

Monday April 27, 2009

QBE LMI NOW REQUIRES 5% of PURCHASE PRICE FROM GENUINE SAVINGS

In light of current market conditions, QBE LMI has moved to introduce a new requirement for Genuine Savings from first home buyers and those seeking a mortgage with higher Loan-to-Value Ratios (LVRs). This move is aimed at ensuring a robust and sustainable approach to mortgage lending which supports responsible borrowers with a demonstrated capacity to save and service their loans into the future.

Effective for all new applications for lenders' mortgage insurance received on and from the commencement of business on Tuesday 28 April 2009, in respect to First Home Buyer loans, irrespective of LVR, and all other new loans where the LVR is above 85%, at least 5% of the purchase price must be provided from Genuine Savings.

Genuine Savings is defined as a demonstrated savings pattern evidenced to the reasonable satisfaction of the lender for a minimum period of 3 months, in the name of at least one borrower from any of the following sources:

- > Accumulated savings (savings account)
- > Sale of Shares (net any tax due)
- > Equity from real estate (additional borrowings or sale)
- > After tax bonuses from employer (provided amount is excluded from income for NSR assessment)
- > Non preserved superannuation contributions (provided the Borrower has access to funds in cash form, and minimum employment conditions are met)

Evidence of Genuine Savings will need to be submitted with the lenders' mortgage insurance application.

Lump sums (term deposits) must have been held in an account in the name of at least one borrower for a minimum period of 6 months.

The following savings will not be considered to be Genuine Savings:

- > First Home Owners Grant
- > Gifts
- > Inheritance
- > Gambling proceeds
- > Advance on wages/commission
- > Lender finance of deposit
- > Builder discount/finance
- > Vendor discount/finance
- > Rental discounts

If lenders wish to clarify any issues regarding this update please do not hesitate to contact your **Senior Relationship Manager**.