

# 11 THINGS YOU NEED TO KNOW

## About Cancelling Borrower-Paid Private Mortgage Insurance

The Homeowners Protection Act of 1998 is designed to benefit homebuyers with borrower-paid private mortgage insurance on certain loans made on or after July 29, 1999.\* As a private mortgage insurer, PMI Mortgage Insurance Co. wants to provide information on the law's provisions and how they might affect you.

1. You have the right to cancel your private mortgage insurance when cancellation requirements are met.
2. Your private mortgage insurance, if paid by you directly, will be automatically cancelled by your lender when all of the following conditions are met:
  - Your mortgage balance is 78% of your home's original value.
  - You are current on your payments.
3. You can send your lender a written request to cancel your private mortgage insurance when all of the following conditions are met:
  - Your mortgage balance is 80% of the original value of the property.
  - You have a good payment history.
  - You have no other loans taken out on your home.
  - The property value of your home has not declined.
4. High-risk mortgages are treated separately under the new law. Private mortgage insurance on all high-risk loans must be automatically cancelled at the midpoint of their amortization period as long as payments are current. For loans defined as outside standard guidelines by your lender, private mortgage insurance can also be cancelled when the mortgage balance is paid down to 77% of the original value of the home.
5. If you have paid for private mortgage insurance in advance at closing or are currently paying on an annual basis, upon cancellation you are entitled to a refund of the unearned premium, which must be transferred to you by your lender within 45 days of cancellation notification.
6. For loans closed before July 29, 1999, you can usually cancel private mortgage insurance once enough equity is built up in your home. Freddie Mac and Fannie Mae allow automatic cancellation of mortgage insurance once the midpoint of a loan's amortization period is reached. Contact your lender for details.
7. On loans with borrower-paid mortgage insurance, lenders must inform you in writing at closing that you have private mortgage insurance and may cancel it at a certain point, and also explain how to do it. For all loans with borrower-paid mortgage insurance, not just those closed on or after July 29, they must notify you annually of your rights and provide information on the cancellation process.
8. If your request for mortgage insurance cancellation is denied, your lender must inform you why.
9. The law does not cover piggyback, or 80-10-10, loans.
10. The law does not apply to government mortgage insurance (FHA loans). The cancellation provisions of the law also do not apply to lender-paid mortgage insurance.
11. If you live in New York or other states with their own MI cancellation laws, different standards may apply.

The above information does not constitute legal advice. For detailed information on the mortgage insurance cancellation law and how it affects you, you should consult your own legal counsel. Some states have their own mortgage insurance cancellations laws, and different standards apply.

\*Applies to mortgages on single-family primary residences or second homes



Integral to Homeownership<sup>SM</sup>

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