UNITED GUARANTY

CANCELING PRIVATE MORTGAGE INSURANCE

The federal Homeowners Protection Act has provisions for canceling private mortgage insurance. In addition, Fannie Mae and Freddie Mac have additional guidelines for both borrower-requested and automatic MI cancellation that apply to their respective loans.

With borrower-requested cancellation, homeowners can—under certain circumstances—initiate cancellation earlier than would otherwise occur automatically (when the loan balance is scheduled to drop to 78 percent of the original value of the property). Canceling early allows a homeowner to reduce his or her total monthly mortgage payment.

The following guidelines published by Fannie Mae and Freddie Mac provide cancellation options for a wide range of borrowers:

Borrower-Requested Mortgage Insurance Cancellation (based on original value[1])

Borrower must have a good payment history and be current on payments.[2]

	Single Family Principal Residence or Second Home	2-4 Family Principal Residence or 1-4 Family Investment Property
	Mortgages Closed After July 29, 1999	
Fannie Mae	Borrower can request MI termination on the date the mortgage balance is scheduled to reach 80% of the original property value or the date the mortgage balance reaches 80% (whichever occurs first).	Borrower can request MI termination on the date the mortgage balance reaches 70% of the original property value.[3]
Freddie Mac	LTV ratio must reach 75% or less of the original property value.	LTV ratio must reach 65% or less of the original property value.
	Mortgages Closed Before July 29, 1999	
Fannie Mae	The date LTV ratio reaches 80% or less of the original property value.	The date LTV ratio reaches 70% or less of the original property value.
Freddie Mac	LTV ratio must reach 80% or less of the original property value.	LTV ratio must reach 65% or less of the original property value.

Note: This information is not intended to be comprehensive. Other restrictions, including state law, may apply. The mortgage servicer can provide the specifics of eligibility for a given loan.

Automatic Termination of Mortgage Insurance

Borrower must have a good payment history and be current on payments.[4]

	Single Family Principal Residence or Second Home	2-4 Family Principal Residence or 1-4 Family Investment Property
	Mortgages Closed After July 29, 1999	
Fannie Mae	Automatic termination on the date the mortgage balance is first scheduled to reach 78% of the original property value or (if it occurs first) the first day of the month after the date that is the mid-point of the amortization period (15 years on a 30-year mortgage).	First day of the month after the date that is the mid-point of the amortization period.
Freddie Mac	Automatic termination on the date the mortgage balance is first scheduled to reach 78% of the original property value or (if it occurs first) the first day of the month after the date that is the mid-point of the amortization period (15 years on a 30-year mortgage).	Not eligible for automatic termination.
	Mortgages Closed Before July 29, 1999	
Fannie Mae	First day of the month after the date that is the mid-point of the amortization period.	First day of the month after the date that is the mid-point of the amortization period.
Freddie Mac	First day of the month after the date that is the mid-point of the amortization period.	Not eligible for automatic termination.

[1] Borrower(s) with acceptable payment history can request a cancellation of MI based on an increase in the current property value in certain circumstances. For more information, see Fannie Mae's document "Handling Mortgage Insurance Termination and Cancellation."
[2] Borrower(s) must have had no payment 30 days or more past due in the preceding 12 months and no payment 60 days or more past due in the preceding 24 months.
[3] Requires servicer's warranty that current property value is at least equal to the original property value based on BPO certification of value or a new appraisal at the borrower's expense.
[4] Automatic cancellation of mortgage insurance by the lender is not affected by past late payments or possible declines in property value. The rule states that the borrower must be current on mortgage payments—or become current—for cancellation to occur.

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