

Homeowners Protection Act of 1998

Understanding MI Cancellation and Termination

Mortgage insurance (MI) can help you buy your home with a lower down payment than you expected. Even better, the Homeowners Protection Act of 1998 (HPA) established rights for homeowners and identified rules for cancelling and terminating borrower-paid MI. The HPA applies to loans secured by a single-family home that is your primary residence. There are two types of cancellation: borrower-initiated and automatic termination.

Borrower-initiated Cancellation

The HPA permits you to request cancellation of MI when your mortgage balance reaches 80% of your home's original value (the lesser of the sales price or the appraised value at origination). Your mortgage servicer must cancel MI at your written request provided:

- you have a good payment history* on your mortgage;
- you are current on your mortgage payments;
- you have no other loans on the house; and
- your mortgage servicer is satisfied that your property value has not fallen below the original value.

*No 30-day lates in the preceding 12 months and no 60-day lates in the preceding 24 months.

Automatic Termination

The HPA requires your mortgage servicer to automatically terminate your requirement to pay MI when:

- your mortgage balance is first scheduled to reach 78% of your home's original value (for a fixed rate loan, it is based on the initial amortization schedule; for an adjustable-rate mortgage, it is based on the schedule then in effect); and
- you are current on your mortgage payments.

Enact and MI Cancellation

As a mortgage insurer, we are required to cancel the MI upon request by your mortgage servicer. The decision and request to cancel MI is made solely by the mortgage servicer in accordance with the applicable cancellation guidelines and applicable state and federal laws. It is our practice and policy to cancel the mortgage insurance when the mortgage servicer requests cancellation.

Certain other requirements apply for borrower-initiated cancellations and for automatic termination. Cancellation is not available on certain loan types or loans with lender-paid mortgage insurance. Other conditions may apply. For more detailed information about MI cancellation and termination guidelines for your loan, contact your servicer.

Enact provides this summary as a courtesy to you. It is not definitive of all aspects of HPA or any investor's mortgage insurance cancellation guidelines, including Fannie Mae and Freddie Mac, nor is it legal advice or a legal opinion, and it may not be relied upon as such. For more detail, consult with your lender or legal counsel.

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