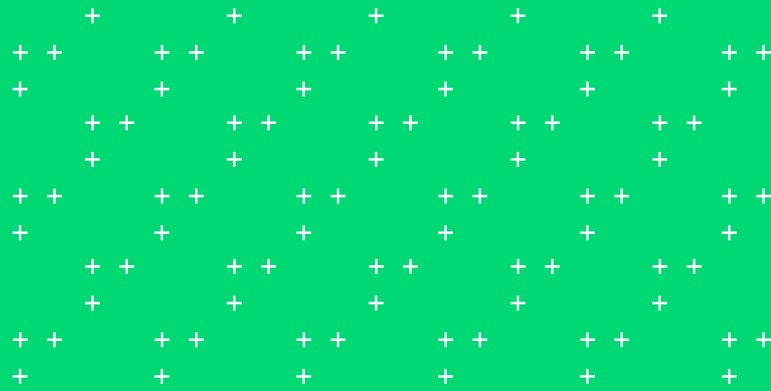
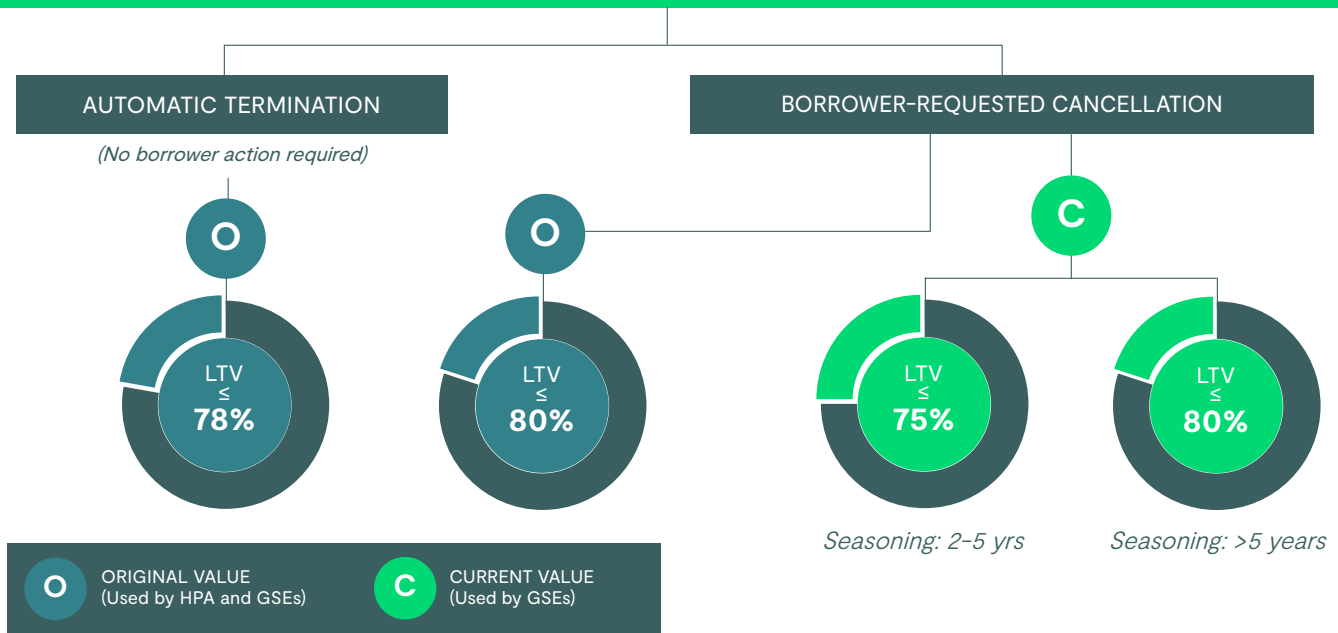


Enact's Guide to MI Cancellation & Termination



Single-Family, Primary Residences with BPMI



What is the Homeowners Protection Act of 1998 (HPA)?

Sets requirements for borrower-requested cancellation and automatic termination of MI coverage and disclosure requirements

- HPA sets guidelines for borrower-initiated cancellation or automatic termination on borrower-paid mortgage insurance (BPMI) for mortgages closed on or after 7/29/99
- Investors such as Fannie Mae and Freddie Mac (GSEs) can set additional, less-stringent MI cancellation and termination requirements than the HPA
- Borrower may initiate cancellation when loan amount reaches 80% of original value; no seasoning is required
- Servicer must automatically terminate MI coverage the earlier of when the loan is scheduled to reach 78% of original value or the month following midpoint of loan amortization
- The GSEs allow cancellation using current value, but seasoning requirements may apply; current value is not covered by HPA
- Servicers must provide annual disclosures to borrowers with both BPMI and LPMI

For second homes, Fannie Mae and Freddie Mac's cancellation and termination guidelines are the same as a single-family primary residence. Second homes are not covered by HPA.

What happens to the MI premium when coverage is terminated or canceled under HPA?



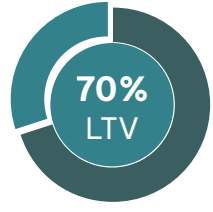
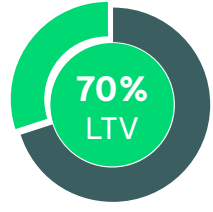
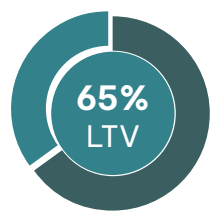
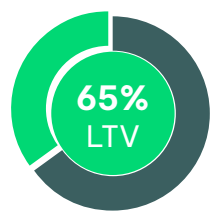
MI providers will refund any unearned premium to the loan servicer

HPA only applies to single-family primary residences using BPMI and original value. The GSEs and other investors set their own rules for other types of properties.

2-4 Family Primary Residences & 1-4 Unit Investment Properties

Using GSE Guidelines for Non-HPA Properties





Borrowers must reach the following LTVs and/or other criteria:

	 BORROWER-REQUESTED ORIGINAL VALUE	 BORROWER-REQUESTED ORIGINAL VALUE	AUTOMATIC TERMINATION
Fannie Mae	 70% LTV	 70% LTV AND LOAN MUST BE 2 YEARS OR OLDER	OCCURS MONTH FOLLOWING MIDPOINT OF AMORTIZATION SCHEDULE
Freddie Mac	 65% LTV	 65% LTV AND LOAN MUST BE 2 YEARS OR OLDER	NOT ELIGIBLE

Other Cancellation Considerations

- Must be current on payments
- No 30 day late mortgage payments in prior 12 months; no 60 day late payment in last 24 months"
- No 2nd liens on home
- Evidence of home value confirmed through GSEs' collateral tools

Ways To Cancel Faster

-  Pay ahead on mortgage
-  Make substantial improvements to the home; refer to GSE guidelines
-  Check the property value to see if it's increased
-  Refinance with LTV under 80% to remove MI

Confirming Home Value for Non-HPA Properties

	ORIGINAL VALUE	CURRENT VALUE
Fannie Mae	Current value ≥ original value; valuation method must be compliant with Fannie's guidelines	Servicer must verify current property value using validation method acceptable per GSE guidelines
Freddie Mac	Servicer warrants original value supports LTV ratio required to cancel	

DISCLAIMER: 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 any state-specific laws, 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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