



LM Federal Credit Union

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**Wealth Management &
Financial Planning Services**

What's private mortgage insurance (PMI), and can my mortgage lender require me to have it?

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If you are applying for a conventional mortgage and have a down payment of less than 20%, your lender may require you to have private mortgage insurance (PMI). Low down payment mortgages are somewhat risky for lenders, because they believe you are more likely to default on a loan in which you have very little invested. For this reason, lenders generally require PMI if you are borrowing more than 80% of the value of the home you are purchasing (i.e., your down payment is less than 20%).

If you are concerned about taking on PMI payments, keep in mind that you may not have to pay PMI forever. For loans originated after July 29, 1999, your lender is obligated to cancel your PMI when the principal balance on your loan is scheduled to reach 78% of the original value of your home or once you have reached the midpoint of your loan's amortization schedule, provided you have a good payment history. Or, you can petition your lender to remove the PMI if you have a good payment history and reach 20% equity in your home.

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