Terminating Mortgage Insurance

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Can I cancel my Mortgage Insurance?

If Mortgage Insurance was required for your loan at closing, you might be wondering how long you will need to continue paying this extra expense. The short answer: it depends. Options to remove the mortgage insurance requirement from a loan vary based on factors such as investor, loan type, payment history, property type, age of the loan, and Loan-to-Value (LTV) ratio.

As your mortgage partner for life, we're here to help you navigate mortgage insurance requirements for your loan. Below, we walk through general eligibility guidelines for cancelling mortgage insurance and, for eligible loans, the process for submitting a request to Customer Care. We are eager to serve you, so please contact us with additional questions.

Are all loans eligible for mortgage insurance removal?

No, not all loans are eligible. Government-backed loans including FHA, USDA (RHS) and VA loans do not allow mortgage insurance cancellation. It is required for the life of the loan.

If you have a conventional loan, you may be eligible to remove the Private Mortgage Insurance (PMI) requirement if you have been paying your monthly mortgage payments on schedule and your mortgage has reached the required loan balance. Please continue reading to learn about other eligibility requirements that may apply to your conventional loan.

- **For fixed-rate loans:** the required loan balance is based on the initial amortization schedule.
- **For adjustable-rate loans:** the required loan balance is based on the amortization schedule then in effect.

Two paths to PMI removal for conventional loans:

Automatic termination: If you are not behind on any payments, your PMI will automatically terminate when the principal balance of the loan is scheduled to reach 78% of the original property value.

If your loan is *not* current when the principal balance of the loan is scheduled to reach 78% of the original property value, PMI will automatically terminate on the first of the month following the date on which your loan becomes current.

Request early PMI cancellation: You may be able to cancel your PMI before your loan satisfies the requirements for automatic termination.

To qualify, any loan must meet the following basic criteria:

1. No payments are currently past due.

2. You have a good payment history, meaning no payments have been 30+ days past due in the past 12 months or 60+ days past due in the past 24 months.

3. The principal balance of your loan must have reached the required percentage of either the **original value** OR **current value** of the property—known as the Loan-to-Value percentage:

   Original Value:

You may request cancellation based on the original value of the property based on one of the following:

You may be eligible when your principal balance reaches **80%** of the original property value – meaning either the contract sales price or appraised value of your home at closing, whichever is lower (or, if you have refinanced, the appraised value at the time you refinanced).

Your original amortization schedule shows the date on which the principal balance is first scheduled to reach 80% of the original property value—log into your account and go to My Loan to see the amortization schedule. Alternatively, you may choose to make one or more additional payments to your principle to achieve the 80% LTV requirement ahead of schedule.

Current Value:

Depending on the owner of your mortgage loan and any applicable state laws, your loan may satisfy the LTV requirement at any time based on the current value of your property – **see table below**.

In all cases, the LTV must be verified by a property valuation based on an inspection of both the interior and exterior of the property. Customer Care will provide you with the estimated cost of the appraisal, collect the amount from you, and order the appraisal on a mutually agreeable date.

Eligibility based on current property value:

Age of loan	Property Type	LTV Percentage
Loans <2 years old Substantial improvements must have been made since the origination date which increased the property value.	Single-Family Principal Residence or Second Home	Fannie Mae: 80% Freddie Mac: 80%
	Two to Four Family Principal Residence One to Four Family Investment Properties	Fannie Mae: 70% Freddie Mac: 65%
Loans 2-5 years old	Single-Family Principal Residence or Second Home	75% or less
	Two to Four Family Principal Residence One to Four Family Investment Properties	Fannie Mae: 70% Freddie Mac: 65%
Loans 5+ years old	Single-Family Principal Residence or Second Home	80% or less
	Two to Four Family Principal Residence One to Four Family Investment Properties	Fannie Mae: 70% Freddie Mac: 65%

The internet shows the value of my home has increased. Does this change the LTV?

Estimated property values presented on the internet are only estimates and are not accepted as a replacement for an appraisal that is specific to your property. If your loan is less than two years old, it is required that 1) substantial improvements made to the property have increased the property value and 2) an appraisal supports the increase in property value that has resulted from the improvements.

Substantial improvements increase the value of the property and typically include renovations that substantially improve marketability and extend the useful life of the property. Generally, substantial improvements add livable square footage such as a bedroom or bathroom. Improvements that upgrade existing functionality but do not add livable square footage may not be considered substantial improvements—for example, new countertops, tile or carpet, adding solar panels, adding a pool, etc. In addition, the improvements must conform to local zoning and building codes, and the valuation must state the specific nature, extent and cost of the improvements and their effect on current market value.

How can I request early cancellation of PMI?

In accordance with the Homeowners Protection Act, we will cancel PMI after receiving a request from a borrower, and when all cancellation requirements have been met.

As a first step, please contact us to initiate your request. Depending on the owner of your mortgage loan, we may be able to receive your request verbally (by phone). If required by the owner of your loan, we will ask you to send a request to us by email or mail to: PO Box 4638, Englewood, CO 80155. Please include your loan number with your request.

What can I expect after submitting the request?

After you submit your request to cancel PMI, we'll send you a packet of information detailing the eligibility criteria, process, and other pertinent information.

Next, here's what will happen:

- Within five business days of receiving your request to cancel PMI, we will determine whether your loan may be eligible based on requirements specific to your loan and notify you by mail as follows:
    - Your loan is not eligible and why;
    - Your loan is eligible and does not require an updated home value appraisal;
    - An optional principal reduction payment is required to lower the principal balance to 80% of the original property value (details and instructions will be provided); or
    - An updated property valuation or appraisal is required to confirm eligibility for PMI cancellation.

- If an updated property valuation or appraisal is required, please contact Customer Care by phone, email, or secured message if you wish to proceed. If an appraisal is required, please note:
    - The appraisal must be ordered through Customer Care. We will provide you with the estimated cost, collect the amount from you, and order the appraisal.
    - The appraiser will contact you directly to schedule the appraisal on a mutually agreeable date and time. The appraisal must be completed within 90 days of your request to cancel your PMI.
    - The appraisal will be sent directly to us for evaluation. If applicable, we will evaluate any Substantial Improvements made to the property (as provided by you).

- If the appraisal does not satisfy the Loan-to-Value ratio requirement for your loan, we will notify you by mail.

- If your loan does satisfy the requirements for PMI cancellation (including sufficient equity), within two business days we will terminate your PMI and notify you in writing. At that point, no further premiums, payments, or fees will be due in connection with PMI and we will adjust your monthly payment accordingly. We will send you an updated billing statement reflecting your new monthly payment amount.

We adhere to the Homeowners Protection Act (HPA), state laws, and investor requirements.

Additional FAQs:

Can I request PMI cancellation if my loan is new?

If your loan is eligible, PMI cancellation may be requested at as soon as your Loan-to-Value (LTV) ratio reaches 80% of the original value, even if your loan is less than two years old. Note, original value means the lesser of the original appraisal value or purchase price.

My loan is eligible for PMI removal but does not meet the LTV

requirement based on original property value. If the property value has increased, can I have it re-appraised and request PMI removal based on the new value?

Depending on the owner of your mortgage loan and applicable state laws, you may be eligible to request PMI cancellation based on the current value of your property. If your mortgage loan qualifies for cancellation based on the current value, the following additional requirements must be met:

1. If the loan is between two and five years old, the loan-to-value (LTV) ratio must be 75% or less.
2. If the loan is greater than five years old, the LTV must be 80% or less.
3. If the loan closed less than two years ago, the LTV must be 80% or less and evidence of substantial improvements* made since the origination date must be provided.
4. If the property is secured by a 1–4 unit investment property or a 2-4 unit principal residence, the LTV ratio must be 70% or less and the loan must be greater than two years old.

In all cases the LTV must be verified by a property valuation, which may be based on an inspection of both the interior and exterior of the property. Customer Care will provide you with the estimated cost of the valuation, collect the amount from you, and order the valuation.

*** Substantial improvements** increase the property value and typically include renovations that substantially improve marketability and extend the useful life of the property. Generally, substantial improvements add livable square footage such as a bedroom or bathroom. Improvements that upgrade existing functionality but do not add livable square footage may not be considered substantial improvements—for example, new countertops, tile or carpet, adding solar panels, adding a pool, etc. In addition, the improvements must conform to local zoning and building codes, and the valuation must state the specific nature, extent and cost of the improvements and their effect on current market value.

How will I know how much of a principal reduction needs to be made to have my PMI removed?

You can contact us and we will advise the amount necessary. Typically, the principal must be reduced to 80% of the original value of the property, meaning the sale price when you purchased the property or the appraised value at the time of purchase—whichever is lower.

How do I make a principal reduction payment?

Typically, principal reduction payments are made via a certified check or wire. If the principal reduction payment is $25,000 or less, we can also accept an electronic payment. If you choose wire funds, please call us to request the banking information for the wire. If you choose to mail a check, we recommend sending with a tracking number. Our mailing address is below:

Attn: Cashiering
10800 E Geddes Ave, Suite 100
Englewood CO 80112

How long does the process take to remove PMI?

Once your request to cancel PMI is approved, and once we receive your principal reduction payment to lower the

LTV to 80% (if applicable), PMI will be removed within five business days.

If we need to order an appraisal, the timeline is dependent on how quickly the appraisal is scheduled and on how quickly we receive the appraisal results. Appraisals may take up to 60 days to be completed. Once we receive the results, the process to review the results and update your account takes five business days.