

MORTGAGE FINANCE

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Understanding Mortgage Insurance

Mortgage Insurance gives borrowers the ability to purchase homes and refinance mortgages without making a **20% down payment**. Mortgage insurance gives lenders the assurance that big losses will not be incurred in the event that borrowers are unable to make their mortgage payments.

We are very fortunate to have mortgage insurance availability! Without mortgage insurance, ALL low down payment mortgages could not be offered. Conventional, VA, and FHA loans have different mortgage insurance types and costs.

Conventional Loans

Mortgage insurance is charged on all conventional mortgages having a loan to value (LTV) greater than 80%. Mortgage insurance rates on conventional loans depend on the type of loan, the LTV, the credit score, and the amount of mortgage insurance coverage required by the lender. Borrowers with credit scores below 720 have higher mortgage insurance rates, and should consider FHA as the best alternative. The 2 best options are: Single Premium or Yearly Premiums which are paid monthly. Premiums vary according to buyers qualifications. (* Single Premium Rates might be tax deductible for you)

<u>Loan to Value</u>	<u>Single Premium*</u>	<u>Monthly Premiums / YR</u>	<u>Maximum Loan Amt.</u>
97%	2.94% - 1.68%	1.15% - .42%	\$424,100
95%	3.21% - 1.60%	.87% - .37%	\$636,150
90%	2.49% - 1.20%	.60% - .28%	\$636,150
85%	.97% - .59%	.27% - .19%	\$636,150

FHA Loans

Mortgage insurance is charged on all FHA loans regardless of the LTV. There is an upfront premium and a monthly payment. Borrowers are allowed to FINANCE the upfront Mortgage Insurance Premium (MIP). Additionally, borrower must pay "Yearly Premiums" for the life of the loan if the loan-to-value is > 90%.

<u>Loan to Value</u>	<u>Upfront Financed Premium*</u>	<u>Yearly Premiums**</u>	<u>Maximum Loan Amt.</u>
96.50%	1.75%	.85%	\$625,500
95.00% and below	1.75%	.80%	\$625,500

- *The "Upfront Financed Premium" is non-refundable. Credits can be given if you refinance to a new FHA loan.
- ** Premiums last the life of the loan, unless you make a 10% down payment (11years)

VA Loans - \$636,150 with No Down Payment & \$2 Million with Down Payment!

Mortgage insurance charged on VA loans is called the Funding Fee. The funding fee is a one time charge and is not refundable. The amount of the funding fee depends on the amount of down payment and whether the veteran has obtained a VA loan in the past. **Disabled veterans are exempt from having to pay the Funding Fee.**

<u>LTV</u>	<u>Regular Military Financeable Funding Fee</u>	<u>Reserves/National Guard Financeable Funding Fee</u>
	<u>Funding Fee (1st Time)/ (2nd Time)</u>	<u>Funding Fee (1st Time)/ (2nd Time)</u>
100%	2.15% / 3.30%	2.40% / 3.30%
95%	1.50% / 1.50%	1.75% / 1.75%
90% and below	1.25% / 1.25%	1.50% / 1.50%

Steve Fox (NMLS # 208239) with First Savings Mortgage has provided the following newsletter as a service.

NMLS ID # 38694 (www.nmlsconsumeraccess.org).

Steve has 30 years of Mortgage Banking Experience. Let his experience work for you.

