

Private Mortgage Insurance

When does PMI stop on FHA, USDA, and Conventional Loans?

How Can I Get Rid of PMI? Does PMI stop on my loan once I am under 80%? Not on all loans!

When does PMI stop on my loan? Will PMI drop off? How can I remove PMI off my loan? Each type of mortgage loan treats PMI (Private Mortgage Insurance) differently. See below for a quick summary!

USDA

USDA - PMI is for the life of the loan

PMI private mortgage insurance advantages & strategies for lower down payment and payment USDA has an annual fee which is similar to PMI. The annual fee is recalculated each year based on the new balance of the mortgage. **The annual fee is currently only .35 which began October 1, 2016.** The annual fee percentage on USDA loans stays for the entire 30 year term but because it is based on the annual mortgage balance. Therefore, the dollar amount decreases each year.

How to calculate monthly PMI for USDA loans: $\text{Loan amount} \times 1.0101\% \text{ (USDA funding fee)} \times .0035 / 12 = \text{monthly fee to include in the monthly mortgage payment.}$

FHA

FHA PMI often continues for the life of the loan, but depends!

FHA has an annual fee but the percentage varies depending on the LTV and the loan term. The monthly amount of PMI is recalculated each year based on the new balance of the mortgage and the PMI percentage.

The length of time that FHA PMI stays on the loan varies depending on the loan term and LTV as shown below:

- Loans over 90% LTV or more will pay the annual PMI for the complete term – On a purchase, this means less than 10% down
- Loans equal to or less than 90% LTV will pay the annual PMI for 11 years – Purchases over 10% down payment

Loan terms greater than 15 years < \$625,500: effective 1/26/15

- > 95% LTV =.85 PMI
- < 95% LTV =.80 PMI

Loan terms 15 years or less < \$625,500:

- < 90% LTV =.45 PMI
- > 90% LTV =.70 PMI

Even though FHA PMI currently continues for the life of the loan with less than 10% down payment, it is still a great loan for buyers. It offers low down payment, very competitive rates, and flexibility on many guidelines.

VA home loans DO NOT have monthly PMI

VA loans do not have monthly PMI on any of the terms so you don't have to worry about when it continues. Like all government loans, VA does have a funding fee which is an up-front fee that is customarily financed on top of the loan amount and required by the VA. Although VA does allow the Veteran or even the seller pay this fee! Additionally, qualified, disabled Veterans may be exempt from the VA funding fee. Ask about the requirements re: the waiver of the funding fee.

Conventional:

Fannie Mae or Freddie Mac conventional loans have PMI when the LTV is greater than 80% with either primary, second homes, or investment properties. To cancel PMI on a conventional loan, the following typically needs to be met. Here are some of the details to have PMI stop as clarified by the Consumer Financial Protection Bureau in August 2015.

- **Borrower Requested PMI Cancellation:** Once balance is paid to under 80% of the original price, the borrower may request that PMI be cancelled on the cancellation date. The cancellation date means either the date when the principal balance is first scheduled to reach 80% of the original value (lower of purchase price or appraised value) for the property or date on which the principal balance reaches 80% of the original value based on actual payments. The borrower may make extra payments to move the cancellation date earlier.

- **Automatic PMI Cancellation:** Once balance is paid to under 78% of the original price, the lender must cancel the PMI on the termination date. The termination date is defined as the date which the principal balance is first scheduled to reach 78% of the original value for the property. Although before cancelling PMI, the loan must be current.

"Good payment history" means no payments 60 or more days past due within 2 years and no payments 30 or more days past due within 1 year of the later of the cancellation date or the date you submit a request for cancellation.

**** PMI could be cancelled on a conventional mortgage if the following conditions are satisfied:**

- You submit a written request for cancellation
- Borrower must be current on the loan.
- You are current on the payments required by your loan and if requested and at the borrower's expense, evidence satisfactory to the note holder that the value of the property has not declined below it's original value (value at the time of the mortgage initiation), and that there are no subordinate liens on the property

