FYI: What's PMI?

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Private Mortgage Insurance or PMI is usually required:

- when you buy a home with a conventional loan with a down payment less than 20% or
- when you refinance a home with a conventional loan with less than 20% equity.

Unlike the Mortgage Insurance Premium (MIP) required with an FHA Loan, the PMI will no longer be required when you reach a certain amortization.

How much does it cost?

On average, your annual PMI premium will range for .55 percent to 2.25 percent of the original loan value.

PMI can be paid:

- Monthly – an additional charge on top of your monthly mortgage payment.
- Upfront – paid in full at the time of loan closing.
- Both – pay some upfront at the time of loan closing and pay the rest through your monthly mortgage payment.

Can you avoid PMI?

Most lenders require PMI when you finance with a conventional loan with less than a 20% down payment. This varies from loan to loan and depends on numerous other factors like the total down payment, the total loan amount, your credit score, your interest rate, and more.

To avoid PMI:

- If you can, put down a higher down payment, at least 20%.
- If you are eligible, compare conventional financing with a government loan like the FHA Loan, VA Loan, or USDA Loan.
- Pay down your mortgage balance. You can typically cancel PMI once you've built up at least 20% equity in your home. **Ask your lender for specifics!**

AMORTIZATION: the process of gradually reducing or paying off a debt, like your mortgage, with regular payments.