

For immediate release
Tuesday, 12 February 2013

HomeStart charges less to get started

In response to a recent comment by a finance industry source, HomeStart CEO John Oliver states that it is not necessary to pay thousands of dollars in Lenders Mortgage Insurance (LMI) when applying for a home loan with less than 20% deposit.

LMI can cost thousands of dollars and is often added to the cost of a home loan when more than 80% of the property value is borrowed to cover the bank if a borrower defaults.

Mr Oliver says that HomeStart does not charge LMI, instead it has a Loan Provision Charge (LPC), which is much lower for most borrowers.

“In this way, HomeStart could save customers thousands of dollars when they apply for a loan,” says Mr Oliver.

Mr Oliver’s comment comes in response to a recent mortgage industry source who stated, “Borrowers would be hard pressed to get a home loan with a deposit of less than 20% of the purchase price”. ([Costly battle to secure home loan](#), Sophie Elseworth, 20 January 2013, Adelaide Now).

Mr Oliver draws the comparison between a HomeStart Loan and a loan where LMI is added.

“If someone wanted to borrow \$380,000 from a bank or financial institution and had a deposit of \$20,000 they would be required to pay up to \$10,100 in Lenders Mortgage Insurance.

“By comparison, a HomeStart customer who wanted to borrow the same amount would only need to pay \$1,060 as a Loan Provision Charge, which would save them up to \$9,040 and enable them to get started sooner.”

**Figures are based on property value of \$400,000, loan amount of \$380,000 which is 95% of the property value.*

HomeStart makes home ownership a reality for more South Australians in more ways. We are a statutory authority that reports to the Minister for Housing and Urban Development. We were created by the South Australian Government in 1989 as a response to high interest rates and a lack of affordable home loan finance at the time. Since then we have helped over 62,000 households into home ownership.