

Borrower-Paid Cancellation: Summary of Fannie Mae and Freddie Mac Guidelines

Both Fannie Mae and Freddie Mac have updated their borrower-paid mortgage insurance (BPMI) guidelines to meet the requirements of the Homeowners Protection Act (HPA) of 1998 and to address MI cancellations not covered by the HPA.

The revised guidelines are summarized below. The guidelines for MI cancellations not covered by HPA are in **BLUE** text.

CANCELLATIONS BASED ON ORIGINAL VALUE OF THE PROPERTY		
Borrower-Initiated Cancellation Guidelines	Fannie Mae (5/15/19)	Freddie Mac (10/01/18)
Cancellation Evaluation Based on Original Value: <ul style="list-style-type: none"> 1-Family Principal Residence/Second Home. 	Cancellation date: The earlier of (1) the date the mortgage balance is first scheduled to reach 80% of the original value; or (2) the day the mortgage balance actually reaches 80% of the original value.	Cancellation point: LTV ratio, which may be based on the amortization schedule or actual payments collected, must be 80% or less of the original value.
<ul style="list-style-type: none"> 2-4 Family Principal Residence or 1-4 Unit Investment Property. 	Cancellation date: The date the mortgage balance actually reaches 70% of the original value.	Cancellation point: LTV ratio must be 65% or less of the original value.

CANCELLATIONS BASED ON CURRENT VALUE OF THE PROPERTY		
Borrower-Initiated Cancellation Guidelines	Fannie Mae (5/15/19)	Freddie Mac (10/01/18)
Cancellation Evaluation Based on Current Value: Mortgages Closed before or on or after 7/29/99; <ul style="list-style-type: none"> 1-Family Principal Residence/Second Home. 	Cancellation date: LTV ratio must be: <ul style="list-style-type: none"> 75% or less: <ul style="list-style-type: none"> If seasoning of the mortgage loan is between two and five years. 80% or less, if the seasoning of the mortgage loan is greater than five years. <ul style="list-style-type: none"> If property improvements made by the borrower have increased the property value (minimum seasoning waived). 	Cancellation point: LTV ratio must be: <ul style="list-style-type: none"> 75% or less, if seasoning of the mortgage loan is between two and five years; or 80% or less: <ul style="list-style-type: none"> If seasoning of the mortgage loan is at least five years; or If substantial improvements made by the borrower have increased the property value (minimum seasoning waived).
<ul style="list-style-type: none"> 2-4 Family Principal Residence or 1-4 Unit Investment Property. 	Cancellation date: LTV ratio must be: <ul style="list-style-type: none"> 70% or less, and the seasoning of the mortgage loan must be greater than two years. 	Cancellation point: LTV ratio must be: <ul style="list-style-type: none"> 65% or less: <ul style="list-style-type: none"> If seasoning of the mortgage loan is at least two years; or If substantial improvements made by the borrower have increased the property value (minimum seasoning waived).

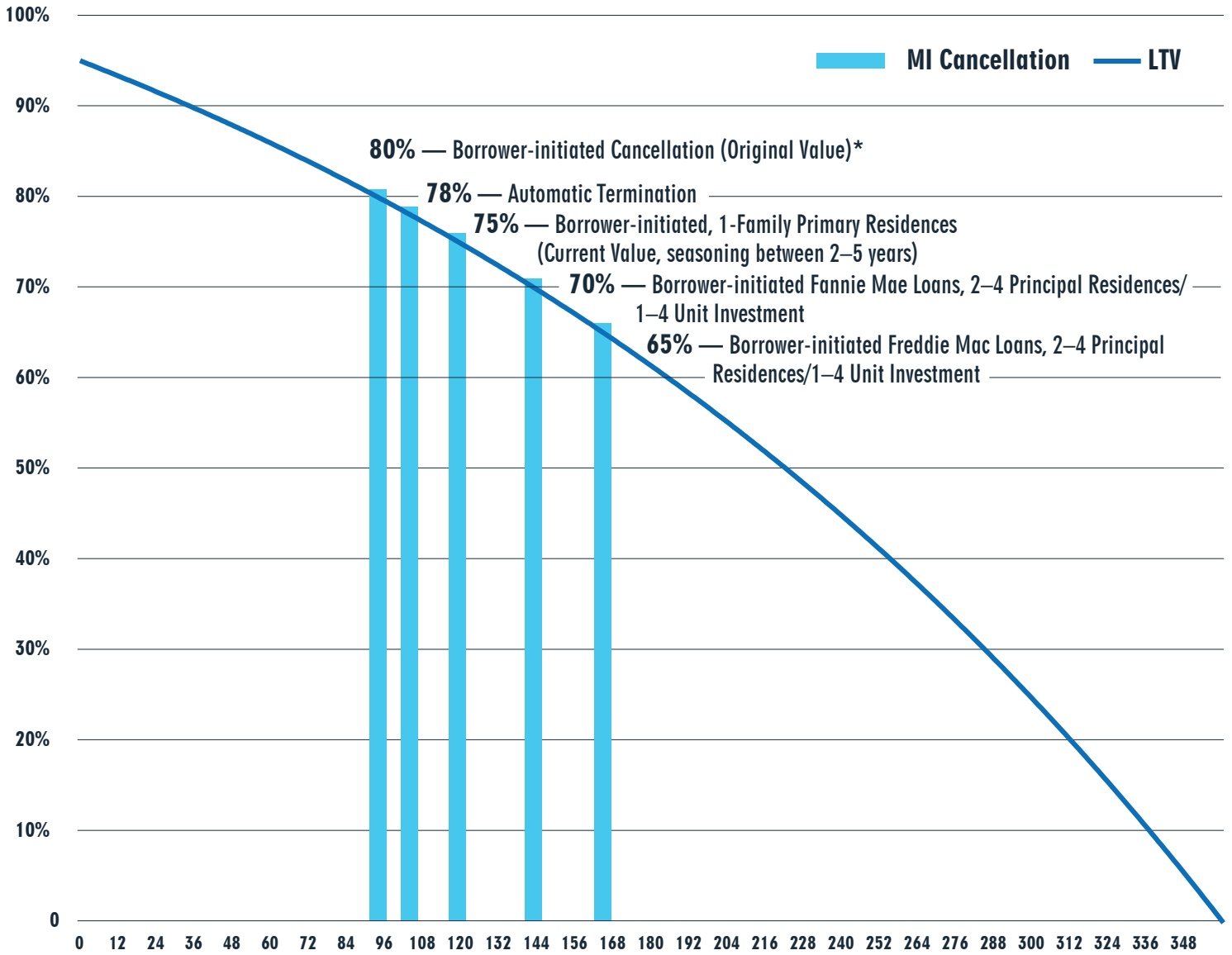
Automatic Termination Guidelines	Fannie Mae (5/15/19)	Freddie Mac (10/01/18)
Mortgages Closed on or after 7/29/99: Payments Must Be Current; <ul style="list-style-type: none"> 1-Family Principal Residence/Second Home. 	Automatic termination: The earlier of (1) the date the mortgage balance is first scheduled to reach 78% of the original value; or (2) the month following the mid-point of the amortization period.	Automatic termination: The earlier of (1) the date the mortgage balance is first scheduled to reach 78% of the original value; or (2) the month following the mid-point of the amortization period.
<ul style="list-style-type: none"> 2-4 Family Principal Residence or 1-4 Unit Investment Property. 	Automatic termination: The month following the mid-point of the amortization period.	Not eligible for automatic cancellation.
Mortgages Closed before 7/29/99: Payments Must Be Current; <ul style="list-style-type: none"> 1-Family Principal Residence/Second Home. 	Automatic termination: The month following the mid-point of the amortization period.	Automatic termination: The earlier of (1) the date the mortgage balance is first scheduled to reach 78% of the original value; or (2) the month following the mid-point of the amortization period.
<ul style="list-style-type: none"> 2-4 Family Principal Residence or 1-4 Unit Investment Property. 	Automatic termination: The month following the mid-point of the amortization period.	Not eligible for automatic cancellation.

ADDITIONAL REQUIREMENTS APPLICABLE TO AUTOMATIC TERMINATIONS AND BORROWER-INITIATED CANCELLATIONS

	Original Value		Current Value
	The Servicer must apply these additional requirements for automatic terminations and borrower-initiated cancellations based on original value:		The Servicer must apply these additional requirements for borrower-initiated cancellations based on current value:
	Automatic Termination	Borrower-Initiated Cancellation	Borrower-Initiated Cancellation
Borrower Must Be Current	Yes	Yes	Yes
Borrower Must Have: <ul style="list-style-type: none"> No 30-day late payments in the preceding 12 months; and No 60-day late payments in the preceding 24 months. 	N/A	Yes	Yes
Evidence of Value	N/A	<u>Fannie Mae</u> The Servicer must verify that the current value of the property is not less than the original value of the property. <u>Freddie Mac</u> The Servicer must warrant that the original value of property supports the LTV ratio required to cancel MI.	The Servicer must verify the current property value by using a valuation method acceptable per Fannie Mae or Freddie Mac guidelines.
Other Conditions	Satisfaction of additional conditions may be required. Refer to Fannie Mae or Freddie Mac Seller/Servicer Guides for the complete MI cancellation guideline.		

Please be aware that this summary does not cover all aspects of HPA, certain state MI cancellation laws, or all of Fannie Mae's and Freddie Mac's MI cancellation guidelines, nor should it be relied upon as legal advice. Certain other requirements apply for automatic termination and for borrower-initiated cancellations. For more details, consult the applicable Seller/Servicer Guide or your legal counsel.

MI Cancellation Points vs. Mortgage Payments (Months)



For additional details and requirements, please review prior pages.

* 80% or less based upon current value if the seasoning of the loan is greater than 5 years or substantial improvements have increased the property value (minimum seasoning waived).