

How to remove PMI from your mortgage

Get rid of mortgage insurance on conventional and FHA loans

When homeowners are paying for mortgage insurance, they often want to know how to remove it from their monthly payments. Your choices for removing [mortgage insurance](#) are different depending on the kind of mortgage you have.

Conventional loans have private mortgage insurance (PMI) and FHA loans have mortgage insurance premiums (MIP). They sound the same but the rules for removing them are different. Read on to learn more!

How to remove private mortgage insurance (PMI) from conventional loans

Many homeowners have [conventional loans](#) which are often called “traditional mortgages” or just “mortgages.” When you buy a house with a conventional loan, you will most likely need to pay for private mortgage insurance unless you make a down payment of at least 20%. The same is true when you refinance. Your home equity needs to be at least 20% or you will probably need to pay for PMI.

The good news is that you can request your lender remove PMI once your [home equity](#) reaches 20%. You can build home equity by paying down the principal on your mortgage. Your home equity also can increase when the value of your home increases. If the price of houses in your neighborhood is going up, it can be worthwhile to check the current value of your home. You may have enough home equity that you qualify to have your private mortgage insurance cancelled.

You will need to request in writing your lender cancel your PMI. You typically need to be current on your loan with a good payment history to get your cancellation request approved. Note that these rules apply to single-family primary homes financed on or after July 29, 1999.

Wait for automatic removal of PMI

Lenders are typically required to remove private mortgage insurance from your loan when your home equity reaches 22%. This means if you don't ask your lender to get rid of your PMI when your home equity reaches 20%, they should remove it for you once your home equity reaches 22%. You will need to be current on your loan with a good payment history to be eligible for automatic termination of PMI.

Refinancing to remove PMI



Getting rid of PMI does not depend on refinancing. It depends on the value of your home equity which lenders might measure using your [loan-to-value ratio](#). The rules are different when you want to stop paying the mortgage insurance premiums that come with an FHA loan. With these loans, refinancing may be your only option to get rid of mortgage insurance.

How to remove mortgage insurance premiums (MIP) from FHA loans

FHA loans are mortgages offered by private lenders and backed by the Federal Housing Administration ("FHA"). Every homeowner who gets an FHA loan is required to pay an upfront mortgage insurance premium as well as annual mortgage insurance premiums.

If you made a down payment of 10% or more on most recent FHA loans, you may be able to cancel the MIP payments after 11 years. If you made a down payment of less than 10%, you will need to pay MIP for the full term of the mortgage. The rules for MIP are different for FHA loans that closed before June 3, 2013. You can find details about the older MIP rules on the [HUD website](#).

The value of your home equity does not affect your FHA mortgage insurance premiums and having 20% home equity will not allow you to cancel it. As a result, homeowners with FHA loans sometimes think about [refinancing their mortgages](#) to remove mortgage insurance premiums.

One way you can do this is to refinance your FHA loan to a conventional mortgage. As discussed above, you need to have at least 20% home equity when you refinance with a conventional loan or you will need to pay for private mortgage insurance. So check the value of your home equity before considering this refinance.

Also compare the closing costs you will pay against the costs of continuing to pay mortgage insurance premiums. Freddie Mac says the average closing costs of mortgage refinances are approximately \$5,000. You'll want to make sure paying these costs makes sense for you. Refinancing might also allow you to lower your interest rate in addition to getting rid of mortgage insurance premiums. Keep in mind by refinancing, the total finance charges you pay may be higher over the life of the loan.

Talk to Freedom Mortgage about refinancing today!

Freedom Mortgage is the #6 residential lender in the United States. Our experienced Loan Advisors will be happy to speak with you about refinancing your home loan. Call 800-220-5533 or [Get Started online](#).

1. Inside Mortgage Finance, January to September 2020



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