

MORTGAGE FINANCE

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Understanding Mortgage Insurance

Mortgage Insurance gives borrowers the ability to purchase homes and refinance mortgages without the required down payment needed to obtain most loans. Mortgage insurance gives lenders the assurance that big losses will not be incurred in the event that borrowers are unable to make their payments.

The sub-prime mortgage meltdown and real estate bubble burst of 2007 has caused many second trust lenders on conventional mortgage's to tighten or suspend their 2nd trust product offerings. As a result, mortgage insurance is popular again. Without mortgage insurance, most low down payment mortgages could not be offered. Conventional, VA, and FHA loans have different mortgage insurance types and costs.

Conventional Loans

Mortgage insurance is charged on all conventional mortgages having a loan to value (LTV) greater than 80%. Mortgage insurance rates on conventional loans depend on the type of loan, the LTV, the credit score, and the amount of mortgage insurance coverage required by the lender. These are the most common yearly rates/premiums. Borrowers with credit scores below 680 have higher rates, and should consider FHA as the best alternative.

<u>Loan to Value</u>	<u>Upfront Premium</u>	<u>Yearly Premiums*</u>	<u>Maximum Loan Amt.</u>
95.00% - 90.01%	.75%	.55% - .39%	\$417,000
90.00% - 85.01%	.75%	.24% - .16%	\$729,750
85.00% - 80.01%	.75%	.14%	\$729,750

- * Premiums vary according to buyers qualifications. Loan amounts greater than \$417,000 are .25% higher

FHA Loans

Mortgage insurance is charged on all FHA loans regardless of the LTV. There is an upfront premium and a monthly payment. Borrowers are allowed to FINANCE the upfront Mortgage Insurance Premium (MIP). Additionally, borrower must pay "Yearly Premiums" until the loan falls to 78% of the original sales price.

<u>Loan to Value</u>	<u>Upfront Financed Premium*</u>	<u>Yearly Premiums**</u>	<u>Maximum Loan Amt.</u>
96.50% - 95.01%	1.75%	.55%	\$729,750
95.00% and below	1.75%	.50%	\$729,750

- *The "Upfront Financed Premium" is non-refundable. Credits can be given if you refinance to a new FHA loan.
- ** Premiums last until the loan amount drops below 78% of original sales price (5 year minimum). Rate is less for 15 year loan (.25%/0%)

VA Loans - \$812,500 with No Down Payment!

Mortgage insurance charged on VA loans is called the Funding Fee. The funding fee is a onetime charge and is not refundable. The amount of the funding fee depends on the amount of down payment and whether the veteran has obtained a VA loan in the past. **Disabled veterans are exempt from having to pay the Funding Fee.**

<u>LTV</u>	<u>Regular Military Financeable Funding Fee</u>	<u>Reserves/National Guard Financeable Funding Fee</u>
	<u>Funding Fee (1st Time)/ (2nd Time)</u>	<u>Funding Fee (1st Time)/ (2nd Time)</u>
100%	2.15% / 3.30%	2.40% / 3.30%
95%	1.50% / 1.50%	1.75% / 1.75%
90% and below	1.25% / 1.25%	1.50% / 1.50%

Steve Fox with First Savings Mortgage has provided the following newsletter as a service.
 Steve has 24 years of Mortgage Banking experience. Let his experience work for you.