

Guide to Private Mortgage Insurance

What is Private Mortgage Insurance?

Private Mortgage Insurance, frequently abbreviated as “PMI,” applies to borrowers who make less than a 20% down-payment on their home. The insurance protects the lender in the unfortunate event that the borrower is not able to repay the loan.

When will PMI be Terminated?

As required by federal law, PMI will be automatically terminated on 1-unit primary and secondary homes when your loan is scheduled to be repaid down to 78% of the original value of the home.

If you have an investment property or a 2-4 unit home, you can contact us at CustomerCare@naf.com or [+1 \(800\) 893-5304](tel:+18008935304) to find out when your PMI will be automatically terminated.

Can I cancel PMI before it is automatically terminated?

To cancel before the termination date, you must meet the requirements under federal law and submit payment to New American Funding Servicing department for an appraisal or other valuation that may be required by the investor of your loan to ensure that the value of the home has not decreased. Valuations ordered for a refinance or by a 3rd party will not be accepted.

What are the requirements to cancel PMI?

Your loan must be current.

Your loan may not be delinquent and cannot have payments that were 30 days or more past due in the last 12 months or 60 days or more past due in the last 24 months.

You must meet the Loan-to-Value (LTV) requirements.

- **If you have a multi-unit and/or investment property**, then your loan must be repaid down to 70% or less (for Fannie Mae loans) or 65% or less (for Freddie Mac loans) of the original value of your home. If you do not meet this requirement, you may still be able to cancel your PMI based on the current value of your home. Contact us for more information.

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What are the requirements to cancel PMI? *(continued)*

You must meet the Loan-to-Value (LTV) requirements *(continued)*.

- **If you have a 1-unit property and it is your primary residence or second home, then:**
 - You can cancel the PMI if the loan has been repaid down to 80%¹ or less of the purchase price² of the home.
 - If it hasn't, then you can still cancel the PMI using the current value of the home in the following circumstances:
 - Your loan has been repaid down to 80% or less of the current value of the home if you took out the loan at least 5 years ago.
 - Your loan has been repaid down to 75% or less of the current value of the home if you took out the loan at least 2 years ago.
 - Your loan has been repaid down to 80% or less of the current value of the home if you took out the loan less than 2 years ago and you have made substantial improvements to the home. If you wish to cancel PMI in this situation, you will need to provide documentation supporting the substantial improvements that you made to the home.

New American Funding is Here to Help!

If you believe that you satisfy the requirements and would like to cancel PMI on your loan (or any other questions), contact us at CustomerCare@naf.com or [+1 \(800\) 893-5304](tel:+18008935304).

¹ The investor may require a valuation even if the loan has met the 80% requirement. If required, you will be notified by the New American Funding Servicing Department." This indicator can be placed by the 80%.

² If the home appraised for less than the purchase price when the loan was made, this determination will be based on the lower appraised value. If you have refinanced your home purchase loan, this determination will be based on the appraised value that was used to approve your refinancing.