



Mortgage Insurance (MI, PMI)

Mortgage insurance (MI) offers essential protection for lenders against financial losses due to defaults and foreclosures. If you make a down payment of less than 20%, your loan will likely necessitate mortgage insurance. While MI may seem like an unfavorable expense—protecting the lender rather than the borrower—it plays a crucial role. Without it, most loans would demand a minimum down payment of 20%, making homeownership unattainable for many prospective buyers.



Government vs. Private MI

Several government-backed mortgage insurance and guarantee programs are available through the FHA, VA, and USDA home loan programs. These government MI options feature fixed costs that vary based solely on your down payment and loan term. In contrast, conventional loans typically require private mortgage insurance (PMI), which can take various forms.

Exploring the Different Types of PMI

PMI can be categorized into two main types based on payment responsibility: Borrower-Paid MI (BPMI) and Lender-Paid MI (LPMI). Borrowers can pay PMI directly, or it can be included in the loan terms, impacting overall monthly payments. PMI payments may be structured in several ways: monthly installments, a lump sum at closing, or a combination of both. Additionally, single premium MI might be eligible for financing.

Premiums for private MI vary significantly based on factors such as loan type, loan term, down payment, credit score, property type, and occupancy status. Over the past decade, mortgage insurance has sometimes been tax-deductible, subject to income limitations. In situations where MI isn't tax-deductible, LPMI may provide tax advantages.

Canceling Monthly PMI

According to the Homeowners Protection Act of 1998, monthly PMI for single-family primary residences can be automatically canceled when the loan balance reaches 78% of the original property value. However, borrowers may have the opportunity to cancel their MI earlier by demonstrating sufficient equity to their lender. After making 24 months of timely payments, inquire about the cancellation process. Typically, you'll need to show 20-25% equity through an independent appraisal, which could cost between \$400 and \$800. Before incurring this expense, consult your Realtor to assess your home's value.

Ease Mortgage does not provide tax advice, credit counseling or credit repair services. Please contact your tax adviser for any tax related questions. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate for current rates and for more information.



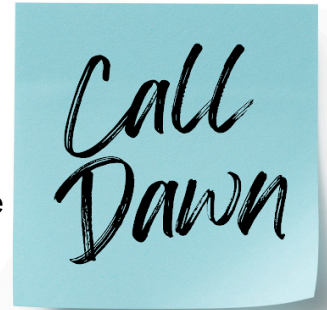
Ease Mortgage. NMLS# 2273319. 637 E. Big Beaver Rd Suite 205 Troy, MI 48083 (248) 847 - 0501. All rights reserved





Choosing the Right MI Option

If your loan requires mortgage insurance, we can help clarify your options, discuss key factors, and identify the best solution for your situation. While MI may seem like a necessary evil, we aim to minimize your costs and maximize your tax benefits. Let us guide you through the process to find the ideal mortgage insurance solution for your homeownership journey.



Dawn Robbins

Senior Loan Officer, nmls 432345

dawnrobbins.com

(503) 805-7878

dawn@dawnrobbinsgroup.com

Ease Mortgage does not provide tax advice, credit counseling or credit repair services. Please contact your tax adviser for any tax related questions. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate for current rates and for more information.



Ease Mortgage. NMLS# 2273319. 637 E. Big Beaver Rd Suite 205 Troy, MI 48083 (248) 847 - 0501. All rights reserved

