



Mortgage insurance premium can add almost \$200 to the payment on a \$265,000 FHA mortgage. The decision to get an FHA loan may have been the lower down payment requirement or the lower credit score levels, but now that you have the loan, is it possible to eliminate it?

Mortgage Insurance Premium protects lenders in case of a borrower's default and is required on FHA loans. The Up-Front MIP is currently 1.75% of the base loan amount and paid at the time of closing. Annual MIP for loans with greater than 95% loan-to-value is .85% per year.

For loans with FHA case numbers assigned before June 3, 2013, when the loan is paid down to 78% of the original loan amount, the MIP can be cancelled. The borrower may need to contact the current servicer.

However, for loans greater than 90% with FHA case numbers assigned on or after that date, the MIP is required for the term of the loan.

Most homeowners with FHA mortgages are not eligible to cancel the MIP because they either originated their loan after June 3, 2013, put less than 10% down payment and/or got a 30-year loan. If they have at least 20% equity in the home, they can refinance the home with an 80% conventional loan which in most cases, does not require mortgage insurance.

With normal amortization on a 30-year loan, it takes approximately 11-years to reduce the original loan to the 78-80% requirement based on normal amortization. There is another dynamic involved which is the appreciation on the home. As the home goes up in value and the unpaid balance goes down, the equity increases.

If the homeowners believe that they have enough equity that would eliminate the need for mortgage insurance, they can investigate refinancing with a conventional loan. Borrowers refinancing will incur expenses in starting a new mortgage and the interest rate may be higher than the existing rate. [Analysis](#) will determine how long it will take to recapture the cost of refinancing.

Call me as (907) 727-9379 for a recommendation of a trusted mortgage professional.

Note: If this article generates additional questions or a need for additional information, the following button will allow you to ask your question(s), request additional information or make comments. It is not my intent to bug you with unwanted phone calls, emails, or text messages! It is my intent to allow you to benefit from my 35+ years real estate activity and to give you a buying experience beyond your expectations!

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