



**H&L MORTGAGE, INC.**  
SERVICE AS BIG AS TEXAS

## **Private Mortgage Insurance Basics**

### **Will you be asked to pay Private Mortgage Insurance, or PMI?**

Most lenders will require you to carry PMI if you cannot put 20% or more of your loan amount forward as a down payment. PMI protects the LENDER in case you default on your payments. PMI does not protect you, the borrower. The lender will secure the PMI policy for you, and you will pay for it. Most people choose to have PMI added to their monthly mortgage payments, but other payment arrangements are possible. The monthly cost of PMI is based on your loan amount. An approximate cost of PMI for a \$100,000.00 loan is about \$50.00 a month.

### **Your Magic Number**

When the equity in your home reaches 20%, you can have the PMI policy cancelled. Your monthly payment will be recalculated to reflect that you are no longer paying for the insurance, and you can save some money. But lenders do not have to cancel your PMI until your equity reaches 22%, so you can spend extra money on this that you don't have to. Your best bet is to figure the dollar amount that you need to reach in order to have 20% equity. Then, obtain an amortization schedule from your lender, and see when you will reach that figure. That is the date to keep in mind so you can cancel it without any extra cost to you.

### **It's Not Always Automatic**

Not all people have the convenience of having their PMI automatically cancelled. The Homebuyer's Protection Act that requires lenders to do this does not cover loans that closed before July 29, 1999. It also does not cover VA loans or FHA loans. So be aware that you might not have someone else taking care of this for you. Check it out!