



Let National MI Be Your Guide to Cancelling Borrower-Paid Mortgage Insurance

The Homeowners Protection Act (HoPA)

The Homeowners Protection Act (HoPA) of 1998 established rules for both automatic termination and borrower cancellation of Borrower-Paid Private Mortgage Insurance (BPMI) on certain home mortgages. HoPA requires that BPMI be cancelled when a borrower has built up a certain amount of equity in their home. The act covers privately insured first mortgages on single-family primary residences, whose sales were closed on or after July 29, 1999.

There are provisions for both borrower-requested cancellation and lender-required automatic termination:

- Borrowers can request cancellation when the loan reaches 80% of the original value
- BPMI by law is automatically cancelled by the lender when the loan reaches 78% of the original value

Exceptions from HoPA Cancellation Requirements:

- HoPA does not apply to second homes, investment properties, or multi-unit properties – it only applies to primary occupancy, single family residences
- HoPA does not apply to Lender-Paid Mortgage Insurance
- HoPA does not apply to FHA MIP, which cannot be cancelled in less than 11 years

Fannie Mae[®] and Freddie Mac[®]

Fannie Mae and Freddie Mac comply with HoPA guidelines for both borrower-requested cancellation and lender-required automatic termination of BPMI that apply to loans owned or guaranteed by them, which closed on or after July 29, 1999.

In addition, Fannie Mae and Freddie Mac extended similar cancellation policies to second homes, which were not covered under HoPA, with different cancellation requirements applying to loans deemed higher risk (such as different auto cancellation requirements on 2-4 unit Primary or 1-4 unit Investment Properties).

Both may allow borrower-requested cancellation based on current property value (reappraisal of property) for all property types. This provides greater flexibility as the borrower may have cancellation opportunities due to significant property appreciation.

Cancellable Sooner than FHA

Unlike private mortgage insurance, cancellable at 78% LTV, FHA policies for borrowers with LTV ratios greater than 90% cannot be cancelled. For those with LTVs at or below 90%, FHA policies are cancellable after 11 years versus an average 5 to 7 years with National MI.

FHA CANCELLATION COMPARISONS		
LTV	National MI	FHA
> 90% LTV	78% LTV (average 7-10 year term)	Not cancellable
≤ 90% LTV	78% LTV (average 5-7 year term)	Cancellable after 11 years

The Homeowners Protection Act (HoPA)

All loans with Borrower Paid Mortgage Insurance (regardless of the current investor of the loan), secured by Single-Family, 1-Unit Primary Residences

HOMEOWNERS PROTECTION ACT APPLIES ONLY TO SINGLE-FAMILY, 1-UNIT PRIMARY	
Borrower-Requested BPMI Cancellation Based on Original Value*	Automatic Termination of BPMI Based on Original Value
Borrower can request when loan balance is 80% of original property value (provided borrower has a good payment history, is current on the loan and satisfies the lender's requirements to demonstrate that there is no subordinate liens on the property and the property value has not declined below its original value).	Automatic termination on the earlier of <ol style="list-style-type: none"> The date the mortgage balance is first scheduled to reach 78% of the original property value, if borrower is current on their mortgage payment; OR <ol style="list-style-type: none"> The first day of the month after the date that is the midpoint of the mortgage loan amortization period, if borrower is not current on their mortgage payment.

Fannie Mae and Freddie Mac Loans

BORROWER-REQUESTED BPMI CANCELLATION BASED ON ORIGINAL VALUE*		AUTOMATIC TERMINATION OF BPMI			
	1-Unit Primary or Second Home	2-4 Unit Primary or 1-4 Unit Investment Property		1-Unit Primary or Second Home	2-4 Unit Primary or 1-4 Unit Investment Property
Fannie Mae	Borrower can request when loan balance is 80% of original property value.	Borrower can request when loan balance is 70% of original property value.	Fannie Mae	Automatic termination on the earlier of <ol style="list-style-type: none"> the date the mortgage balance is first scheduled to reach 78% of the original property value; OR <ol style="list-style-type: none"> the first day of the month after the date that is the midpoint of the mortgage loan amortization period. 	Automatic termination on the first day of the month after the date that is the midpoint of the mortgage loan amortization period.
Freddie Mac		Borrower can request when loan balance is 65% of original property value.			Freddie Mac
Borrower requests can be either verbally or in writing.					
* Guidance on validating that property value has not declined and borrower payment history requirements can be found in Freddie Mac Servicing Guide Sections 8203.1 through 8203.7 and 9205.11 and Fannie Mae Lender Letter LL-2018-03 or Servicing Guide Section B-8.1-04.					

BORROWER-REQUESTED BPMI CANCELLATION – BASED ON CURRENT VALUE**		
	1-Unit Primary or Second Home	2-4 Unit Primary or 1-4 Unit Investment Property
Fannie Mae	Borrower can request when the Current LTV is: <ul style="list-style-type: none"> ≤ 75%, if 2-5 years have elapsed since origination ≤ 80%, if ≥ 5 years or more have elapsed since origination ≤ 80%, if < 2 years have elapsed, and documented substantial property improvements** have been made since origination 	Borrower can request when loan balance is 70% of current property value.
Freddie Mac		Borrower can request when loan balance is 65% of current property value.
Borrower requests can be either verbally or in writing.		
** Guidance on substantial property improvements, methods for determining current property value and borrower payment history requirements can be found in Freddie Mac Servicing Guide Sections 8203.1 through 8203.7 and 9205.11 and Fannie Mae Lender Letter LL-2018-03 or Servicing Guide Section B-8.1-04.		

This content is intended to provide an informational overview of BPMI cancellation and does not constitute legal advice. The HoPA contains numerous additional provisions that we do not address herein. To assure compliance with any obligations your organization may have under the HoPA, you should review the HoPA itself along with your independent legal counsel. Individual states may also have mortgage insurance cancellation laws that may apply. Fannie Mae and Freddie Mac requirements were taken from the most recent versions of their Seller/Servicer Guides and are subject to change. See those Guides for the most up-to-date mortgage insurance cancellation information.