

The MGIC logo is displayed in a bold, blue, sans-serif font. The background of the entire page is a photograph of a modern house with light-colored siding and a white porch, with a decorative white scalloped border on the left and right sides. A decorative band with a repeating pattern of blue and white semi-circles is located at the bottom of the page.

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

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

- On the date the mortgage loan balance is first scheduled to reach 80% of original value, based solely on the initial amortization schedule², regardless of the outstanding balance of the loan OR
- On the date the mortgage loan balance actually reaches 80% of the original value

MI coverage can be cancelled only if:

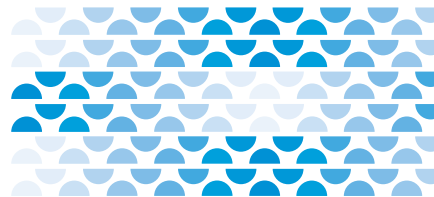
- The borrowers have a good payment history AND
- The borrowers satisfy any lender requirements that the property value has not declined and that no subordinate liens exist

Lender-required cancellation under HPA

The lender must automatically cancel the MI policy:

- On the date the mortgage loan balance is first scheduled to reach 78% of original value, based solely on the initial amortization schedule², regardless of the outstanding balance of the loan 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

Individual investors establish the criteria for cancelling MI based on a property's current value. HPA does not address MI cancellation using current value.

Fannie Mae and Freddie Mac typically require³:

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

Check other investors' MI cancellation requirements.

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

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 Seller/Servicer Guides and are subject to change. MGIC does not warrant that this information is up-to-date. Refer to the Agencies' Seller/Servicer Guides for the most current MI cancellation information.

How to cancel MGIC MI coverage

Lenders/loan servicers should contact MGIC to cancel mortgage insurance coverage.

Request cancellation within 30 days after the effective date of cancellation using one of these options:

- Using the MGIC/Link Servicing website, select Cancel Coverage in the main menu
 - Sign up for a user ID and password at www.mgic.com/signup
- For other electronic formats, contact integration_services@mgic.com for information
- Fax a completed Cancellation of Insurance form, www.mgic.com/pdfs/71-8557_requestcancellation.pdf, to 1-888-818-0241

RESOURCES

- For more information about MI cancellations, go to www.mgic.com/hpa
- See www.mgic.com > Servicing > Cancelling MI Coverage for details about refund procedures
- Contact MGIC Customer Service, customer_service@mgic.com or 1-800-424-6442
- View our training tutorial, Cancel Coverage through MGIC/Link, at www.mgic.com > Training > Tutorials > MI servicing tools

Mortgage Guaranty Insurance Corporation

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