# How To Remove Mortgage Insurance?

## Arbor Financial Group

By Ryan O'Kane
*Ryan@ArborFG.com*

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## How Can I Remove PMI From My Loan?

The first step in determining whether your mortgage insurance can be removed is to identify what type of mortgage you have – conventional (conforming) or FHA. It is important to know the type of mortgage because the mortgage insurance removal guidelines are different for each mortgage type. The most important difference between conventional and FHA mortgage insurance is that conventional mortgage insurance will consider home appreciation when it comes to your request to remove the mortgage insurance. FHA only takes into account your principle reduction via regular mortgage payments to calculate your current loan to value. Additionally FHA mortgage insurance rules have changed so if you have an FHA loan you need to know the date your loan funded to truly know the type of FHA mortgage insurance you have. FHA loans funded prior to 2014 typically require the mortgage insurance to be on the loan for a minimum of 5 years. After the five year period you can request your mortgage insurance removed but only if you have made the principle reduction payments to get to a 78% loan to value. FHA loans funded after 2014 are not eligible for mortgage insurance removal. Conventional mortgage lenders will typically allow you to remove your mortgage insurance after you have made your mortgage payment on time for a minimum of two years. In addition, you must also have 22% equity in your home for the loan servicer to consider removing your mortgage insurance.

## CANCELLING PMI (Conventional loans)

Under the Homeowners Protection Act, you have the right to ask your lender to cancel PMI at the point when your reach the date at which your mortgage's principle balance will drop to 80% of your home's original value. On the PMI disclosure form, this date will have been provided to you in writing. Of course not everyone is great at filing paperwork, so if you can't locate your PMI disclosure form, get in touch with your lender - they'll have a copy.

If you have made extra payments to reduce your principal, you can make the request earlier as far as removing mortgage insurance is concerned. Again, the principal balance has to be at 80% or lower.

You have to make your request for mortgage insurance removal in writing, and you must be current on your payments and have a good payment history. Your lender may expect you to certify that you have no junior liens (like a second mortgage) on the home.

Additionally, your lender can require you to provide proof that your property value hasn't dropped below what the value of the home was at time of purchase, and may request an appraisal. If you've been unable to keep up the maintenance or repairs on your home, you might not be able to cancel PMI or removing mortgage insurance can be tough.

If you do meet these requirements, generally speaking your lender is required to cancel your PMI upon request.

## AUTOMATIC TERMINATION (CONVENTIONAL MORTGAGE)

When your principal balance reaches 78% of your home's original value, your lender is obligated to terminate PMI whether or not you have requested for removing mortgage insurance. Again, however, you have to be current with your payments. If you are not current, PMI won't be terminated until you bring your payments up to date.

## FINAL TERMINATION (CONVENTIONAL MORTGAGE)

If you reach the midpoint of the amortization schedule before the 78% date, your lender still has to terminate PMI. The midpoint of amortization is at the halfway point of your loan, so on a 30-year mortgage, termination or mortgage insurance removal would occur once 15 years have passed.

If you have a mortgage with principal forbearance, an interest-only period, or a balloon payment, the termination may occur before 78% of your home's original value has been reached. Again, though, you have to be current with your monthly payments if you wish to remove mortgage insurance or whenever termination is to occur.

## REFINANCE YOUR MORTGAGE INSURANCE: (FHA AND CONVENTIONAL)

Another way to remove your mortgage insurance is to refinance your mortgage. Assuming you can still keep a rate lower than the combined rate of your current mortgage and mortgage insurance factor it may make financial to refinance your mortgage. A new refinance will use the current market value of your home to determine the amount of equity. If the appraised value of your home results in a loan to value of 80% or less your new mortgage will not have mortgage insurance. The refinance mortgage insurance removal method is particularly effective for FHA mortgage insurance removal where the lifetime or 5 year restrictions are in effect.

## HOW CAN ARBOR HELP YOU REMOVE YOUR MORTGAGE INSURANCE?

If you would like help in determining your type of loan and eligibility for mortgage insurance removal our team at ARBOR is here to help you.

The first step would be for you to provide us with a copy of your current mortgage statement and the date your original loan funded. We can then analyze your properties current value and advise you whether or not you have options to remove your mortgage insurance.

If there is a way to remove your mortgage insurance, we can help!

### REFERENCE:

*https://www.arborfinancialgroup.net/mortgage/lower-my-payment/remove-mortgage-insurance/removing-mortgage-insurance.php*

## THE AUTHOR:


### RYAN O'KANE

Mortgage Banker

Mobile (310) 210-3170

Fax (949) 334-2806

Email ryan@arborfg.com

Website www.WhyRyanOkane.com