

Fannie Mae/Freddie Mac borrower paid mortgage insurance cancellation summary

July 2023

Both Fannie Mae and Freddie Mac provide mortgage insurance (MI) cancellation and termination guidelines in their Seller/Servicer guides that comply with the Homeowners Protection Act (HPA) of 1998. In addition, their guidelines also address scenarios not covered by HPA, such as the use of a property's current value to determine the MI cancellation LTV and allowing MI cancellation for properties other than 1 Family Primary Residences. A summary of Fannie Mae's and Freddie Mac's guidelines for mortgages closed on or after HPA's effective date is provided below. **The guidelines not covered by HPA are in green text.**

ORIGINAL VALUE		
Borrower Initiated Cancellation Guidelines*	Fannie Mae Cancellation Date	Freddie Mac Cancellation Point
<ul style="list-style-type: none"> 1 Family Principal Residence Second Home 	The date the mortgage balance is first scheduled to reach 80% of the original value or actually reaches 80% of the original value.	LTV ratio, which may be based on the amortization schedule or actual payments collected, must be 80% or less of the original value.
<ul style="list-style-type: none"> 2-4 Family Principal Residence 1-4 Unit Investment Property 	The date the mortgage balance actually reaches 70% of the original value.	LTV ratio must be 65% or less of the original value.

The servicer must evaluate a borrower-initiated MI cancellation request due to a reduction in the UPB through the payment of scheduled monthly payments or unscheduled curtailments.

ORIGINAL VALUE		
Automatic Termination Guidelines*	Fannie Mae	Freddie Mac
<ul style="list-style-type: none"> 1 Family Principal Residence Second Home 	Automatic termination: The earlier of (1) the date the mortgage balance is first scheduled to reach 78% of the original value; or (2) the month following the mid-point of the amortization period.	
<ul style="list-style-type: none"> 2-4 Family Principal Residence 1-4 Unit Investment Property 	Automatic termination: The month following the mid-point of the amortization period.	Not eligible for automatic termination.

* For mortgages closed before 7/29/99, refer to the applicable Seller/Servicers Guide for MI cancellation and termination guidelines.

continued on back...

CURRENT VALUE*		
Borrower Initiated Cancellation Guidelines	Fannie Mae Cancellation Date	Freddie Mac Cancellation Point
All Mortgages: <ul style="list-style-type: none"> • 1 Family Principal Residence • Second Home 	LTV ratio must be: <ul style="list-style-type: none"> • 75% or less, if seasoning of the mortgage loan is between 2 and 5 years; or • 80% or less, if seasoning of the mortgage loan is at least 5 years <ul style="list-style-type: none"> – Minimum seasoning is waived if substantial improvements made by the borrower have increased the property value; LTV must be 80% or less. 	
<ul style="list-style-type: none"> • 2-4 Family Principal Residence • 1-4 Unit Investment Property 	LTV ratio must be: 70% or less and the seasoning of the loan must be > 2 years.	LTV ratio must be: 65% or less, if the seasoning of the mortgage loan is at least 2 years <ul style="list-style-type: none"> – Minimum seasoning is waived if substantial improvements made by the borrower have increased the property value; LTV must be 65% or less.

*The guidelines above are not covered by HPA. HPA does not provide for MI cancellation based on current value.

There are additional conditions for MI cancellation and automatic termination for HPA and non-HPA mortgages. Refer to the chart below and to the applicable Seller/Servicer guide for complete details.

	Original Value		Current Value
	The Servicer must apply these requirements for automatic terminations and borrower- initiated cancellations based on original value:		The Servicer must apply these requirements for borrower- initiated cancellations based on current value:
	Automatic Termination	Borrower Initiated Cancellation	Borrower Initiated Cancellation
Borrower must be current	Yes	Yes	Yes
Borrower must have: <ul style="list-style-type: none"> • No 30 day lates in the preceding 12 months; and • No 60 day lates in the preceding 24 months 	N/A	Yes	Yes
Evidence of Value	N/A	<u>Fannie Mae</u> The Servicer must verify that the current property value is at least equal to the original property value by using a valuation method acceptable per Fannie Mae guidelines. <u>Freddie Mac</u> Servicer must warrant that the original value of property supports the LTV ratio required to cancel MI.	The Servicer must verify the current property value by using a valuation method acceptable per Fannie Mae or Freddie Mac guidelines.
Other Conditions	Satisfaction of additional conditions may be required. Refer to Fannie Mae or Freddie Mac Seller/Servicer Guides for the complete MI cancellation guidelines.		

Enact Mortgage Insurance provides this summary as a courtesy to our customers. It is not definitive of all aspects of HPA or Fannie Mae's and Freddie Mac's mortgage insurance cancellation guidelines, nor is it legal advice or a legal opinion, and it may not be relied upon as such. Certain other requirements apply for automatic termination and for borrower-initiated cancellations. For more detail, consult the applicable Seller/Servicer Guide or legal counsel.

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