Homeowner Fact Sheet

Shellpoint Mortgage Servicing

Requirements for canceling PMI on Fannie Mae mortgages

Does your Fannie Mae mortgage also have private mortgage insurance (PMI)? Would you like to cancel your PMI? *This document can help you find out if you're eligible.*

Do you have a mortgage loan that's funded by Fannie Mae? If so, you may be paying for private mortgage insurance (**PMI**) as part of your regular mortgage payment. But PMI costs add up, and you may be wondering if you can cancel (or "terminate") your PMI.

Cancellation may be possible. There are four factors that determine if your PMI can be canceled on a Fannie Mae-funded mortgage: if you're current on your payments, how close you are to automatic PMI cancellation, your overall property value, and your property type.

*This document is an overview **only** for PMI cancellation options for mortgages backed by **Fannie Mae**.* Other organizations (such as Freddie Mac or FHA) have different PMI cancellation policies. But for Fannie Mae-backed mortgages, these are the factors that govern your PMI cancellation options:

What is private mortgage insurance (PMI)?

PMI is an insurance policy *you pay for* that protects your lender from financial loss if you stop making your mortgage payments. Depending on your credit score, your down payment, and some other factors, you may be required to have PMI coverage on your mortgage. Here's how it works:

- If you stop paying your mortgage and your lender has to foreclose on your property, they can recover most of your property's appraised value in a foreclosure auction. Your PMI then pays your lender the remaining value.
- As you consistently pay your mortgage on time and your property value rises, some PMI policies can be canceled.

*This document **specifically** discusses options for canceling PMI on loans funded by the Federal National Mortgage Association (FNMA), also known as **Fannie Mae**.*

1. Are you current in your payments?

First and most importantly—If you're **not current** in your mortgage payments, your PMI can ***never*** be canceled. From the day you request cancellation, you can't have had a 30-day late payment in the previous year—and you can't have made any payments over 60 days late in the past two years.

2. How close are you to automatic PMI cancellation?

When your loan meets one of two conditions, we are required to **automatically cancel** your PMI policy. For example, if you've paid your loan long enough to reach the middle of your amortization schedule (15 years on a 30-year mortgage), we'll cancel your PMI automatically (if your payments are current).

We'll also automatically cancel your PMI when your consistent, on-time mortgage payments have reduced your home's **LTV** (loan-to-value) ratio to **78%** of its original appraised value.

3. Has the overall value of your property increased?

Have you made property improvements to increase your home's value? Have you made extra principal payments to increase the amount of equity you have in your home? Are you in a market where property values are rising? If you answered "yes" to any of these questions, you may qualify for PMI cancellation, But depending on *how* your property value has increased, you may have *pay us* for a Fannie Mae **BPO** (broker price opinion) or new Fannie Mae **appraisal**—whichever valuation is permitted by law in your area—to verify your property's value.

We will use your property's value to calculate your property's **LTV** (loan-to-value) ratio, which is the principal **balance you owe** on your mortgage (the loan amount) divided by your **property's value**.

For example, if you buy a home that appraises for $150,000 and you make a $15,000 down payment, your LTV ratio is **90%**. Your LTV ratio goes down as you make payments and as your property value rises. *Refer to the table on page 3 to see how Fannie Mae uses LTV ratio to determine if your PMI can be canceled.*

4. What's your property type?

Fannie Mae considers **two property types** when reviewing a PMI cancellation request: Is your property a one-unit primary residence or vacation home? *Or* is it a multi-unit primary residence or an investment property? These are your PMI cancellation options for each type:

- **One-unit primary residence or vacation home** — If your mortgage is on your single-family primary or second home *and* you're current in your payments, we will eventually **cancel your PMI automatically**—depending which of the following two scenarios occurs first:
  - ✓ Your LTV ratio drops to **78%** of the original appraised value (and you did *not* make extra payments to reduce it). For example, if your down payment was 10% and your interest rate was 4.0%, your mortgage will reach a 78% LTV ratio after 81 months (about **7 years**). But if you made only a 5% down payment, it will take 104 months (almost **12 years**) for your LTV ratio to reach 78%.
  - ✓ You reach the midpoint of your mortgage term.

  But there's *good news*; there are other options that may enable you to cancel your PMI:
  - ✓ Have you **made consistent payments** or **extra payments**? If your LTV reaches **80%** through your regular mortgage payments or extra principal payments (*not* through improvements or rising property values), you can request cancellation. We'll use a no-charge Fannie Mae **AVM** (automated valuation model) value to verify that your property value has not decreased since your mortgage closed.
  - ✓ Have you **improved your home**? Have you made substantial improvements (*not* just repairs) that have increased your property value? If so, Fannie Mae requires an LTV ratio of between **75%** and **80%** (or less) before PMI can be canceled. The exact LTV ratio depends on how long it's been since your loan closed—*and* you'll have to pay us for a **BPO** or a full **appraisal** (whichever is required in your area) to determine your property's current value. Also, all improvements and their value must be clearly noted in the BPO or appraisal. *See the table on page 3 for more details*.
  - ✓ Has your **property value increased due to rising values in your area?** Has it been between **two and five years** since your loan closed? Do you live in an area in which rising property values (*not* home improvements or extra payments) have increased your home's value? If it's been **between two and five years** since your mortgage closed *and* your home has increased in value to where your LTV ratio is **75%** or less, you can request PMI cancellation. If it's been **more than five years** since your closing, your LTV ratio must be **80%** or less. In both cases, your home's value must be verified by a BPO or an appraisal—which you must pay for. *See the table on page 3 to learn more*.

- **Multi-unit primary residence or investment property** — If your mortgage is on a 2-to-4-unit primary residence or investment property and your payments are current, Fannie Mae requires us to **automatically cancel** your PMI halfway through your mortgage term.

  Don't want to wait? After you've had your mortgage for two years and your equity has risen solely due to regular **payments** (or **prepayments**), you can request cancellation—as long as your LTV ratio is **70%** or less (based on your property's original appraised value). We'll use a no-charge Fannie Mae **AVM** valuation to verify that your property's value has not decreased since your loan closed.

  If your property value has increased due to property **improvements** or **rising property values** in your area, you can also request cancellation if your LTV ratio is **70%** or less—but you'll have to pay us to have a new Fannie Mae-approved **appraisal** done to verify your property's LTV ratio.

More details about canceling Fannie Mae PMI are presented in the table on page 3.

Have questions or concerns?

Getting PMI cancelled on a Fannie Mae loan can be a bit complicated. If you're still uncertain about whether or not your Fannie Mae PMI can be canceled—or if you have other questions—call our **Customer Care Team** at **800-365-7107**.

Fannie Mae PMI cancellation requirements by property type

Based on your **property type**, this chart presents Fannie Mae's requirements for homeowners to qualify for **PMI cancellation**. You can make your request to us either verbally or in writing. If your loan has ever been modified, we base PMI cancellation on the terms, conditions, and amortization schedule of the *modified loan*.

***Before* you request PMI cancellation, you must be current in your payments.** Regardless of your loan type or the cancellation option you pursue, you must have a continuous 12-month history of on-time payments before requesting PMI cancellation. Also, you cannot have paid over 60 days late in the 24 months before your request. *Note*: If you made late payments due to a certified disaster event, and you satisfied the requirements of your negotiated payment plan, those late payments will not count against you when you request PMI cancellation.

PMI cancellation options for a Fannie Mae-backed mortgage	When can PMI be canceled on a single-family primary or second home mortgage?	When can PMI be canceled on a 2-to-4-unit primary residence or investment property mortgage?
We will cancel your PMI ***automatically***.	We will cancel your PMI *automatically* when one of two events occurs (whichever comes **first**): A. Your **LTV** (loan-to-value) ratio falls to **78%** of your home's original appraised value (per your original amortization schedule) *without* making extra payments or improvements. But depending on the down payment you made, that could take **up to 12 years** or more. B. You reach the **midpoint** of your **loan term** (for example, 15 years into a 30-year loan).	We will cancel PMI *automatically* when you reach the **midpoint** of your **loan term**.
You can ***request*** PMI cancellation based on you making **regular payments** or **extra principal payments**.	We can cancel PMI when your **LTV** ratio falls to **80%** or less of the original property value at closing because you've made regular payments or extra principal payments to increase your equity and reduce your unpaid loan balance. *We will use a no-charge Fannie Mae **AVM** (automated valuation model) value to confirm that your property value has not decreased since your loan closed.*	If you've made extra principal payments, we can cancel your PMI when your **LTV** ratio falls to **70%** or less. *We will use a no-charge Fannie Mae **AVM** (automated valuation model) value to confirm that your property value has not decreased since your loan closed.*
You can ***request*** PMI cancellation based on you making substantial **home improvements**.	If your property value has risen ***only*** due to your substantial home improvements (*not* repairs), we may be able to cancel PMI under these conditions: A. Has it been less than **2 years** since closing? Your **LTV** must be **80%** or less. B. Has it been **2-5 years** since closing? Your **LTV** must be **75%** or less. C. Has it been **over 5 years** since closing? Your **LTV** must be **80%** or less. In each case, *you must pay us for a **BPO** or a new **appraisal** (cost = up to $350).* The BPO or appraisal must **describe the improvements** and the **value** they add to your property.	Has it been at least **2 years** since your mortgage closed? Have you made substantial property improvements (*not* repairs) *or* has your property value increased due to rising property values in your area? If so, we can cancel your PMI when your **LTV** ratio falls to **70%** or less. *But you must pay us for a new **appraisal*** (cost = $750). If you've made property improvements, the appraisal must **describe the improvements** and the **value** they add to your property.
You can ***request*** PMI cancellation if you believe your property's value has increased due to **rising property values** in your area—*without* you making home improvements or extra payments.	If your loan closed at least **2 years ago** and your property value has risen ***only*** due to the increase of property values in your area, we may be able to cancel PMI under these conditions: A. Has it been **2-5 years** since closing? Your **LTV** must be **75%** or less. B. Has it been **over 5 years** since closing? Your **LTV** must be **80%** or less. In either case, *you must pay us for a **BPO** or a new **appraisal*** (cost = up to $350).	