



LMI Guide

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1. Introduction

1.1 About QBE Lenders' Mortgage Insurance Limited (QBE LMI)

QBE Lenders' Mortgage Insurance Limited is one of the largest mortgage insurers in Australia. Although the business names have changed over time, QBE LMI has been operating continuously in the Australian mortgage insurance market since 1965.

1.2 What is Lenders' Mortgage Insurance?

Lenders' mortgage insurance (LMI) covers the Lender in the event of the borrower defaulting on their loan. If the property is subsequently sold and the amount from the sale is insufficient to pay off the loan in full, this insurance will cover the Lender for the shortfall. The insurer may then exercise their legal right to recoup this shortfall from the borrower. The Lender applies for LMI not the borrower and the insurance should not be confused with Mortgage Protection Insurance.

The fee for LMI is paid as a once only fee at loan settlement and varies depending on the amount of money being borrowed and the loan to valuation ratio (LVR).

1.3 How to use this LMI Guide

The LMI Guide is designed to be used as a guide to assist in completing applications for and relating to LMI. It contains information on some common underwriting questions that we receive from time to time. Whilst it is not a comprehensive list of QBE LMI's requirements, each application for LMI must at a minimum satisfy these requirements.

QBE LMI will consider any LMI application that does not meet these guidelines based on individual merit if the Lender fully supports the LMI application. QBE LMI reserves the right to accept and approve, request additional information, or decline LMI applications in its absolute and sole discretion notwithstanding the LMI application may comply or appear to comply with these guidelines.

QBE LMI reserves the right to vary our products, terms and conditions and our underwriting criteria from time to time without notice.

Capitalised terms have the meaning defined in section 22 (Glossary of Terms).

1.4 QBE LMI Website

Log on to www.qbe.com/lmi for the following services:

- Location wizard – the online business tool of QBE LMI's location limits
- Location guide – a reference of the maximum amounts QBE LMI will underwrite by LVR, and location
- Forms
- QBE LMI residential property market overview
- Latest QBE LMI news

2. Duty of Disclosure

2.1 Your Duty of Disclosure

Before you enter an insurance contract with Us, You have a duty to tell Us anything that You know, or could reasonably

be expected to know, that may affect Our decision to Insure You and on what terms. You have this duty until the proposed insurance contract is entered into in accordance with the Master Agreement (generally this is the later of QBE LMI having received the Premium or the Lender having satisfied any special conditions).

You have the same duty before You renew, extend, vary or reinstate an insurance contract. However, You do not need to tell us anything that:

- Reduces the risk We insure You for
- Is common knowledge
- We know or should know as an Insurer
- We waived Your duty to tell us about.

If You do not tell us anything You are required to, We may cancel the Policy or reduce the amount We will pay you if You make a claim for Loss under the Policy, or both. If Your failure to tell us is fraudulent, or any misrepresentation by You is fraudulent, We may refuse to pay a claim and treat the Policy as if it never existed.

2.2 Information that must be disclosed to QBE LMI

Information that must be disclosed to QBE LMI includes, but is not limited to:

- Poor conduct on borrower loans (where known to Lender)
- Borrowers' applications previously referred to or declined by another mortgage insurer
- Outstanding statutory obligations e.g. unpaid council rates or body corporate levies, tax
- Adverse credit report or credit history of borrower or any business of which the borrower is a related party e.g. a Company where the borrower is also a director
- Liabilities not disclosed by borrower in application
- If the borrower is not a citizen or a permanent resident of Australia or New Zealand
- Advantageous Purchase
- Private Sale
- Borrower is employed by family members
- Non-compliance with the terms of the Lenders / Funders standard Credit Policy.

Any relationships between any parties to the transaction, including but not limited to:

- Broker / Introducer has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan
- Vendor has personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan
- Borrower has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan
- Legal representatives for any party to the proposed transactions has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan
- Vendors Agent has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan.

3. Applying for Lenders' Mortgage Insurance

QBE LMI's product range provides cover to suit a variety of needs depending on a person's financial situation. QBE relies on the Lender to conduct a complete and thorough credit assessment for all loan proposals in accordance with the principles of responsible lending, Applicable Laws and the Lender's own Credit Policy.

3.1 Documentation

When applying for QBE Lenders' Mortgage Insurance, the following documentation will need to be submitted:

- LMI Proposal form (unless submitting electronically¹)
- Copy of the borrowers' Home Loan Application form
- Lender's serviceability worksheet if you are a non-ADI Lender
- If an application has been referred to another LMI provider, a full copy of any decisions / additional requests from the other LMI provider
- Registered valuation (or approved alternative)
- Lender's supporting notes.

Evidence obtained to support the application must be retained on file, in a retrievable format, for the life of the loan and made available to QBE LMI upon request.

IMPORTANT NOTE: All tax file numbers MUST be deleted from all documents prior to submission to QBE LMI.

3.2 Loan Originator representations

If any Loan Originator has been involved in the borrower's loan application the Lender agrees to make the following additional representations to QBE LMI at the time of submitting the LMI Proposal to QBE LMI:

- 1) The Lender represents to QBE LMI that:
 - a) any Loan Originator acting on the Lender's behalf is licensed (or is exempt from the requirement to be licensed, or is the Lender's authorised credit representative) as required by all Applicable Laws
 - b) the Lender has listed on the LMI Proposal the name of each Loan Originator involved in the marketing, origination, assessment or establishment of the loan(s) the subject of that LMI Proposal and any associated mortgage(s) and collateral security
 - c) the information and statements in and accompanying the LMI Proposal are true and correct and disclose every matter known, or that could reasonably be expected to be known, by the Lender to be relevant to whether QBE LMI will decide to provide insurance and if so on what terms; and
 - d) the Lender has undertaken all checks and verifications as are necessary for it to make the representations in paragraphs (a) to (c) above.
- 2) The Lender further acknowledges and agrees that:
 - a) each Loan Originator is the agent of the Lender for the purposes of both the provision of the information and statements in and accompanying the LMI Proposal and any contract of insurance arising from the acceptance by QBE LMI of that LMI Proposal
 - b) the knowledge of any such Loan Originator of any matter relevant to the representations referred to in paragraph 1 above, to the information and statements in an accompanying the LMI Proposal and to those matters which the Lender is required to disclose in accordance with its duty of disclosure is imputed to and the knowledge of the Lender; and this agreement and acknowledgement will be a term of any contract of insurance with QBE LMI arising from its acceptance of the LMI Proposal.
- 3) Without limiting the Lender's duty of disclosure (as outlined in section 2) and the representations made in paragraphs 1 and 2 above, the Lender acknowledges and agrees that it will be responsible for any non-disclosure or misrepresentation arising from or attributable to:
 - a) the acts or omissions of any Loan Originator; or
 - b) any information provided by or through any Loan Originator or which any Loan Originator has omitted to provide.

¹ The LMI Proposal form is available upon request at lmi_underwriters@qbe.com.

² Lenders must verify, and hold on file evidence, that a borrower has the right to work and live in Australia and Foreign Investment Review Board approval is held (where applicable).

4. Borrowers and Guarantors

This section outlines the criteria for borrowers and guarantors.

4.1 Acceptable borrowers and guarantors

Individuals	<p>Individuals who are working and living in Australia and are:</p> <ul style="list-style-type: none">• Aged 18 years or older, and• Either a citizen or permanent resident of Australia or New Zealand, or• A spouse or de facto partner of a citizen or permanent resident of Australia or New Zealand who is also party to the loan, and• Who are allowed to live in Australia indefinitely².
First home buyers	<ul style="list-style-type: none">• Individuals who have never owned an owner-occupied and / or investment property³, and• They intend to live in the property being purchased or constructed as an owner-occupied home on settlement of the home loan.
Non-residents	<p>Australian and New Zealand citizens working and living overseas. Spouse or de facto partners are acceptable co-borrowers when they are allowed to live in Australia indefinitely².</p> <p>Additional underwriting requirements:</p> <ul style="list-style-type: none">• Purchase or refinance of an Existing Residential Property.• Additional loans only available for home improvements or the purchase of another property.• Original and additional loans to be QBE LMI insured.
Companies	<p>The Company must be registered in Australia or New Zealand.</p> <p>Where the borrower is a Private Company, QBE LMI requires an unconditional, unlimited and irrevocable Guarantee and Indemnity (joint and several if more than one) of each director of the company.</p> <ul style="list-style-type: none">• Directors must meet the individual borrower requirements above.
Trust	<p>The Trust must be registered in Australia or New Zealand.</p> <p>Where the Trustee is a company, the mortgage is to be given in the company's corporate capacity and trustee capacity. In addition, QBE LMI requires an unconditional, unlimited and irrevocable Guarantee and Indemnity from all non-professional trustee directors of the Trustee company. In the case of a unit trust, guarantees are required from all the unit holders.</p> <ul style="list-style-type: none">• Trustees must meet the individual borrower requirements above.
Maximum exposure per borrower	<p>The total of a Lenders' QBE LMI mortgage insured loans to any one borrower is \$5,000,000. This is subject to a maximum exposure against a single security of \$2,500,000.</p>

² Lenders must verify, and hold on file evidence, that a borrower has the right to work and live in Australia and Foreign Investment Review Board approval is held (where applicable).

³ Lenders must search a borrowers' home loan application and supporting documentation for property ownership.

4.2 Borrowers Approaching Retirement

Whilst retirement ages vary, in the absence of any evidence to the contrary, Lenders need to document and fully verify a borrower's repayment strategy where the highest income earning borrower is 55 years old or more at the time of the loan application.

4.3 Unacceptable borrowers and guarantors

Cover will not be considered for:

- A person under 18 years of age
 - Foreign nationals (e.g. American citizens) who are not co-borrowers with a citizen or permanent resident of Australia or New Zealand
 - Australian and New Zealand permanent resident visa holders living in a country other than Australia
 - Companies with directors and Trusts with trustees living and working in a country other than Australia or New Zealand
 - Company director's purchasing property from their own developments for investment purposes
 - Individuals, Companies, or Trusts that own more than four investment properties
 - Bankrupt borrowers
 - Borrowers with no asset procedures listing in New Zealand
 - Borrowers of Convenience (i.e. not receiving a substantial⁴ benefit from loan transaction)
 - Self-Managed Superannuation Fund
 - Self-certified income borrowers.
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⁴ As outlined in the Banking Code of Practice

5. Funds to Complete

Where the LVR is above 90%, at least 5% of the purchase price must be provided by the borrower from a source acceptable to the Lender. Funds must be available at settlement.

Additional underwriting requirements:

Borrowed funds	Acceptable provided:
	<ul style="list-style-type: none">• The servicing calculation includes repayment for the borrowed funds.• The source of the borrowed funds are fully disclosed and from a source acceptable to the Lender and QBE LMI.

5.1 Unacceptable funds to complete

For all QBE LMI mortgage insured loans, regardless of LVR, funds to complete must not come from one of the following sources:

- Advance on wages or commission
 - Barter Card or other swap negotiations
 - Builder discount / finance or any form of incentive
 - Gifts or inheritance from non-Immediate Family Member
 - Lender finance of 5% deposit.
 - Proceeds from gambling
 - Proceeds from illegal activities
 - Rental discounts
 - Vendor gift / discount / finance / rebate or any form of incentive.
-

6. Employment and Income

Lenders are expected to make reasonable inquiries to verify a borrower's employment and income in accordance with the Lender's Credit Policy and Regulatory Standards and Guidelines.

6.1 Unacceptable income types

- Mileage reimbursement
 - Workers' compensation
 - Income from boarders
 - Unemployment benefit
 - Sickness allowance
 - Overseas self-employed income
 - Overseas rental income
 - Overseas investment income.
-

7. Servicing capacity

Borrowers must be able to demonstrate sufficient income to pay their financial commitments and living expenses without hardship.

It is the responsibility of the Lender to assess a borrower's capacity to pay in accordance with the Lender's serviceability methodology, Credit Policy, and Regulatory Standards and Guidelines.

8. Location limits

The maximum LVR is 95% excluding premium capitalisation and 100% including premium capitalisation. Applications submitted above these location limits will be reviewed by the underwriting team on a case-by-case basis.

Location	Property type (min 1 bedroom)	90% LVR	95% LVR
Metropolitan A	House / unit / townhouse / villa	\$2,500,000	\$2,500,000
	Vacant Land	\$900,000	\$900,000
	High-Density Apartment	\$2,500,000	\$2,500,000
Metropolitan	House / unit / townhouse / villa	\$1,500,000	\$1,500,000
	Vacant Land	\$800,000	\$800,000
	High-Density Apartment	\$1,500,000	\$1,500,000
Regional	House / unit / townhouse / villa	\$1,000,000	\$1,000,000
	Vacant Land	\$650,000	Not available
	High-Density Apartment	\$1,000,000	\$1,000,000
	Lifestyle Property	\$1,000,000	Not available
National	House / unit / townhouse / villa	\$650,000	\$650,000
	Vacant Land	\$350,000	Not available
	Lifestyle Property	\$650,000	Not available

Note:

- LVR restrictions apply to investment loans and Off-the-Plan or New-to-Market high-density apartments. See the LMI Location Guide for more information.
- In the case of ImiFirst Home™ Applications, if a location exception is approved by the underwriting team, the FHB rate discount will apply.

9. Property / security

Lenders must hold a 1st charge registered mortgage over the property securing the loan that QBE LMI are insuring.

9.1 Acceptable property type

Residential property type	Maximum LVR excluding capitalised LMI premium
House / unit / townhouse / villa	95%
High-Density Apartment	95%
Vacant Land	95%
Warehouse conversion	90%
Heritage listed	90%
Lifestyle Property	90%
Rural or rural-residential Vacant Land	80%

Note: Maximum LVR is subject to location restrictions.

9.2 Minimum requirements

Property used to secure a home loan needs to meet all standard underwriting criteria and the following minimum requirements:

- Must be zoned for residential use

- Minimum 40sqm living area with a separate bedroom excluding balconies and parking
- Connected to the national electricity grid and have a drinkable water supply
- Be accessed via a public all-weather road.

9.3 Unacceptable property type

- Property located outside Australia (Mainland and Tasmania only – coastal islands on application).
 - Commercial, industrial, or retail property
 - Vacant Land where the Borrower has no intention to build
 - Speculative purchases or land banking
 - Restrictive covenants or conditions, that may result in a repurchase less than market value
 - Properties with a residential building located within 50 meters of existing or proposed high tension power transmission lines or stanchion
 - Strata Title unit property is an unacceptable security type for construction loans
 - Exhibition / display home (remaining a display home post settlement)
 - Specialist rural property (e.g. farm, vineyard etc)
 - Unit in a strata hotel/motel
 - Unit in a retirement or Over 55's complex
 - Resort style dwellings
 - Mobile Homes
 - Studios and Bedsitters
 - Conversions (other than warehouse conversions)
 - Unit developments where the development is held as security and the number of dwellings exceeds 4 units
 - Leasehold properties (where the lease is not a Crown lease or term of lease holding does not exceed LMI policy by 5 years)
 - Time-share properties
 - Company title, Stratum title, Moiety title and Purple title properties
 - Properties affected by contamination
 - Subject to resumption orders by State or Commonwealth authorities.
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9.4 Assessed on a case-by-case basis

Security properties located in areas designated by local government authorities as being affected by landslip, flooding or mine subsidence can be considered on a case-by-case basis.

9.5 Additional underwriting requirements

The following property types have additional requirements:

Description	Criteria
High-Density Apartment	A maximum 90% LVR applies to New-to-Market or Off-the-Plan purchases in an HDD Restricted Location as listed in the QBE LMI Location Guide.
Lifestyle property	<p>Rural or rural-residential zoned property up to 50 hectares in size.</p> <p>The property can generate “hobby farm” income levels which must be excluded from the security value (valuation) and servicing calculation.</p> <p>Improvements must represent a minimum of 50% of the property value and exclude non-residential improvements e.g. barns, sheds, shelters.</p>
Vacant Land	<p>Vacant Land is acceptable when:</p> <ul style="list-style-type: none">• Residential use is permitted• The borrowers’ have an intention to build (no stockpiling or land banking)• Residential blocks $\geq 1,500$ sqm and rural blocks ≥ 2.2 hectares will be considered on a case-by-case basis• Any income generated must be excluded from the security value (valuation) and servicing calculation.• Line of credit facilities are not available.

10. Loan purpose

Home loan proceeds are to be used for the reason(s) disclosed in a borrower's home loan application and be acceptable to the Lender and QBE LMI.

10.1 Acceptable loan purpose

The maximum LVR is 95% excluding premium capitalisation and 100% including premium capitalisation.

Loan Purpose	ImiHome™	ImiFirst Home™	ImiInvest™
Purchase a house / unit / townhouse / villa	95%	95%	95%
Purchase residential Vacant Land	95%	95%	95%
Purchase rural or rural-residential Vacant Land	80%	80%	Not available
Off-the-Plan unit purchase	95%	95%	95%
Construction Loan	95%	95%	95%
Refinance an existing home loan	95%	Not available	95%
Bridging loan	85%	Not available	85%
Cash-out (equity release)	90%	Not available	90%
Consumer Loan	90%	Not available	90%
Debt Consolidation	90%	Not available	90%
Home improvements / renovations	90%	Not available	90%
Investment Loan (not real estate)	90%	Not available	90%

Note: Maximum LVR is subject to product and property type restrictions.

Lenders are responsible for:

- Verifying Satisfactory Repayment History Information (RHI) by completing a review of loan conduct over the previous six months or credit / store card facilities over the previous 3 months via either loan statements, or Comprehensive Credit Report (CCR) repayment history information.
- Following Cash-out criteria where funds are being either fully or in part released directly to the borrower on an uncontrolled basis.
- The removal of any covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value prior to settlement.

10.2 Additional underwriting requirements

Additional underwriting requirements apply to the following loan purposes:

Description	Criteria						
Off-the-Plan Purchase	Settlement must be completed within 6 months of the application for LMI.						
Advantageous Purchase (favourable purchase)	<p>A registered valuation is required and must refer to both the nature of the sale and the sale price.</p> <p>The loan amount must not exceed 100% of the purchase price.</p> <p>The LVR is determined using the valuation amount.</p>						
Bridging Loan	<ul style="list-style-type: none"> Maximum bridging period of 6 months (12 months for construction may be considered) Maximum peak debt including capitalised interest is not to exceed the sum of the location amounts that would normally be covered under QBE LMI's location guidelines for the postcode areas in which the properties are located <p>For example: If both securities are in postcode areas where policy permits 85% LVR lending, then maximum peak debt amount is the sum of the 85% LVR maximum lending limits for each individual security's specific location (i.e. one postcode area allows \$500,000 max at 85% LVR, and the other postcode area allows \$350,000 max at 85% LVR, then the maximum available bridging cover is \$850,000 at 85% LVR including capitalised interest).</p> <p>Note: Unavailable where the security property is Vacant Land.</p>						
Cash-out (equity release)	<p>Loan proceeds that are being either fully or in part released directly to the borrower (including line of credit facilities), regardless of the purpose, are subject to the following limits:</p> <table> <tr> <th>Maximum LVR</th><th>Maximum Amount</th></tr> <tr> <td>≤ 75%</td><td>Unlimited</td></tr> <tr> <td>> 75% ≤ 90%</td><td>\$100,000</td></tr> </table> <p>Full disclosure of what the loan proceeds are to be used for is mandatory and must be acceptable.</p> <p>Applications more than these parameters may be considered where:</p> <ul style="list-style-type: none"> There is supporting documentation evidencing use of funds <p>OR</p> <ul style="list-style-type: none"> The Lender controls the release of funds. <p>Examples of acceptable supporting documentation are:</p> <ul style="list-style-type: none"> Builders quote Purchase contract Confirmation from a financial planner or accountant as to the intended use of funds. <p>Note: Unavailable where the security property is Vacant Land.</p>	Maximum LVR	Maximum Amount	≤ 75%	Unlimited	> 75% ≤ 90%	\$100,000
Maximum LVR	Maximum Amount						
≤ 75%	Unlimited						
> 75% ≤ 90%	\$100,000						

Description	Criteria
Construction Loan (including the refinance of an existing land loan)	<p>Building a home for owner-occupied or investment purposes.</p> <p>A registered valuation is required and:</p> <ul style="list-style-type: none"> • The maximum LVR in a rurally zoned location is 90%. • The LVR is determined by the lower of the land purchase price plus the construction costs or the on-completion valuation amount. • A fixed price contract acceptable to the Lender and reviewed by the valuer in terms of their updated assessment has been entered into by the borrower. • A limit of two dwellings on the one title.
Consumer Loan	<p>Consumer loans are used to finance the purchase of durables. (e.g. cars, boats, house furnishings).</p> <ul style="list-style-type: none"> • The maximum loan amount is \$500,000. <p>Note: Unavailable when the security property is Vacant Land.</p>
Debt Consolidation Loan	<p>The purpose of a debt consolidation loan is to repay a borrower's other debts. This may arise only as a top up or Additional Loan to be insured under an existing policy.</p> <ul style="list-style-type: none"> • The maximum loan amount is \$100,000. <p>Note: Unavailable when the security property is Vacant Land.</p>
Home improvements / renovations	<p>Depending on the level and nature of work being undertaken, full disclosure of what the loan proceeds are to be used for is mandatory and must be acceptable.</p> <ul style="list-style-type: none"> • An updated valuation is required where the LVR is based on an 'on completion' value. <p>Lenders must:</p> <ul style="list-style-type: none"> • Ensure that the funds are applied to the security property and the additional home improvements are satisfactorily completed.
Investment Loan	<p>Where a borrower wishes to use the funds for "investment" in something other than real estate (e.g. business venture, shares, gold) upon which debt servicing is not reliant.</p>
Private Sale (arm's length transaction)	<p>A registered valuation is required and must refer to both the nature of the sale and the sale price.</p> <p>The LVR is determined using the lower of the purchase price or valuation amount.</p>
Refinance	<p>Where the LVR is greater than 90%, the maximum loan amount is restricted to the amount of the existing home loan and reasonable costs.</p>
Second Mortgage	<p>Maximum aggregate loan (i.e. total of first and second mortgage loans) is subject to the limits within this guide. A second mortgage is acceptable when:</p> <ul style="list-style-type: none"> • The first mortgagee is also the second mortgagee (where the first mortgage is granted under the Defence Service Home Loan scheme a second mortgage with another Lender is subject to our agreement); and • The first mortgagee is already insured with QBE LMI (where the first mortgagee is granted under the Defence Service Home Loan scheme a second mortgage with another Lender is acceptable subject to our agreement) • Where the first mortgage is uninsured then it must also be insured together with the second mortgage • Subject to maximum LVR limit set for security type, location and loan purpose. • The premium rate will be determined on the combined LVR and loan amount less the premium paid on the first mortgage.

10.3 Unacceptable loan purposes

- Development loans (irrespective of how many units are involved), including refinance of property development loans
- Investor loans where the borrower owns more than four investment properties
- Investment loan for a property located in a restricted location with a LVR greater than 70% (see 21. Location Appendix)
- Strata Title unit property is an unacceptable security type for construction loans
- Vacant Land where there are covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value
- Purchase or refinance of properties not valued on a single residential basis (i.e. where the value of the property includes an amount for development potential)
- Owner builders
- Builder programs
- Payment of taxation liabilities
- Private mortgages or refinance of a private mortgage (including Solicitor's and WRAP loans)
- Refinance of vendor finance loans
- Off the plan unit sales > 6 months
- Second mortgages over Vacant Land or non-amortising loans
- Share equity loans
- Reverse mortgages
- Third party mortgages i.e. where any security offered has one or more mortgagor/s who is neither a borrower nor a guarantor in the loan structure proposed
- Loans where another LMI is insuring and mortgage over proposed QBE LMI security
- Refinance of business or commercial loans.

QBE LMI should be contacted to confirm the maximum combined loan amount and LVR where a combination of:

- Security types
- Loan types
- Purposes or
- LMI products.

may apply.

11. Minimum Valuation Requirements

Each application for lenders' mortgage insurance submitted to QBE LMI will be taken to include a representation by the Lender that the valuation provided in support of the application complies with these Minimum Valuation Requirements and is no more than 90 days old.

The valuation must be retained for the life of the relevant Lenders' Mortgage Insurance Policy and be available, on request, to QBE LMI.

11.1 PropertyPro Valuation (Short or Long Form)

Each valuation must be completed by a valuer who is registered or licensed where required in that state or territory. The valuer must also be a member of Australian Property Institute (API), Royal Institution of Chartered Surveyors (RICS) or equivalent professional body.

Each valuation is in the API Property Pro template and is completed in accordance with the API Residential Valuation and Security Assessment Pro-Forma Supporting Memorandum.

A valuation that includes an amount for potential development is unacceptable.

11.2 SMARTval™

The SMARTval™ must be completed in accordance with the "In-Scope Properties" contained in the SMARTval™ Policies and Procedures.

Feature	Criteria
Loan Purpose	Purchase (verify Contract of Sale) and Refinance
Maximum LVR	95%
Maximum property value	\$2,000,000
Exclusions	- ImilInvest™ Restricted Locations#

See 21. Location Appendix

11.3 Desktop Assessment

The desktop assessment must be completed in accordance with the Australian Property Institute (API) Residential Desktop Assessment Supporting Memorandum.

Feature	Criteria
Loan Purpose	Purchase (verify Contract of Sale) and Refinance
Maximum LVR	95%
Maximum property value	\$2,000,000
Exclusions	- ImilInvest™ Restricted Locations#

See 21. Location Appendix

11.4 Automated Valuation Model (AVM)

The AVM must be completed by either CoreLogic, PropTrack or Insight Data Solutions in accordance with their AVM Policies and Procedures.

Feature	Criteria
Loan Purpose	Purchase (verify Contract of Sale)
Maximum LVR	95%
Minimum and Maximum property value	\$250,000 - \$2,000,000
Forecast Standard Deviation (FSD)	<=15%
Variance to Contract of Sale	AVM mid-point must be within +/- 10% of purchase price
Exclusions	<ul style="list-style-type: none">- Vacant Land- Transactions that do not involve the intervention of an agent- New-To-Market or Off-The-Plan purchases- ImilInvest™ Restricted Locations#

See 21. Location Appendix

11.5 Minimum Assumed Condition

The property will be assumed to be suitable for habitation, marketability and in good state of repair at the time the SMARTval™, Desktop, or AVM is completed. This assumed condition will be utilised for all purposes associated with lenders' mortgage insurance:

- **Property Exterior** – Lockable doors and windows, no structural damage or significant non-structural damage in the external walls, doors, roofing, fencing, driveway, and gutters
- **Property Interior** – internal doors as appropriate, no structure damage or significant non-structural damage (e.g. only minor repairs required), to internal walls, doors, ceilings, floor coverings, wall tiling, functional kitchen including relevant PC items, functional bathroom including relevant PC items
- **Configuration** – Key attributes such as number of bedrooms, bathrooms, and garage spaces as per the original assessment, and
- **Services** – Connected to a drinkable water supply, all weather road access, and mains electricity.

Should the condition or configuration of the property at the time of a Mortgagee in Possession valuation differ from this Minimum Assumed Condition, then QBE LMI reserves its right to make an adjustment to any claim to address the required remediation to restore the property to as near as possible to original Minimum Assumed Condition at time of origination, excluding any reasonable wear and tear.

11.6 Extended to QBE Lenders' Mortgage Insurance Ltd

Where applicable all valuations must be addressed to the Lender, and where appropriate also QBE LMI.

11.7 Multiple valuations

In the event where the Lender or Lender's agent has received more than one valuation regarding the proposed security property in respect of a loan application, QBE LMI has been provided with a copy of all such valuations.

12. Loan Type

This section provides an overview of:

- Loan features that are acceptable to QBE LMI for the purposes of LMI
- Additional underwriting requirements, including verification, that apply to specific loan features.

12.1 Acceptable loan types

Loan type	ImiHome™	ImiFirst Home™	ImiInvest™
Principal & Interest (P&I)	95% LVR	95% LVR	95% LVR
Interest only	95% LVR	95% LVR	95% LVR
Line of Credit	90% LVR	Not available	90% LVR
Maximum loan term	30 years	30 years	30 years

12.1.2 Interest only loans

Additional underwriting requirements			
Maximum LVR and term	Repayment type	Maximum LVR	Maximum term
	Interest only converting to P&I.	95%	10 years

12.1.3 Line of Credit

Additional underwriting requirements			
Maximum LVR and term	Maximum loan amount	Maximum LVR	Maximum term
	\$750,000	90%	25 years
Property type	Not available where the security property is Vacant Land.		
Other	A line of credit facility should be used in combination with a P&I loan.		
	QBE LMI must insure all loans secured by the same property.		

13. LMI Premium Rates

To obtain information about premium rates for lenders' mortgage insurance please contact:

- Lender should contact QBE LMI
- Mortgage managers and originators should contact your funder.
- LMI minimum premium amount is \$1,150 including GST, excluding state/territory Stamp Duty.

Note:

- ImiFirst Home™- A rate discount may apply to customer pricing when borrowers are purchasing or building their first owner-occupied home.

14. Additional loans – premium calculation

The premium calculation is as follows:

- The LVR is calculated on the new total exposure (determined by adding the Additional Loan amount to the outstanding loan balance or scheduled balance if the existing loan is a Line of Credit or has a redraw option) and the total security value
- The premium rate applicable to the new LVR and new total exposure amount is then applied to the new total exposure amount
- The premium payable will be the premium calculated as above, less the premium previously paid (excluding stamp duty).

Note:

- If the premium payable ends up below the minimum premium, the minimum premium will apply.
- ImiFirst Home™ - For a construction loan, where the rate discount has not already been applied (i.e. the purchase of the Vacant Land did not qualify for the rate discount), the rate discount will be applied to the 'total loan amount insured'.

15. Capitalisation of Premium

QBE LMI will allow lenders to add borrower's LMI cost to the amount borrowed and will include it in the insured loan amount without any additional cost to the premium. The maximum LVR is 95% excluding premium capitalisation and 100% including premium capitalisation.

The maximum LVR is subject to location category, loan amount, loan type, loan purpose, and property type.

16. LMI Premium Refunds

Depending on arrangements between QBE LMI and Lenders, a partial refund of the LMI premium may be payable where the mortgage over the insured loan is discharged less than, or equal to, 12 months after settlement of the insured loan AND:

- All loans secured by the insured mortgage are repaid in full; **and**
- QBE LMI is advised within 30 days of the discharge.

A refund will not be payable where:

- The mortgage over the insured loan is discharged more than 12 months after the Settlement Date of the initial loan advance; **or**
- The mortgage over the insured loan is discharged more than 12 months after the Settlement Date of the last insured additional advance; **or**
- The insured loan was covered under QBE LMI's bulk insurance process; or
- The amount of the refund is less than \$500, excluding GST and / or Stamp duty.

It is the responsibility of the Lender to advise QBE LMI of the discharge of an insured mortgage and initiate any request for a refund. QBE LMI will then confirm any refund payable.

Borrowers should be advised to direct any premium refund enquiries to their Lender.

17. Terminated LMI Policies

It is the responsibility of the Lender to advise QBE LMI of the repayment of any insured loan within 30 days of the loan being terminated / repaid.

18. Stamp Duty

Stamp duty is payable on LMI premiums and varies depending on the state or territory the security property is located in. Where the insured mortgage is to be secured over two or more properties in different jurisdictions, the stamp duty will be calculated on the premium apportioned to the relevant state proportionally as to the respective security values.

19. Policy Variations

Variations meeting the specified criteria identified below may be approved by the Lender in accordance with their own policies. **Within 45 days of settlement these must be submitted to QBE LMI for noting:**

- (a) Release of a Mortgage Property. Where an insured loan has multiple security properties, a security can be released when one or more of the properties is sold, provided either:
 - (i) full net proceeds from the sale are applied to the insured loan by way of permanent reduction; or
 - (ii) there is no increase in the scheduled LVR
- (b) Substitution of Security:
 - (i) with no increase in loan amount or the scheduled LVR; and
 - (ii) the scheduled LVR is not greater than 70% and the updated security is not an investment property located in a ImilInvest™ Restricted Location

19.1 Exclusions to the Policy Variation Criteria – To be submitted to QBE LMI

Variations meeting the specified criteria identified below must be submitted to QBE LMI for consideration:

- (a) Any Security Variation including substitution of security where the loan amount increases or there is an increase to the insured scheduled LVR.
- (b) Any substitution of security where the LVR is >70% and the updated security is an investment property located in in a ImilInvest™ Restricted Location.

QBE LMI do not need to be notified of any other variations, however, may require additional detail if there is any future claim for loss. There should be no impact on your claim for loss if you continue to consider all applications for variations within your lending policies and procedures and in accordance with any applicable law ensuring that the variation is not unsuitable for the borrower.

In the event you approve a variation that fails to take reasonable care or reasonable action to avoid a loss or fails to comply with prudent lending policies and procedures or any applicable law or is unsuitable for the borrower QBE LMI may suffer prejudice. In such circumstances, QBE LMI reserves the right to adjust any claim to the extent of any prejudice suffered as a result of your actions.

20. Changes for Policy Endorsement

Partners with a Delegated Underwriting Authority (DUA) must seek QBE LMI's written consent to material policy changes that are applicable to LMI, or where the change could reasonably be expected to have a material effect on QBE LMI's decision whether to approve a Proposal.

20.1 Lenders with DUA:

Amendments to Credit Policy in the following areas are required to be sent to QBE LMI for endorsement prior to go-live:

20.1.1 Borrowers and Guarantors

- The definition of acceptable or unacceptable borrowers or guarantors.

20.1.2 Servicing

- Updates to income shading less than Regulatory Standards and Guidelines
- Loosening of verification standards.

20.1.3 Funds to Complete

- Sources of Funds to Complete.

20.1.4 Security

- Additions or updates to, acceptable or unacceptable security
- Increases to maximum LVR's
- Minimum valuation requirements.

20.2 Lenders without DUA:

Amendments to Credit Policy for the purpose of determining a Borrower's capacity to repay a loan (or additional loan as the case may be) are required to be sent to QBE LMI for endorsement prior to go-live for the following:

- Updates to income shading less than Regulatory guidelines
- Loosening of verification standards.

20.3 Required documents

The following are required for QBE to complete its review for material and non-material policy changes:

- Lenders Credit Policy or proposed policy wording
- Summary or list of policy changes.

QBE must be notified of all other changes to the Lenders policy that are applicable to LMI.

21. Location Appendix

21.1 ImilInvest™ Restricted Locations

South Australia	Western Australia		Queensland	
5722	6225	6713	4413	4737
5725	6348	6714	4415	4741
	6429	6721	4709	4743
	6430	6722	4715	4744
	6432	6751	4717	4745
	6437	6753	4720	4746
	6442	6754	4721	4804
	6642	6760	4722	4824
			4723	4825

22. Glossary of Terms

Term	Definition
3 rd Party Introducer	Name of 3 rd party introducer who submitted application to Lender (if applicable).
Additional Loan (top-up)	A further advance to an existing loan.
Advantageous Purchase	A purchase between related or known parties at a discounted price.
Aggregate Exposure	The total of a Lender's QBE mortgage insured loans to any borrower (jointly or severally).
Applicable Laws	Includes, but is not limited to, the <i>National Consumer Credit Protection Act 2009</i> (Cth), the National Credit Code set out in Schedule 1 to that Act and any other applicable credit code.
AVM	Automated Valuation Model.
Borrower	An individual or entity that is responsible for repaying the loan.
Borrowers' Contribution	Funds provided by the borrower to purchase the property.
Borrower or Guarantor of Convenience	A borrower or guarantor that is added to the loan to provide income and / or security support but who does not receive a tangible benefit from the transaction.
Branch / Office	Office / Branch of the Introducer / Mortgage Manager that introduced application to Lender.
Bridging Loan	Used when the borrower purchases another property before selling their existing property.
Cash-out (equity release)	Funds released directly to the borrower on an uncontrolled basis.
Comprehensive Credit Reporting (CCR)	A borrowers' credit information such as repayment history, open and closed accounts, credit enquiries and other information.
Construction Loan	Loan proceeds are being used to build a home. May also be when carrying out extensive structural improvements or repairs.
Consumer Loan	Loan proceeds are being used to cover a set of specific expenses.
Contact	The person QBE LMI is to contact with any questions / enquiries in relation to the application (may be Loan Writer or Contact in centralised credit office).
Contract of Sale (COS)	Agreement between the vendor and purchaser of a residential property or Vacant Land.
Credit Policy	A Lender's residential lending policies and procedures.
Cross Collateralisation	Use of equity in all properties held as security by a lender that secures all debts for the same borrower.
Current Scheduled Balance	Current loan balance plus any redraw.

Debt Consolidation	Combining multiple debts with the borrowers' home loan.
Delegated Underwriting Authority	Lenders have the authority to commit QBE LMI to provide LMI cover for home loans that comply with agreed underwriting standards.
Duty of Disclosure	All applications require compliance with QBE LMI's Duty of Disclosure as outlined in sections 2.1 and 2.2.
Existing Residential Property	A property that has been sold on the open market more than once since its completion.
Existing Unit	A unit that has been sold on the open market more than once since its completion, or where the original purchase was over 12 months ago.
First Home Buyer	Borrowers purchasing or building an owner-occupied home for the first time.
Funds to Complete	A combination of loan proceeds and funds the Borrower has available to complete the purchase of a property.
Guarantor	An individual or entity that promises to pay a debt if the Borrower defaults on their loan obligation.
Hardship	Where a borrower is experiencing difficulties in meeting their financial commitments due to unforeseen circumstances, changes in their economic environment, or personal set back.
HDD Restricted Location	A High-Density Apartment in a postcode with a maximum LVR of 90% for a New-To-Market or Off-the-Plan purchase.
High-Density Apartment	A unit within a development of 6 or more floors or more than 50 apartments.
Home Loan Application	Information disclosed by the borrower when applying for a home loan.
Immediate Family Member	A spouse, de facto partner, parent, child, sibling, grandparent, grandchild. Includes blended family and adoptive relationships.
Insured Loan Amount	The amount which is insured by QBE LMI.
Interest only	Loan facility that the borrower is only required to meet the interest repayments for a specific period.
Investment Loan	The purchase or construction of a residential property to rent out. It may also include borrowing secured by a residential property for investment purposes.
Lender / Funder	Name of Lending Organisation / Wholesale Funder.
Lender Reference Number	The reference number assigned by the Lender to the application.
Lifestyle Property	Property zoned rural or rural / residential on a larger section of land.
LMI Premium Capitalisation	Adding the cost of the LMI premium (including stamp duty) onto the insured loan.

ImilInvest™ Restricted Location	An investment property in a postcode with a maximum LVR of 70% (see 21. Location Appendix).
Loan Originator	Any person or entity who is involved in the marketing, origination, assessment, or establishment of, the loan to which the LMI Proposal relates and any associated mortgage(s) and collateral security. It may include an agent, a mortgage broker, a 3 rd Party Introducer, a Loan Writer, a Mortgage Manager, any person appointed to manage a trust, an aggregator and a settlement agent. It includes any of them whether they act as the agent of the lender, or of the borrower, and whether they act independently.
Loan Originator Representations	If any Loan Originator has been involved in the borrower's loan application the Lender must agree to make additional representations to QBE LMI – those representations are outlined in section 3.2.
Loan to Value Ratio (LVR)	The value of the home loan divided by the lower of the property value or purchase price.
Loan Writer	Name of the individual who interviewed the borrowers.
Location Wizard	The online business tool of the maximum amounts QBE LMI will underwrite by LVR and Location for owner-occupied and investment properties.
Location Guide	A document of the maximum amounts QBE LMI will underwrite by LVR and Location.
Migrant Co-borrower	A foreign national living in Australia who can live in Australia indefinitely and is the spouse of de facto partner of an Australian or New Zealand citizen or permanent resident.
Minimum Valuation Requirements	All valuations must comply with QBE LMI's valuation policy – as outlined in section 11.
New-To-Market	Any property that is 'brand new', never been lived in, purchased in an arm's length On The Market transaction.
Non-Arm's Length Transaction	The sale of a property where the vendor and purchaser are related or known to each other. A real estate agent is not involved.
Non-Resident	An Australian or New Zealand citizen not living in Australia.
Off-The-Plan	The purchase of a property that is yet to be built.
On The Market	A property marketed and sold through a licensed real estate agent.
Overseas	In or from a country other than Australia.
Policy Variation	Amendment to the information supplied in a Proposal.
Principal and Interest (P&I)	A loan repayment that includes an amount to reduce the principal owed and covers the interest charged against the home loan.
Private Sale	The sale of a property between parties that are not related or known to each other. It does not involve the intervention of a real estate agent. Considered an 'arm's length' transaction.

Proposal	The information a lender provides to QBE at the time of applying for lenders' mortgage insurance.
Refinance	Pay out of an existing home loan (usually through another Lender) using the same security property.
Regulatory Standards and Guidelines	Includes, but is not limited to, Australian Prudential Regulatory Authority (APRA) Australian Prudential Guidance (APG) 223 and Australian Securities and Investments Commission (ASIC) Regulatory Guidance (RG) 209 and any other relevant obligations and guidelines.
Repayment History Information	Found on a borrower's credit report. Information about whether they have met their consumer credit payment obligations in a particular month
Restricted Location	A postcode / suburb where the maximum LVR has been reduced.
Satisfactory Repayment History Information (RHI)	No evidence of arrears greater than 15 days past due, default fees, or over limit balance. CCR repayment history information status of '0'.
Security / ies	Property address allowing for an additional property and confirming dwelling type: <ul style="list-style-type: none"> • if dwelling new or not previously occupied / lived in – New Dwelling • if dwelling has previously been occupied / lived in – Used Dwelling with options differentiating Vacant Land or Construction Loan.
Self-employed	Borrowers who derive more than 50% of their income as a sole trader or from partnerships, companies or trusts.
Settlement Date	The date the sale of the property is completed.
Term	The period the loan has been advanced for or the remaining period of an existing loan.
Vacant Land	Unimproved land zoned either residential, rural, or rural residential. Residential use must be permitted.
Vendor finance (Solicitor and WRAP loans)	The Vendor allows a portion of the purchase price to be paid instalments over a specified period. The title is transferred into the purchaser's name when the final instalment is paid.



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