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Private Mortgage Insurance Comes In Many Flavors

Saving the required 20% down to buy a new home can take years. Private mortgage insurance (MI) can help you become a homeowner much faster because it allows you to obtain a mortgage with a smaller down payment.

You have a number of options when it comes to MI. Knowing the key ingredients of each can help you and your lender choose the right MI solution for your financial situation. Here is a quick overview of what is available:

Borrower-Paid Mortgage Insurance or BPMI is the popular choice for many borrowers. What's great about BPMI is that you may have the option to cancel your MI coverage when you reach 80% of the original property value in your home; and your MI automatically cancels when you reach 78% of the original property value.¹

BPMI comes three ways:

- **Deferred monthly BPMI** folds your MI premium into your monthly mortgage payment, starting with your first payment. This option can reduce the amount of cash you will need at closing.
- **Single premium BPMI** offers the flexibility to make a one-time payment at closing or, if allowed, to finance all or a portion of your MI premium into your loan. Check with your lender to confirm.

The single premium BPMI option may be a good choice if you prefer to pay your full MI amount up front or if you have an opportunity for a seller contribution.

- **Split premium BPMI** lets you pay a portion of your MI premium up front at closing and a smaller monthly MI premium, so you can enjoy lower monthly mortgage payments. Your upfront premium can be paid through a seller concession or you may be able to finance it into your loan amount. Check with your lender to confirm.

Lender-paid mortgage insurance or LPMI is another MI option to consider. With LPMI, your lender pays the MI premium upfront at closing and typically factors the cost into the interest rate they charge on your loan. Unlike BPMI, you cannot cancel your LPMI premium regardless of how much equity you have in your home.

It's okay to ask questions

The home buying process can be both exciting and overwhelming. It's important to work closely with your lender to understand what is involved, so you can make the right decision together.

This information has been provided by the Mortgage Bankers and Brokers Association of New Hampshire (MBBA-NH) in conjunction with the New Hampshire Union Leader. Any questions about the content should be directed to the MBBA-NH at 6 Garvins Falls Road, Suite 106, Concord, NH 03301, e-mail at info@mbba-nh.org, website mbba-nh.org. Article supplied by: Deb Ferrante, Account Manager with Essent Guaranty, Inc, Member-At-Large on the Board of Governors for the Mortgage Bankers & Brokers Association of New Hampshire, Inc.

¹MI cancellation at 80% LTV is subject to lender requirements. Cancellation at 78% LTV is subject to the requirements of the Homeowners Protection Act of 1998.