MGIC

When and how to cancel MGIC mortgage insurance

Cancellation using original value

The Homeowners Protection Act of 1998 (HPA)[1] covers single-family primary residences whose sales were closed on or after July 29, 1999. HPA provides for borrower-requested cancellation and lender-required cancellation.

Borrower-requested cancellation under HPA

Borrowers must provide a written request for MI cancellation to the lender, who cancels the MI policy:

- The date the mortgage loan balance is first scheduled to reach 80% of the original property value, based solely on the initial amortization schedule[2], regardless of the outstanding balance of the loan OR
- The date the mortgage loan balance actually reaches 80% of the original value

For a purchase transaction, original property value is the lesser of the property sales price and appraised value. For a refinance transaction, original value is the appraised value.

Lenders can cancel MI coverage only if:

- The borrowers satisfy any lender requirements for evidence the property value has not declined and no subordinate liens exist AND
- The borrowers have a good payment history:
  - No payment 60 days or more past due during the 12-month period beginning 24 months before the date the mortgage loan reaches the cancellation date, AND
  - No payment 30 days or more past due during the 12-month period before the date the mortgage loan reaches the cancellation date

Lender-required cancellation under HPA

The lender must automatically cancel the MI policy:

- The date the mortgage loan balance is first scheduled to reach 78% of original value, based solely on the initial amortization schedule[2], regardless of the outstanding loan balance AND
- If the borrowers are current on the payments required by the terms of the mortgage

Different cancellation requirements apply to loans designated at origination as “high risk.”

Cancellation using current value

HPA does not address MI cancellation using current value, but individual investors may.

Borrowers must request MI cancellation in writing and provide a current value estimate acceptable to their lender.

Fannie Mae and Freddie Mac typically require[3]:

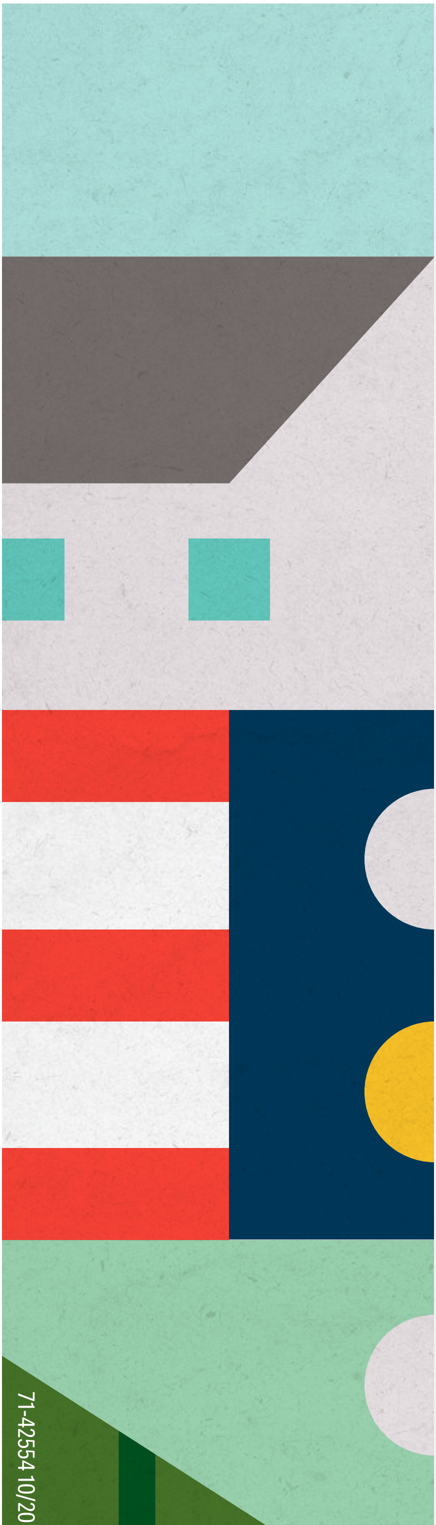
- A loan seasoned at least 2 years, AND
- The borrowers have an acceptable payment history, AND
- The LTV based on a current appraisal is:
  - 75% or lower if fewer than 5 years have elapsed since the loan originally closed OR
  - 80% or lower if more than 5 years have elapsed since the loan originally closed

Check other investors' MI cancellation requirements.

[1] Consult with your own counsel to assure compliance with the HPA.

[2] For ARM loans, the amortization schedule then in effect applies.

[3] Fannie Mae and Freddie Mac requirements were taken from their selling guides and are subject to change. MGIC does not warrant that this information is up-to-date. Refer to the respective Agency's selling guide for the most current MI cancellation information.



How to cancel MGIC MI coverage

Borrowers should contact their lender to cancel their mortgage insurance coverage. Lenders and loan servicers should contact us.

Request cancellation within 30 days after the date mortgage insurance is no longer required via:

- **MGIC/Link Servicing –** Select Cancel Coverage in the main menu
- **Electronic format –** Use a cancellation transaction direct from your servicing system to cancel coverage. Contact cancel_requests@mgic.com or 1-800-558-9900 for more information
- **Email –** Send individual requests or a file to cancel_requests@mgic.com
- **Fax/mail –** Complete and sign a Request for Cancellation of Insurance form and forward it to us

Resources

- For more information about MI cancellations, go to mgic.com/hpa
- See mgic.com > rates > premium refunds for refund procedures
- Contact MGIC Customer Service, customer_service@mgic.com or 1-800-424-6442
- Learn how to cancel MI coverage with MGIC/Link at mgic.com > training > tutorial library > MI servicing tools

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