



Private Mortgage Insurance FAQs

Q What is private mortgage insurance (MI)?

A MI allows a lender to offer you a mortgage when you make a down payment that is less than 20% of your new home's value. MI helps protect or cover the lender against a loss if you ever default on your mortgage.

Q Is MI the same as mortgage life insurance or homeowners insurance?

A No. Mortgage life (also known as credit life) insurance pays off your mortgage in the event of your death. Homeowners insurance covers you for events such as fires, floods and other hazards.

Q How much does MI cost?

A It depends on your loan's risk level. A number of variables are used to analyze risk such as your credit score, the amount you're putting down, your debt-to-income (DTI) ratio and the type of property you're buying.

Q Are there different types of MI?

A Yes. Borrower-Paid MI (BPMI) is a popular choice for many borrowers. There are three types of BPMI:

- Deferred Monthly folds your BPMI premium into your monthly mortgage, starting with your first payment.
- Single Premium lets you pay your total MI cost up front at closing or to finance it into your loan.
- Split Premium lets you pay a portion of your MI premium at closing or to finance it into your loan, and fold the remainder into your monthly mortgage.

There's also Lender-Paid MI (LPMI). With this option, your lender pays your MI premium, then factors the cost into your interest rate or charges an origination fee to cover the cost.

Q Can I cancel my MI?

A Only BPMI can be canceled. According the Federal Homeowners Protection Act of 1998 (HPA):

- You can ask your loan servicer to cancel your BPMI when the unpaid balance on your mortgage reaches 80% of your original property value.
- Your loan servicer must cancel your BPMI when the unpaid balance of your mortgage reaches 78% of your original property value, as long as mortgage is current. Otherwise, it must be canceled when it reaches its halfway point (e.g., 15 years on a 30-year mortgage).

MI cancellation under the HPA only applies to BPMI for single-family primary residences. Some states, notably New York, also have cancellation laws that predate and may supersede the HPA.

Q Can I deduct my MI premiums on my taxes?

A If you itemize your tax deductions and you have paid or accrued MI premiums on a mortgage that was obtained after January 1, 2007, you may be eligible to deduct your premiums on your federal income taxes.

There are income restrictions, so you should consult your tax adviser regarding your eligibility under the Internal Revenue code and the laws of any other taxing jurisdiction.

Learn more about the benefits of private MI and explore your financing options at [essent.us/homebuyers](https://www.essent.us/homebuyers). Available in English and Spanish.

Mortgage Insurance provided by Essent Guaranty, Inc.

© 2018 Essent Guaranty, Inc., All rights reserved.
Two Radnor Corporate Center, 100 Matsonford Road, Radnor, PA 19087 | [essent.us](https://www.essent.us)
EGI-6008.057 (10/18)

