Introduction:

In this training material, we explore mortgage insurance from origination to cancellation and termination. We will step by step walk you through the general processes and required procedures. The information contained here is meant to be a basic guide for each and every loan opened.
Topics covered in this training:

1. Types of Mortgage Insurance Cancellation
2. Automatic Termination
3. Borrower Initiated Termination
4. Private Types of Mortgage Insurance
5. Entering Mortgage Insurance into FastTrac 360
6. Conventional Mortgage Insurance
7. Lender Paid Mortgage Insurance
8. FHA Mortgage Premiums
9. VA Funding Fee
10. USDA Guarantee Fee
11. Impact of Mortgage Insurance and Qualifying Ratios
Home Owners Protection Act of 1998:

- This act directly impacts Mortgage Insurance (MI) cancellation rules by addressing specific provisions for:
  1. Borrower Initiated Cancellation
  2. Automatic cancellation

- The Home Owners Protection act supersedes any and all investor requirements should they be deemed more restrictive

- Provides guidance to Mortgage Servicers to remain in compliance with PMI cancellation and termination provisions of the Home Owners Protection Act of 1998

- This bulletin also addresses cancellation and termination procedures that violate the Home Owners Protection Act creating a substantial risk of noncompliance
Types of Mortgage Insurance Cancellation:

1. **Automatic Termination**
   - Original Value
   - LTV = 78%

2. **Borrower Initiated Termination**
   - Original Value
   - LTV ≤ 80%

3. **Termination Must adhere with HPA and CFPB**
   - Appreciated Value
   - LTV ≤ 75% Years 2-5
   - Appreciated Value
   - LTV ≤ 80% After Year 5
Automatic Termination:

- The borrower does not initiate
- The date which the principal balance is 78% based on original amortization schedule
- If the borrower is NOT CURRENT the HPA act requires the MI terminate the first day of the month following the date the loan becomes current
Borrower Initiated Termination:

• Borrower sends written request to servicer requiring action to cancel MI when cancellation date occurs
  
  1. Date which UPB (unpaid principal balance) is scheduled to be 80% of original value
  2. Servicer may consider the following items
     1. Good payment history
     2. Borrower must be current
     3. Property does not have subordinate financing
     4. Property value has declined as cancellation is based on Original Value
     5. Borrower can make additional principal payments to accelerate process
Borrower Initiated Seasoning Termination

- Investors independently set their own policy for MI cancellation using current value
- Current value is not covered by HPA
- Borrower sends written request to servicer and current value is established through the following methods:
  - Appraisal
  - AVM
  - BPO
- Servicer may consider the following items
  1. Good payment history
  2. Borrower must be current
  3. Property does not have subordinate financing
  4. Property value has declined as cancellation is based on Original Value
  5. Borrower can make additional principal payments to accelerate process
Private Types of Mortgage Insurance:

- **Borrower Paid Mortgage Insurance (BPMI)**
  1. **Monthly Premium MI**
     - No premium is due at closing. Billing is deferred until the first full month after closing
  2. **Single Premium MI**
     - Borrower Paid Single Premiums require a one-time, single payment at loan closing
  3. **Level Annual Premium MI (We do not offer this program)**
     - A payment option which features a coverage term of twelve months; premiums are remitted annually. The Level Annual option features one identical rate for both first year and renewal premiums. The 1st year premiums may be financed into the loan amount.
  4. **Split Premium MI (Limited Products)**
     - Split Premiums allow borrowers to pay a portion of the MI premium up front in order to reduce the monthly MI premium paid along with their mortgage payment

- **Lender Paid Mortgage Insurance (LPMI) Available on select NO MI Products**
  - Lender pays the mortgage insurance premium instead of the borrower
  - Interest rate is typically higher as it is blended with mortgage insurance
Mortgage Insurance:

- Mortgage Insurance can be accessed in the Forms Tab on 1003 Page 2
- Click the edit icon
Conventional MI Coverage Requirements:

- Agency DU Portfolio
- Home Ready
- Housing Authority Programs (CalHFA)

**Special Note:** Please refer to investor guidelines for any additional coverage questions

<table>
<thead>
<tr>
<th>LTV</th>
<th>≤ 20 Year Fixed</th>
<th>&gt; 20 Year Fixed or ARM</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.01% - 97.0%</td>
<td>35%</td>
<td>35% (no ARMs allowed)</td>
</tr>
<tr>
<td>90.01% - 95.0%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>85.01% - 90.0%</td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>80.01% - 85.0%</td>
<td>6%</td>
<td>12%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LTV</th>
<th>≤ 20 Year Fixed</th>
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<tbody>
<tr>
<td>95.01% - 97.0%</td>
<td>25%</td>
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<td>25%</td>
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</tr>
<tr>
<td>85.01% - 90.0%</td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>80.01% - 85.0%</td>
<td>6%</td>
<td>12%</td>
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</table>

<table>
<thead>
<tr>
<th>LTV</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.01% - 97.0%</td>
<td>18%</td>
</tr>
<tr>
<td>90.01% - 95.0%</td>
<td>16%</td>
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<tr>
<td>85.01% - 90.0%</td>
<td>12%</td>
</tr>
<tr>
<td>80.01% - 85.0%</td>
<td>6%</td>
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</tbody>
</table>
Conventional MI Factors:

- Conventional has no upfront requirement
- Conventional MI rate factors are determined by the following criteria:
  1. Amortization Term
  2. Loan-To-Value (LTV)
  3. Coverage
  4. Exposure
  5. FICO Score
  6. Adjustments
Conventional Mortgage Insurance:

- Get a quote from the MI company

1. Type in both the percentage and months for both factors
2. Type in 78% (if not there) and click OK.
3. Place a copy of the Mortgage Insurance Quote in the eFolder for processing and Underwriting
Lender Paid Mortgage Insurance (LPMI):

- For products the MI is being paid by the lender click the Lender Paid Mortgage Insurance box
### FHA Mortgage Premium

- FHA requires both upfront and monthly premiums

#### Example Loan of $417,000

<table>
<thead>
<tr>
<th>Upfront MIP</th>
<th>1.75%</th>
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<tbody>
<tr>
<td>Amount</td>
<td>$7297.50</td>
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</table>

<table>
<thead>
<tr>
<th>Monthly</th>
<th>.85%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$295.37</td>
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**Special Note:** FHA monthly premium is determined on the base loan amount
FHA Mortgage Premiums:

- FHA Loans will show the following MIP/PMI Guarantee Fee Calculation screen
- Click Get MI
- Make note of the 1.75% upfront MIP fee
- The monthly MIP rate will be determined by the Loan to Value (LTV ratio)
VA Funding Fee:

- VA does not require mortgage insurance they require an upfront funding fee.
- This fee is based on usage, transaction type, type of service and may be waived under qualifying circumstances.
- The fee can be financed into the loan amount.

**Example Loan of $417,000**

<table>
<thead>
<tr>
<th>Funding Fee</th>
<th>2.15%</th>
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<tr>
<td></td>
<td>$8965.50</td>
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</table>
VA Funding Fee:

- If the Veteran is exempt to form VA funding fee:
  - DD-214
    - Box 18 Remarks
  - Certificate of Eligibility
    - Exempt or Non Exempt

1. Go to Forms VA 26-0286 Loan Summary and scroll to line #60
2. Select Funding Fee Exempt
VA Funding Fee:

- VA Loans will show the following MIP/PMI Guarantee Fee Calculation screen
- VA Guarantee rates can be located here: Click Here based on transaction type and usage
- VA loans to not have any Monthly Mortgage Insurance
USDA Guarantee:

- USDA does not require mortgage insurance they require an upfront guarantee and an ongoing annual fee
- The Upfront Guarantee may be completely or partially financed into the loan amount

**Special Note:** Please refer to guidelines for current Upfront Guarantee and Annual Fees

<table>
<thead>
<tr>
<th>Upfront Guarantee</th>
<th>Annual Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.75%</td>
<td>.50%</td>
</tr>
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</table>

**Pending Change**

<table>
<thead>
<tr>
<th>Upfront Guarantee</th>
<th>Annual Fee</th>
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</thead>
<tbody>
<tr>
<td>1.00%</td>
<td>.35%</td>
</tr>
</tbody>
</table>

**Example Loan of $417,000**

<table>
<thead>
<tr>
<th>Upfront Guarantee</th>
<th>Annual Fee</th>
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<tbody>
<tr>
<td>$11,467.50</td>
<td>$2085.00</td>
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<tr>
<td>Monthly</td>
<td>Monthly</td>
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<tr>
<td>NA</td>
<td>$173.75</td>
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</table>
USDA Guarantee:

1. Select the Guarantee Fee Percentage from the dropdown menu
2. Check the Entire Guarantee Fee will be financed PRMG does not finance a portion of the Guarantee Fee
3. Type the Monthly Mortgage Insurance/USDA Annual Fee Premium
4. Click OK
**Mortgage Insurance Entry:**

1. Forms -> Mortgage Insurance Information
2. Click Save
Impact of Qualifying Ratios:

- Once your MI or Monthly Premium figures are determined, you will need to verify your back end DTI ratios to not exceed investor or product guidelines.
End

Mortgage Insurance