Private Mortgage Insurance FAQS

What is private mortgage insurance (MI)?

MI allows a lender to offer you a mortgage when you make a down payment that is less than 20% of your new home's value. MI helps protect or cover the lender against a loss if you ever default on your mortgage.

Is MI the same as mortgage life insurance or homeowners insurance?

No. Mortgage life (also known as credit life) insurance pays off your mortgage in the event of your death. Homeowners insurance covers you for events such as fires, floods and other hazards.

How much does MI cost?

It depends on your loan's risk level. A number of variables are used to analyze risk such as your credit score, the amount you're putting down, your debt-to-income (DTI) ratio and the type of property you're buying.

Are there different types of MI?

Yes. Borrower-Paid MI (BPMI) is a popular choice for many borrowers. There are three types of BPMI:

- Deferred Monthly folds your BPMI premium into your monthly mortgage, starting with your first payment.
- Single Premium lets you pay your total MI cost up front at closing or to finance it into your loan.
- Split Premium lets you pay a portion of your MI premium at closing or to finance it into your loan, and fold the remainder into your monthly mortgage.

There's also Lender-Paid MI (LPMI). With this option, your lender pays your MI premium, then factors the cost into your interest rate or charges an origination fee to cover the cost.

Can I cancel my MI?

Only BPMI can be canceled. According the Federal Homeowners Protection Act of 1998 (HPA):

- You can ask your loan servicer to cancel your BPMI when you believe the unpaid balance of your loan is 80% or less of your original property value. Your cancellation request is subject to the HPA requirements and may necessitate a new property appraisal and other loan servicer requirements to verify that its value has not declined and to verify other loan characteristics.
- Your loan servicer must cancel your BPMI when the unpaid balance of your loan is scheduled to reach 78% of your original property value, provided your loan is current, or when it reaches its halfway point (e.g.,15 years on a 30 year mortgage).

MI cancellation under the HPA only applies to BPMI for single-family primary residences. Some states, notably New York, also have cancellation laws that predate and may supersede the HPA.

Note: You should contact your loan servicer directly to ask about canceling your BPMI. Your loan servicer can refer to Sections 10.0 and 11.0 of the Essent Client Services Guide for information regarding cancellation of MI coverage and refunds of premium depending on the premium/product plan selected and source of premium payment.

Learn more about the benefits of private MI and explore your financing options at essent.us/homebuyers. Available in English and en Español.

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