

Bulk LMI Guide Australia

May 2024



Underwriting guidelines

This document provides an indication of QBE LMI's underwriting approach for lenders seeking bulk insurance on pools of loans secured by residential property.

Underwriting process

To obtain a quote for bulk LMI, a lender is required to provide data on each loan in the pool in the form of QBE LMI standard data template. The latest version of data template and associated guidelines are available from QBE LMI on request. Alternative data structures are only acceptable with prior agreement.

QBE LMI will endeavour to provide the lender with a quotation within 10 business days. If detailed due diligence is required, this time may be extended.

The lender must provide details of the full mortgage exposure to each of the borrowers included in the pool of loans, whether all loans are to be insured by QBE LMI. This is typically done by providing a 'global' LVR that relates to all loans secured against each group of securities. Where only some of the loans are to be insured, the insured loans will take priority over all other exposures that the lender may have to the borrower. The lender must provide QBE LMI with the most recent date an advance under a mortgage secured by a property in the pool was provided to the borrower.

QBE LMI may consolidate multiple loans into a single policy. This is typically completed based on all loans to a particular borrower and secured by the same property. QBE LMI's credit assessment (including maximum loan limits) and pricing is based on the consolidated data file.

The lender may be required to provide QBE LMI with the credit policies applicable to the loans included in the pool.

QBE LMI conducts due diligence on the consolidated data file derived from data provided by the lender. There are three potential outcomes from this due diligence, which are that QBE LMI may:

1. Offer to provide LMI on all loans in the pool;
2. Require more information or need to conduct a more detailed due diligence on some or all the loans prior to offering to provide LMI; or
3. Identify loans that are unacceptable to it, exclude these from the pool and offer to provide LMI on the remaining loans in the pool. However, if a lender would like QBE LMI to consider the excluded loans, more information may be required, or a detailed due diligence conducted on these loans.

A more detailed due diligence will typically involve QBE LMI representatives conducting a physical review of individual loan origination files and transaction history.

Throughout this guide, particular loan characteristics have been identified in accordance with the following key. However, this is a guide only and QBE LMI reserves the right to seek further information and conduct detailed due diligence on loan origination files prior to offering to insure pools of loans.



Indicates preferred loan characteristics.



Loan characteristics marked with 'ADD' will be highlighted as exceptions to the preferred pool composition and may be subjected to additional detailed due diligence.



Indicates loan characteristics that are unacceptable.

Furthermore, QBE LMI may conduct additional analysis on borrowers, and further investigation on securities including AVMs and high-risk postcodes. The results of these checks are also used to determine potential exclusions and / or the need for additional detailed due diligence.

QBE LMI may seek warranties from the lender to support its representations and compliance with this guide.

Underwriting policy

The following eligibility criteria is provided as a guide only.

Maximum Loan-to-Value Ratio (LVR) and Loan Amounts (full documentation loans*)

Location	Maximum loan amount	LVR <=60%	LVR <=80%	LVR >80%
Metropolitan A	\$1,500,000	✓	✓	+
	\$1,800,000	✓	+	+
Metropolitan	\$1,000,000	✓	✓	+
	\$1,500,000	✓	+	+
Regional	\$750,000	✓	✓	+
	\$1,000,000	✓	+	✗
National	\$500,000	✓	✓	✗
	\$650,000	✓	+	✗

*Self-certified or Low Documentation Loans not acceptable.

Securities

First charge registered mortgage over residential property or second mortgage where the first mortgage is also included in the same pool of loans.



Detached, semi-detached House, Unit, Townhouse, Villa in a residential development that is at least 40sqm in size.

Minimum security value - \$200,000.

Maximum security value:

- Metropolitan A and Metropolitan - \$3,000,000.
- Regional - \$1,250,000.
- National - \$850,000.



Units in high density developments (a high-density security is any security located in a building having 6 or more floors or more than 50 accommodation units).



Vacant land.

Properties not listed above (such as dual key or resort properties).

Any loan with security located in an LMI restricted postcode as listed in the QBE LMI Location Guide as at the cutoff date.

Groups of loans with more than 5 securities.

Property usage



Owner occupied and investment residential properties.

Loan purpose



Purchase newly built or existing residential property.

Refinance, debt consolidation or equity release up to a maximum 75% LVR.



Refinance, debt consolidation, or equity release over 75% LVR.



Bridging loans.

All other loan purposes not listed above.

Loan payment term





Less than or equal to 30 years.





Over 30 years.

Loan payment types

	Principal and Interest (P&I) or P&I with an Interest Only (I/O) period of no more than 5 years.
	Line of Credit. P&I with an I/O period of no more than 5 years.
	I/O terms outside of the above and bullet interest.

Borrowers



Maximum permitted aggregate exposure of QBE LMI to the borrower is \$3,000,000.

	Individuals who are either a citizen or permanent resident of Australia or New Zealand.
	Non-permanent Australian residents. Overseas borrowers. Trusts and Companies. Deceased estates.



Credit bureau enquiries:

QBE LMI may in certain circumstances seek to conduct credit bureau enquiries on borrowers. The lender is required to confirm that its privacy consent permits these enquiries to be conducted by QBE LMI. The lender may be required to provide QBE LMI with an appropriate indemnity in relation to privacy laws.

Staff loans

	Where credit assessment is the same as other borrowers. Based on standard mortgage interest rates.
	Circumstances contrary to above.

Loan seasoning

	More than 1 year.
	Less than or equal to 1 year.

Loan performance



Not 30 days or more delinquent at cutoff date.
Not more than 1 x 30 days delinquent in last 12 months.
Not 60 days delinquent in last 12 months.



2 x 30 days in last 12 months.



30 days or more delinquent at cutoff date.
More than 2 x 30 days in the last 12 months.
60 days or more delinquent in the last 12 months.

Prior declinature

Loans that have previously been declined for LMI must not be included in the loan pool.

More information

QBE Lenders' Mortgage Insurance Limited

PO Box R1547
Royal Exchange Sydney NSW 1225

www.qbe.com/lmi

