

Homeowners Protection Act (“HPA”) PMI Disclosure Requirements and PMI Finance Charge Calculation

Loan Type	PMI Initial Disclosure Requirements	PMI Finance Charge Calculation
<p>Single Family Mortgage Loan Meeting the following Conditions:</p> <ul style="list-style-type: none"> • Loan Purpose: acquisition, initial construction, or refinance of principal residence • LTV exceeding 80% • Originated on or after 7/29/1999 	<p>Required disclosures under Homeowners Protection Act (“HPA”)(PMI Act):</p> <ol style="list-style-type: none"> 1. Amortization Schedule AND 2. PMI Notice which discloses the following: <ul style="list-style-type: none"> • Borrower’s right to request PMI cancellation when the LTV on the loan reaches 80% of the original value and the date this will occur based on the initial amortization schedule • Borrower’s right to request cancellation at an earlier date if actual payments bring the LTV to 80% sooner than scheduled • PMI will automatically terminate once the loan reaches 78% LTV and the date this will occur based on the initial amortization schedule • There are exemptions to the cancellation and automatic termination provisions for high risk mortgages and whether these exemptions apply to the borrower’s loan (<i>MassHousing does not purchase high risk loans</i>). 	<p>The total of all PMI payments scheduled to be made until the LTV on the loan is projected to reach 78% of the initial property value must be included</p> <ul style="list-style-type: none"> • Calculation should reflect any scheduled changes in the PMI payment that occur before the LTV reaches 78%, <u>as is indicated on the MI certificate</u> <ul style="list-style-type: none"> ○ In most cases the monthly PMI payment will not change prior to the LTV reaching 78%
<p>The following loan types are not subject to the HPA (PMI Act):</p> <ul style="list-style-type: none"> • Multi-Family dwellings • Vacation homes • Second homes • Investment properties • Commercial properties • Loans originated prior to 7/29/1999 • Any other loan type not included in “Single Family Mortgage Loan” box directly above 	<p>Not subject to Homeowners Protection Act (PMI Act) <i>No PMI closing disclosure or amortization schedule required by federal or state law or regulation.</i></p> <ul style="list-style-type: none"> • If a lender chooses to <u>voluntarily</u> provide a PMI closing disclosure, it must indicate that the monthly PMI payments will continue for the life of the loan. • If a lender provides an amortization schedule that includes PMI payments, <u>it must reflect PMI payments being required for the life of the loan</u> <ul style="list-style-type: none"> ○ The amortization schedule should also reflect any scheduled decrease in the amount of the monthly PMI payment, <u>if indicated on the mortgage insurance certificate</u> 	<p>The total of all PMI payments scheduled to be made over the life of the loan must be included in the finance charge</p> <ul style="list-style-type: none"> • Calculation should reflect any scheduled change in the PMI payment, <u>if indicated on the MI certificate</u>