][23]

---

[1] [3] [5] [8] [9] [11] [12] [19] [25] [57] [60] [61] Lenders Mortgage Insurance or LMI

[https://mortgageexpertsonline.com.au/lenders\\_mortgage\\_insurance](https://mortgageexpertsonline.com.au/lenders_mortgage_insurance)

[2] [13] [14] [15] [16] [20] [26] [27] [28] [29] [30] [31] [32] [33] [38] [39] [40] [42] [43] [44] [45] [46] [47] [48] [49] [50] [55] [56] [59] [62] Lender's Mortgage Insurance Guide: How Much Is LMI In 2025?

<https://www.money.com.au/home-loans/lenders-mortgage-insurance>

[4] [37] Westpac to sell its Lender Mortgage Insurance (LMI) busin...

<https://www.apartments.com.au/expert-insights/finance/westpac-to-sell-its-lender-mortgage-insurance-lmi-business-to-arch-capital-group>

[6] [24] [63] mortgage.archgroup.com



<https://mortgage.archgroup.com/wp-content/uploads/sites/4/LMI-Fact-Sheet.pdf>

[7] [10] [17] [18] [21] [54] [58] How much is mortgage insurance?

[https://mortgageexpertsonline.com.au/95\\_home\\_loans/how-much-is-mortgage-insurance](https://mortgageexpertsonline.com.au/95_home_loans/how-much-is-mortgage-insurance)

[22] [23] QBE spikes LMI premiums by 9%, cites risk of 'long term' volatility | Australian Broker News

<https://www.brokernews.com.au/news/breaking-news/qbe-spikes-lmi-premiums-by-9-cites-risk-of-long-term-volatility-178258.aspx>

[34] [35] [36] Low Deposit Premium - CommBank

<https://www.commbank.com.au/home-loans/low-deposit-premium.html>

[41] LMI Refund | Are You Eligible For A Refund On Your Premium?

<https://www.homeloanexperts.com.au/lenders-mortgage-insurance/lmi-refund/>

[51] Helia Faces Higher Claims in 2025 With Premiums to Drop as ...

<https://www.morningstar.com/company-reports/1271357-helia-faces-higher-claims-in-2025-with-premiums-to-drop-as-commonwealth-bank-switches-provider>

[52] LMI fee estimator. - Helia

<https://helia.com.au/the-hub/calculators-estimators/lmi-fee-estimator>

[53] Stamp duty and LMI calculator - Westpac

<https://www.westpac.com.au/personal-banking/home-loans/calculator/stamp-duty-calculator/>