



Maryland

INSURANCE ADMINISTRATION

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202

Direct Dial: 410-468-2000 Fax: 410-468-2020

1-800-492-6116 TTY: 1-800-735-2258

www.insurance.maryland.gov

Private Mortgage Insurance FAQs

Q. What is private mortgage insurance?

A. Private mortgage insurance, or PMI, is an insurance product that protects lenders against financial losses when a homeowner stops paying on a loan. PMI may be required by the lender for certain borrowers – in general, those putting less than 20% of the purchase price down on the property. PMI helps your lender recoup some of the balance of the loan if you default on the loan and the house is sold for less than amount of the loan. Although PMI protects your lender, not you, you as the buyer must pay the premium. The PMI premium is usually included in your monthly mortgage payment.

Q. Why is my lender requiring me to purchase PMI?

A. If your down payment on a property is less than 20% of the purchase price, the lender will usually require PMI. If you are refinancing with a conventional loan and your equity is less than 20% of the value of your home, your lender may also require Private Mortgage Insurance.

Q. If the buyer is putting down more than 20%, can they ever be required to purchase PMI?

A. Possibly. Some lenders may have other requirements, and if you are purchasing a property with more than 20% down but your credit isn't very good, you may still be required to pay PMI.

Q. If the buyer pays down the loan over a number of years and the Loan to Value drops below the amount requiring PMI, will the PMI be canceled?

A. It can be in many circumstances. Loan to Value is the percentage of money borrowed compared to the value or sale price of your home. For example, if you put ten percent down on your property but now realize you have paid off over 20% of the purchase price, it's worth checking with your lender to see if your PMI can be dropped. Depending upon the terms of the loan, it may be possible. If your loan is a VA or FHA loan, you will be required to pay the mortgage insurance for the term of the loan.

Q. Does the Maryland Insurance Administration oversee PMI companies?

A. As with other types of insurance, the Maryland Insurance Administration does regulate insurers who sell PMI. All policy forms, premium rates and financial statements must be filed and approved by the Maryland Insurance Administration.