

# Mortgage Broker Research Report.

## Navigating LMI.



The **2024 Mortgage Broker Research Report** has been commissioned in partnership between Helia and the Mortgage & Finance Association of Australia (MFAA), and conducted by CoreData. Over 256 currently practicing mortgage brokers spread across Australia responded to the research survey.

With a proud heritage as Australia's first Lenders Mortgage Insurance (LMI) provider, Helia is committed to accelerating financial wellbeing through home ownership, now and in the future.

As a first touch point for home buyers, mortgage brokers serve as dedicated advocates simplifying the overwhelming process of home buying and securing a home loan. With their in-depth understanding, mortgage brokers are perfectly positioned to educate home buyers and highlight the benefits of pathways available taking into account each home buyers' unique circumstances and long-term goals. Mortgage brokers are vital to demystifying the often confusing terminology, empowering home buyers with knowledge and enabling them to feel more confident in their decision making.

The research highlights the critical role of mortgage brokers in facilitating education of all options and pathways available to them, including LMI, by bridging the knowledge gap and providing a clear explanation of what LMI is and how it can help home buyers to get into their home sooner.

Thank you to the MFAA who partnered with us to provide our shared networks these impactful insights to raise the awareness of LMI and the importance of education and the criticality of mortgage brokers throughout the home buying process.

We would like to thank and acknowledge the mortgage brokers who shared their views and made this research possible. The research identified the need for enhanced information tailored at mortgage brokers and aspiring home buyers on the opportunities and benefits LMI can provide.

We hope that you enjoy the report, find it interesting, informative and an opportunity for discussions.

**Greg McAweeney,**  
Chief Commercial Officer, LMI  
Helia Group Limited



Owning a home is an aspiration for many Australians, and our members provide an essential service to their clients, explaining the options on how they can achieve their property purchase goals.

Every single day our members seek out solutions for their clients to support them on their home buying journey. LMI is one of those many solutions, allowing Australians to experience the security of home ownership.

We know that mortgage and finance brokers increase both competition and choice for home buyers through identifying products that meet their specific needs. LMI is part of this choice Australians have when it comes to securing a home loan.

This research highlights how important brokers are in ensuring Australians are aware of all their options, including when LMI can be the right choice. Understanding how home buyers perceive LMI, how much they know about LMI and how mortgage brokers explain the opportunity of LMI, helps the MFAA create the right resources and information for our members.

Thank you to Helia for partnering with us on this research for the benefit of the mortgage and finance broking industry.

We also extend our appreciation to the MFAA members who participated in the research survey. These insights are invaluable to our advocacy initiatives and ongoing resource development. Without these insights, we would not be able to do the work we do – and that is to represent you.

**Anja Pannek,**  
Chief Executive Officer  
Mortgage & Finance Association Australia (MFAA)



# Key insights and demographics

256 currently practising mortgage brokers from across Australia responded to the research survey.

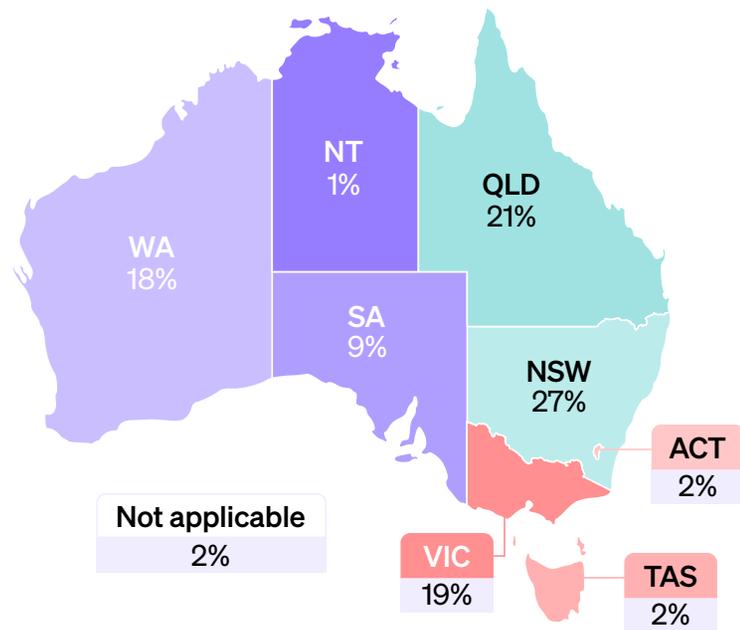
The research found that, even though LMI can help people get into homes sooner, it is not a pathway routinely recommended by mortgage brokers, with 74% of survey respondents saying less than 20% of their total business volume involved LMI. Other key insights include a basic to low understanding of LMI at home buyer level (82%) with the significant challenge being cost vs benefit (74%).

These findings and other insights will be valuable in the development and production of educational content and resources for both mortgage brokers and home buyers about LMI so they can make an informed decision about their home buying options.

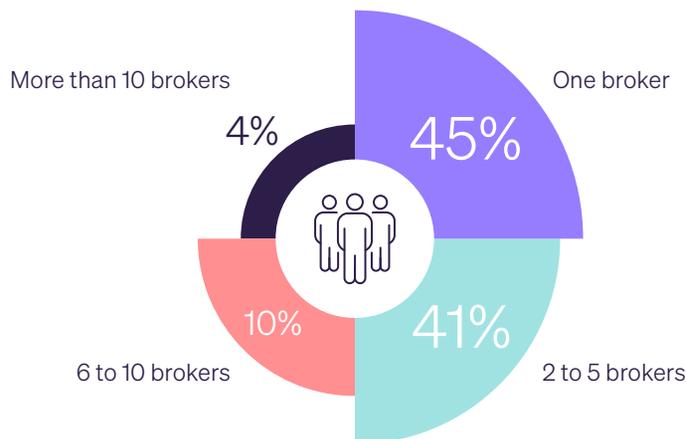
Tenure as a mortgage broker



Breakdown of survey respondents by state/territory



Size of business

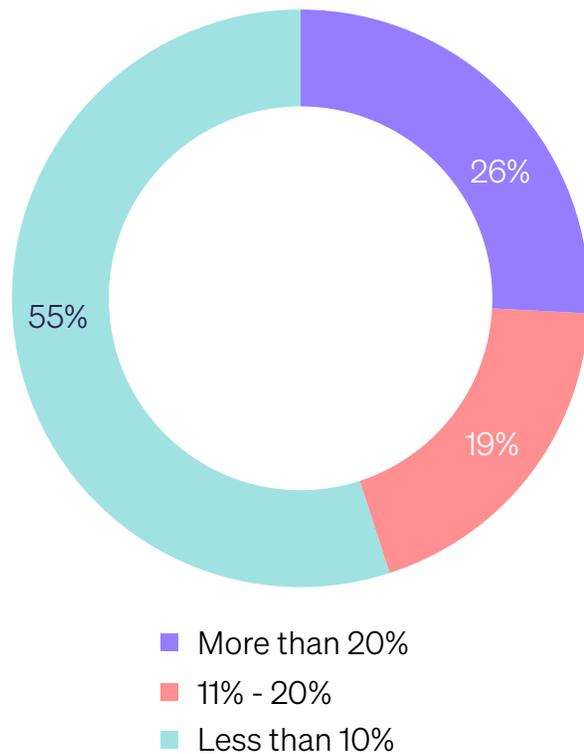


Location

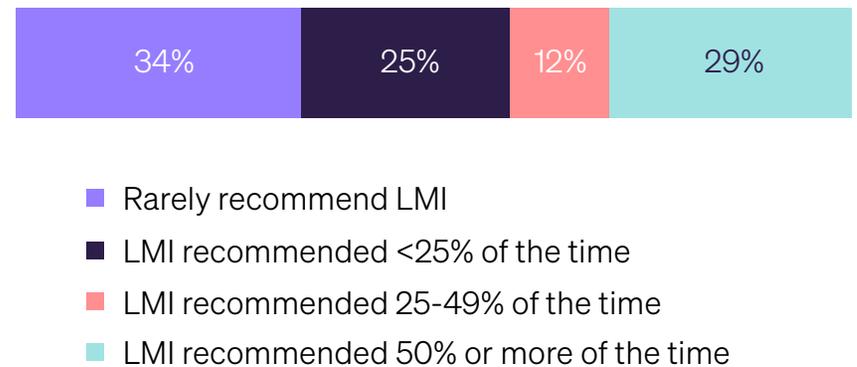


# Usage of LMI

What percentage of your business volume involves LMI (Lenders Mortgage Insurance)?



How often do you recommend LMI as a choice for your clients before recommending other alternative strategies? (e.g. government schemes, co-ownership, shared equity)

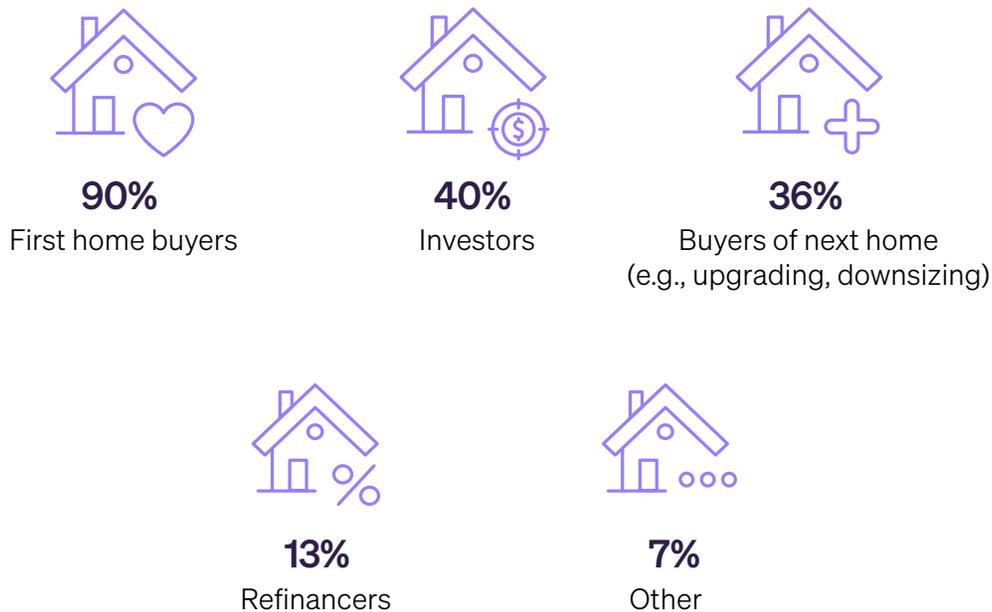


LMI is not routinely recommended by mortgage brokers. In fact more than 1/3 of mortgage brokers rarely recommend LMI as a choice for clients.

Most mortgage brokers say less than 10% of their total business volume involves LMI, while more than one third say they rarely recommend LMI to their clients before recommending other alternative strategies.

## Categories of home buyer and LMI positioning

Which category of home buyer will you typically recommend LMI to?



*“What mortgage brokers do so well is helping aspiring home owners understand their options. The work our members do is far more wide-ranging than finding the lowest rate, they educate their clients throughout the home buying process, presenting and explaining options including LMI.”*

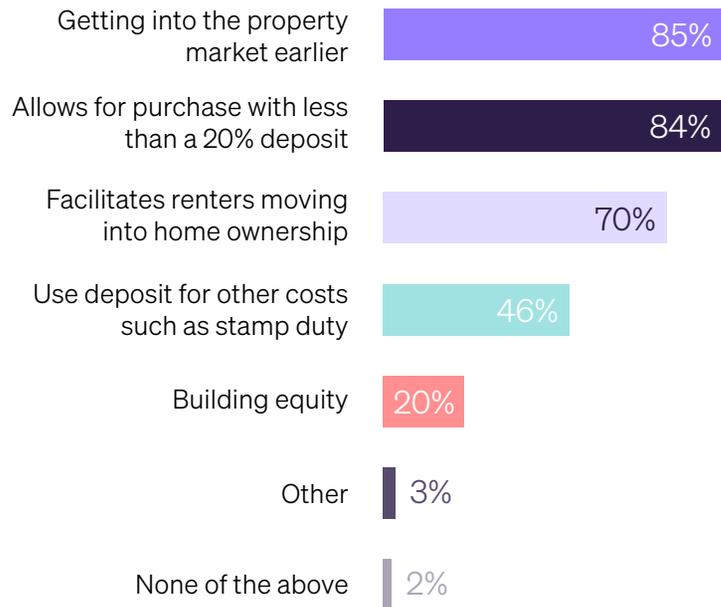
*“The more education we can help support for both mortgage brokers and their clients, the more Australians we’ll see start their home ownership journeys sooner.”*

Anja Pannek, MFAA CEO

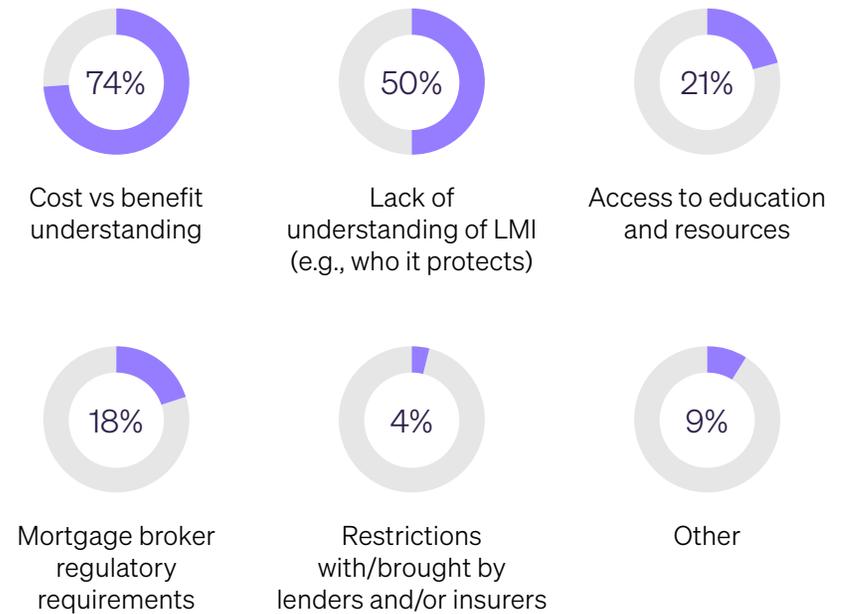
When mortgage brokers do recommend LMI to their clients, it is mostly to first home buyers. Heli’s Home Buyer Sentiment Report has shown that first home buyers especially need guidance during the home buying process, as more than five in six say that the journey in buying their first property is stressful, and that it feels harder than ever to buy their first property.

# LMI benefits and challenges

What benefits do you believe LMI can offer prospective home buyers?



What do you see as the most significant challenges related to LMI for both mortgage brokers and clients?



Lenders Mortgage Insurance (LMI) enables home buyers to buy a home or investment property without having a 20% deposit. There is a general lack of understanding, particularly for first home buyers, surrounding the cost versus the benefits of LMI, what it is and who it protects.

Helia's [Home Buyer Sentiment Report](#) confirms that four in five prospective first home buyers will have less than a 20% deposit to purchase a home. Mortgage brokers are key to dispelling myths surrounding LMI, and to communicate the benefits:

- 

LMI can help home buyers to buy a home, with as little as a 5% deposit
- 

LMI can help buy a home and stop paying rent
- 

LMI can build financial wellbeing and security

## In focus - LMI benefits

Educating home buyers on the benefits of LMI can enable them to enter the market sooner, and buy the home they love with the deposit they have available now. To illustrate the potential benefits of LMI, this case study showcases two couples who purchased a home in the same area, with the same deposit saved (after allowing for the payment of stamp duty, conveyancing fees and additional costs).

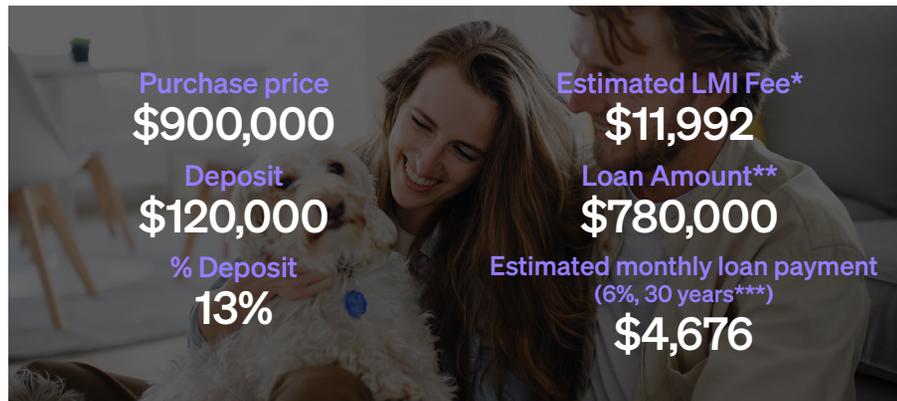
Jess and Anthony purchased a home but fell short of the required 20% deposit and opted to pay the LMI fee. They were able to buy a bigger and better home. Tara and Chris also bought a home, they didn't know that LMI was an option, so they bought a smaller home with fewer extras such as air-conditioning.

Jess and Anthony sought a bigger loan amount, and their monthly repayments will be higher than Tara and Chris' loan. They considered their personal circumstances, and sought professional guidance from a mortgage broker, and decided this was the right option for them.

Paying the LMI fee is an option that could help home buyers get into their dream home sooner. Let's have a look at the comparison - buying with LMI versus buying without LMI.

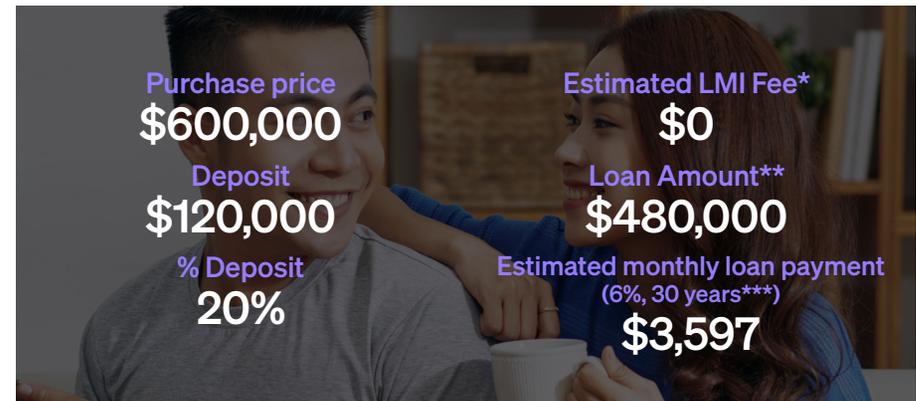
### Jess and Anthony

Buy now with LMI — Buy a better and larger property



### Tara and Chris

Buy now - no LMI — Buy a smaller property



\*The LMI fee may vary depending on a range of factors including the loan amount, the loan purpose, borrower type and security type.

\*\*Excludes stamp duty, conveyancing fees and other upfront purchase costs. The amount of stamp duty payable will vary depending on the Australian State/Territory where the relevant property is located.

\*\*\* Variable interest rate, subject to changeover the loan term at the lender's discretion.

## In focus - LMI benefits

### Comparison of home values after a 4 year period

Over a 4 year period, both homes rose in value, but the bigger home saw a larger increase, larger than the initial LMI fee that Jess and Anthony paid.

Often home buyers delay buying their home, believing that they might be better off waiting and saving a bigger deposit. Mortgage brokers are perfectly positioned to provide options and guidance to home buyers. For Jess and Anthony, even though they paid the LMI fee, they bought a better home and having chosen to live in a bigger home, they could stay in their home for longer.

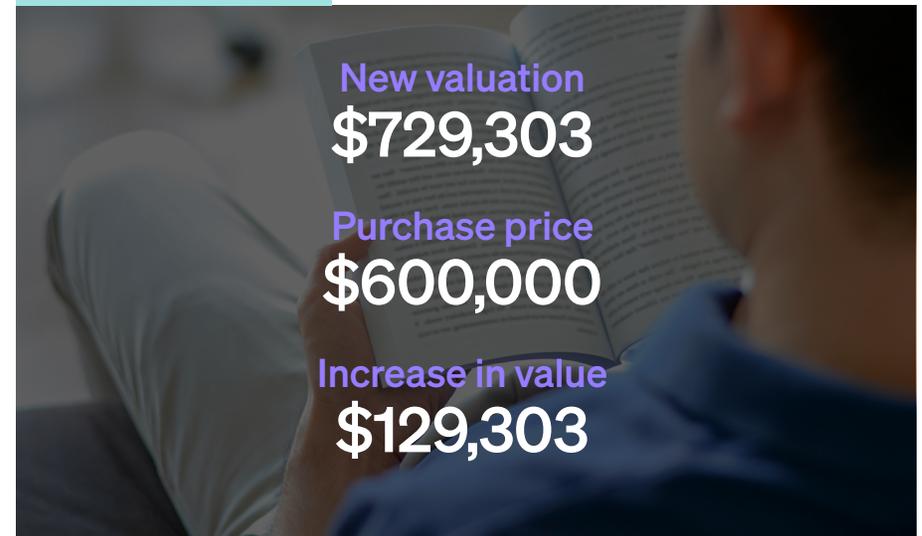


Having equal information and knowledge of all the options available including LMI ensures best service by a mortgage broker and an informed home buyer.

#### Jess and Anthony



#### Tara and Chris

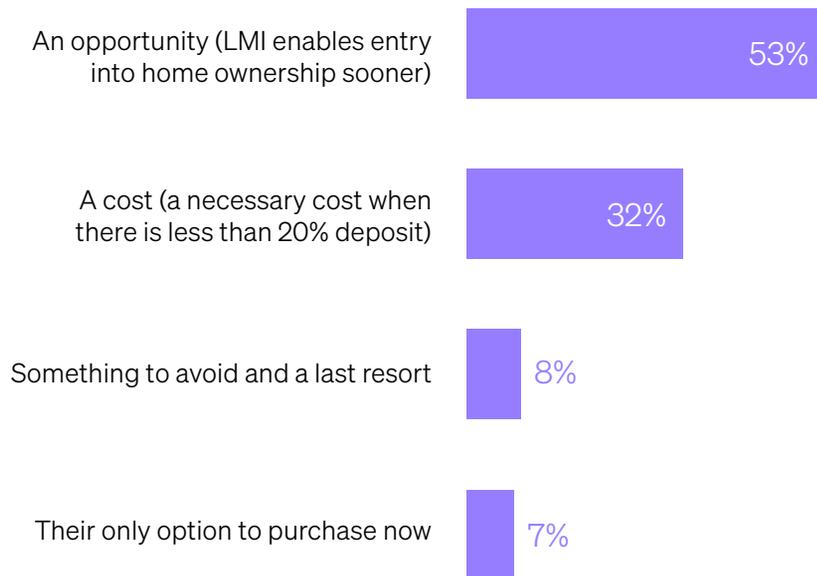


2023 home values are based on a desktop valuations. The outcomes assume a rising property market, with no additional advances or redraw made.

The example does not take into account monthly repayment amounts, fees, charges and additional loan commitments. Mortgage brokers should consider first home buyers eligibility for assistance from Federal, State or Territory government schemes. The outcomes will differ in a falling property market.

## LMI positioning

How do you position LMI in the home loan discussion with your client?



*“As the first contact point for many home seekers, mortgage brokers have a role to play in supporting, guiding and educating on the pathways to home ownership including LMI. My role is to help cut through all the complexity, misinformation and unlock opportunities that may not have otherwise been considered.”*

Peter Kennedy, Alecto Finance / Peter Kennedy Consulting

Mortgage brokers that position LMI as an opportunity highlight that it enables entry into home ownership sooner, provides wider home ownership scope and financial security. Many home buyers don't understand the opportunities LMI enables, this is an opportunity for mortgage brokers to educate their clients.

## LMI and client meetings

How much would you like a home buyer to know about LMI prior to meeting with you?



- No understanding (I would rather have the discussion when meeting with me)
- Basic understanding of LMI (what it is and how it can be used)
- Good understanding of LMI (what it is, who it protects, how it can be used to purchase a property with less than 20% deposit and cost)

How do you share deposit options and information in the home loan discussion process? (e.g., government programs, LMI)

**89%** Explain options in the meeting (e.g. fact sheet, FAQs, video)

**60%** Provide additional information post-meeting

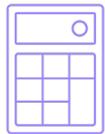
**45%** Provide some information prior to meeting (e.g. links to information, video)

Most mortgage brokers would like their clients to have a basic understanding of LMI before meeting, which allows mortgage brokers to use their role as a trusted source of information to fully explain the benefits of using LMI.

Education resources are being adapted depending on whether they have already met with a mortgage broker or as information pre or post meeting to foster a sense of confidence and financial literacy in the home buying journey.

## LMI resources

What would assist you in your client discussions to demonstrate the cost benefit of LMI over the long term? (i.e., equity growth, return on investment)



**67%**

Calculators, estimators with charts and graphs



**59%**

Fact sheets



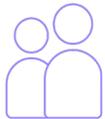
**34%**

Presentation materials



**29%**

Infographics



**28%**

Case studies and testimonials



**21%**

Videos



**9%**

I wouldn't want these



**3%**

Other

Where would you like to source LMI-related information and tools?



**77%**

Aggregator website or portal

**51%**

Lender website or portal

**41%**

Association sites (e.g., MFAA)

**36%**

LMI provider website

**10%**

Comparison sites (e.g., Finder, Canstar)

**1%**

Other

Diverse formats of resources are useful to meet the preferences and educational base of home buyers, and it is important that materials should be accessible to a broad audience. Materials could include fact sheets, FAQs, articles, infographics, video, visual aids, estimators, and calculators to simplify complex concepts and appeal to visual learners. Additionally, webinars, seminars and other interactive online platforms could provide opportunities for real-time engagement and Q&A sessions, facilitating a dynamic learning experience.

To support mortgage brokers having LMI related information across various websites (aggregator, lender, association, LMI provider and comparison sites) enhances the overall effectiveness of providing a holistic view and transparency, leading to more informed decision making in the home buying process.

# Small deposit health check

Mortgage brokers play a crucial role in supporting buyers throughout the home ownership journey, particularly those aspiring home buyers with a small deposit. The following process outlines a low deposit health check to ensure home buyers are provided with information, education and transparency.

**1**

## Educate home buyer

Ensure that home buyers understand what LMI is, who it protects and why it may be necessary or desirable. Educating home buyers on the benefits of LMI can enable them to enter the market sooner with a smaller deposit.

**2**

## LMI to be considered as an option

Position LMI as an enabler that allows home buyers to achieve home ownership sooner by requiring a smaller upfront deposit. This can be a stepping stone for those who may not have a large deposit saved. In your assessments, ensure LMI has adequate consideration.

**3**

## Show most comparisons

Provide cost comparisons between having a smaller deposit with LMI, buying without LMI or even waiting until a larger deposit is saved. The [Deposit Comparison Estimator](#) provides insights into the deposit options available across six scenarios. It also provides the user with a snapshot of future value, in that it projects assumptions to 10, 20 and 30 years, which allows home buyers to consider their financial situation and make decisions with more confidence.

**4**

## Highlight long term financial benefits

Emphasise the financial benefits of home ownership, such as potential property appreciation and equity accumulation, which can offset the cost of LMI over time.

**5**

## Offer education on Helia LMI products

Webinars and educational resources on Helia LMI products.

**6**

## Provide options

Present various mortgage options, including those with and without LMI. Allow home buyers to make informed decisions based on their preferences and financial capabilities.

**7**

## Stay informed with LMI policies

Stay up-to-date with LMI policies and offerings from different lenders. Being well informed provides the opportunity to provide current and accurate information to clients.



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**Disclaimer.**

This case study is provided only for educational purposes. Information contained in this fact sheet is general information, does not constitute legal, tax, credit or financial advice, and is not tailored to a home buyer's specific circumstances. Home buyers should consider their own personal circumstances and seek advice from their professional advisers before making any decisions that may impact their financial position.

**Important information.**

Helia Insurance Pty Limited's ('Helia') credit activities are limited to credit activities engaged by it as an assignee in relation to providing lender's mortgage insurance (LMI) products or as a credit provider under the doctrine of subrogation in relation to providing LMI products. LMI is insurance that protects credit providers, not home buyers, and cannot be provided directly to home buyers. The information provided in this article does not refer to a credit contract with any particular credit provider.

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