



## HomeOwnership Update

May 18, 2018

### PMI Disclosures on Multi-Family Dwellings

In a recent review of Multi-family loan files, there appears to be some confusion regarding PMI disclosures and the calculation of the PMI portion of the finance charge on multi-family loans.

This update is a reminder of how Lenders should handle both issues.

#### PMI Disclosures on Multi-Family Dwellings

**PMI Disclosure:** The Homeowners Protection Act (12 U.S.C. § 4902, the “HPA”) which regulates PMI disclosures, applies only to “residential mortgage transactions,” defined as mortgage loan transactions to finance the acquisition, initial construction, or refinancing of a single-family dwelling that serves as a borrower’s principal residence. Mortgage loans secured by multi-family (2-4 family) dwellings, vacation homes, and second homes are not subject to the Homeowners Protection Act (HPA) and therefore, no PMI disclosure is required for multi-family loans or other loans not subject to the HPA. If a Lender chooses to voluntarily provide a PMI closing disclosure on a loan not covered by the HPA, it must indicate that PMI will be required for the life of the loan, or as indicated on the mortgage insurance certificate.

**Amortization Schedule:** Similarly, there are no federal or state mandated requirements for amortization schedules for multi-family dwellings or other loans not subject to the HPA. If the lender provides an amortization schedule that includes PMI payments, the schedule should reflect that the PMI payments continue for the entire amortization period. However, if the mortgage insurance certificate provides for a scheduled decrease in the monthly PMI premium, that change should similarly be reflected in the amortization schedule.

While some investors have a policy to drop PMI on multi-family dwellings prior to the end of the loan term, it is not known at origination which investor will ultimately purchase a MassHousing loan.





Please note that this update applies only to the disclosures required by the HPA. Any PMI information included in other disclosures mandated by another law or regulation, or in contractual mortgage documents must continue to be provided to the borrower.

**PMI Cancellation and Finance Charge Calculation on Multi-Family Dwellings with PMI**

When calculating the TILA Finance Charge, the total of all PMI payments anticipated to be made by the borrower must be included. For multi-family mortgage loans, lenders must calculate the PMI portion of the finance charge assuming that the PMI will continue for the entire term of the loan, unless otherwise indicated on the mortgage insurance certificate. It is important to refer to the mortgage insurance certificate when making this calculation, to determine whether there is a scheduled decrease in the monthly PMI premium which must be reflected in the calculation of the finance charge.

Should you have any questions, please contact your Relationship Manager or call us directly at (888) 843-6432 Option 4 for assistance.

