



Cancelling Member-Paid Private Mortgage Insurance

A Guide for Credit Unions

The Homeowners Protection Act of 1998 is designed to benefit homebuyers with Member-paid private mortgage insurance on certain loans made on or after July 29, 1999.*

CMG MI has prepared the following information to help Credit Unions understand their responsibilities.

Cancellation

1. Members have the right to cancel their private mortgage insurance when cancellation requirements are met.
2. Credit Unions must **automatically** cancel a Member's private mortgage insurance when all of the following conditions are met:
 - The Member's mortgage balance is 78% of the original value of the property securing the mortgage loan
 - The Member is current on his or her payments
3. Members can send you a written request to cancel their private mortgage insurance when all of the following conditions are met:
 - Their mortgage balance is 80% of the original value of the property securing the mortgage loan
 - There is a good payment history
 - The Member has not obtained any other loans secured by the property
 - The property value of their home has not declined
4. High-risk mortgages are treated separately under the law. Private mortgage insurance on all high-risk loans must be automatically cancelled at the midpoint of their amortization periods as long as payments are current. For a loan defined as high-risk, private mortgage insurance must be cancelled when the mortgage balance is paid down to 77% of the original value of the property securing the loan.
5. If Members have paid for private mortgage insurance in advance at closing or are currently paying on an annual basis, upon cancellation they are entitled to a refund of the unearned premium, which must be transferred to them by you within 45 days of cancellation notification.

The mortgage insurer must transfer the unearned premium to you within 30 days of its notification.

6. For loans closed before July 29, 1999, Members can usually cancel private mortgage insurance once enough equity is built up in their home. Freddie Mac and Fannie Mae now allow automatic cancellation of mortgage insurance once the midpoint of a loan's amortization period is reached.
7. The law does not cover piggyback, or 80-10-10 loans.
8. The law does not apply to government mortgage insurance (FHA loans). The cancellation provisions of the law also do not apply to lender-paid mortgage insurance.

Disclosures

9. On loans with Member-paid mortgage insurance, you must inform Members in writing at closing that they have private mortgage insurance and may cancel it at a certain point, and also explain how to do it. For all loans with Member-paid mortgage insurance, not just those closed or after July 29, you must notify them annually of their rights and provide information on the cancellation process.
10. When denying a request for mortgage insurance cancellation, Credit Unions must inform Members why.

The above information does not constitute legal advice. For detailed information on the mortgage insurance cancellation law and how it affects you, you should consult your own legal counsel. Some states have their own mortgage insurance cancellation laws, and different standards apply.



CMG Mortgage Insurance Company

A Joint Venture between PMI Mortgage Insurance Co. and
CUNA Mutual Investment Corporation

*Applies to mortgages on single-family primary residences or second homes.