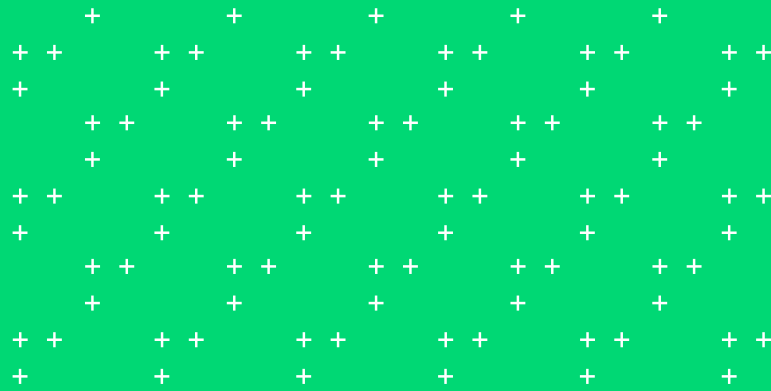
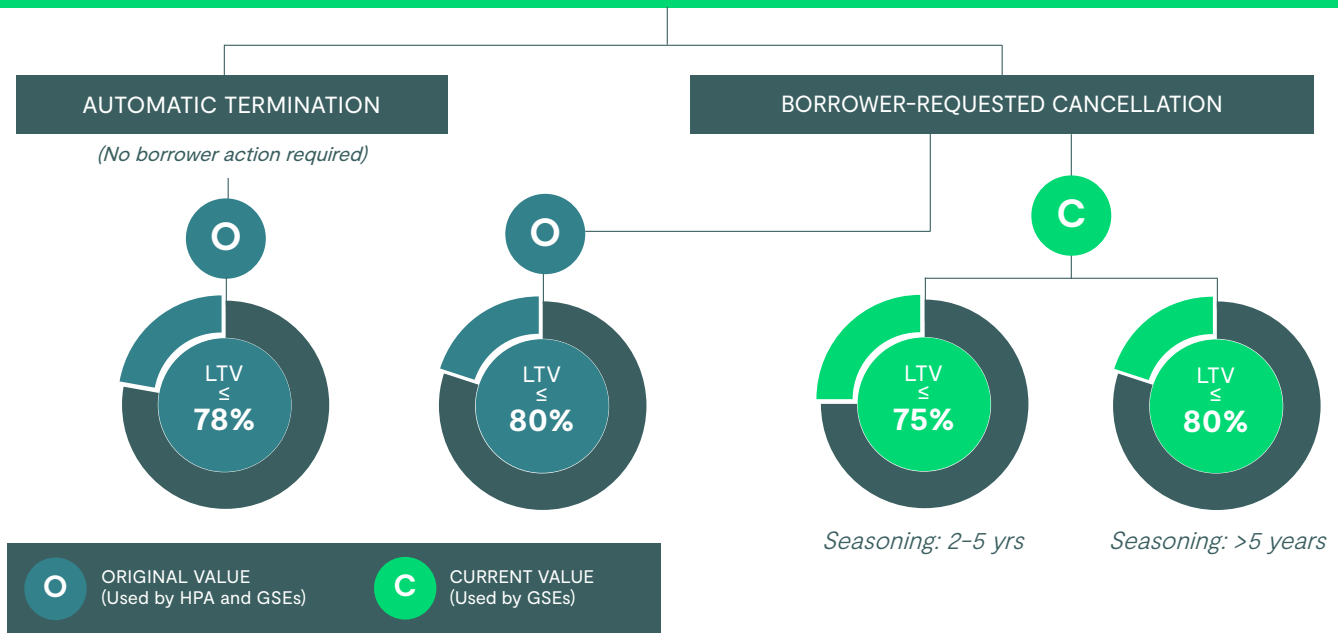


Enact's Guide to MI Cancellation & Termination



Single-Family, Primary Residences with BPMI



What is the Homeowners Protection Act of 1998 (HPA)?

Dictates thresholds for borrower-requested cancellation and automatic termination of MI coverage

- HPA sets guidelines for borrower-initiated cancellation or automatic termination on borrower-paid mortgage insurance
- Investors such as Fannie Mae & Freddie Mac must follow these guidelines
- Investors can set additional, less-stringent MI cancellation and termination requirements than the HPA
- Borrower may initiate cancellation when loan amount reaches 80% LTV
- Servicer must automatically terminate MI coverage the earlier of when the loan is scheduled to reach 78% LTV or the month following midpoint
- Servicers must provide annual disclosures to borrowers with both BPMI and LPMI to state that the borrower has MI on their loan

What happens to the MI premium when coverage is terminated or canceled under HPA?

MI providers will refund any unearned premium to the loan servicer



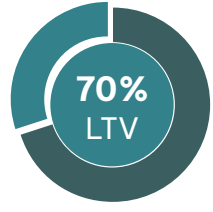
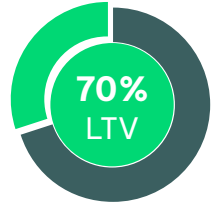
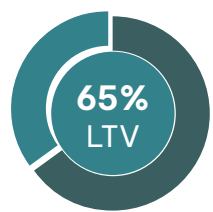
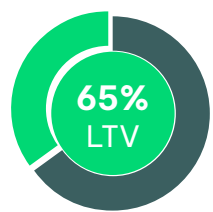
On second homes, second homes are not eligible for automatic cancellation (HPA).

HPA only applies to single-family primary residences using BPMI. The GSEs and other investors set their own rules for other types of properties.

2-4 Family Primary Residences & 1-4 Unit Investment Properties

Using GSE Guidelines





Borrowers must reach the following LTVs and/or other criteria:

	 BORROWER-REQUESTED ORIGINAL VALUE	 BORROWER-REQUESTED ORIGINAL VALUE	AUTOMATIC TERMINATION
Fannie Mae	 70% LTV	 70% LTV AND LOAN MUST BE 2 YEARS OR OLDER	OCCURS MONTH FOLLOWING MIDPOINT OF AMORTIZATION SCHEDULE
Freddie Mac	 65% LTV	 65% LTV AND LOAN MUST BE 2 YEARS OR OLDER OR SIGNIFICANT IMPROVEMENTS HAVE BEEN MADE TO PROPERTY	NOT ELIGIBLE

Other Cancellation Considerations

- Must be current on payments
- No late mortgage payments in prior 12 months; no late payment of more than 2 months in last 2 years
- No 2nd liens on home
- Servicer must respond to borrower-initiated requests
- Evidence of home value confirmed through GSEs' collateral tools

Ways To Cancel Faster

-  Pay ahead on mortgage
-  Make substantial improvements to the home
-  Check the property value to see if it's increased
-  Refinance with LTV under 80%

Confirming Home Value

	ORIGINAL VALUE	CURRENT VALUE
Fannie Mae	Current value \geq original value; valuation method must be compliant with Fannie's guidelines	Servicer must verify current property value using validation method acceptable to GSE guidelines
Freddie Mac	Servicer warrants original value supports LTV ratio required to cancel	

DISCLAIMER: Enact Mortgage Insurance provides this summary as a courtesy to our customers. It is not definitive of all aspects of HPA or Fannie Mae's and Freddie Mac's mortgage insurance cancellation guidelines, nor any state-specific laws, nor is it legal advice or a legal opinion, and it may not be relied upon as such. Certain other requirements apply for automatic termination and for borrower-initiated cancellations. For more detail, consult the applicable Seller/Servicer Guide or legal counsel.

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