



Cancellation of FHA Mortgage Insurance: Fact Sheet

FHA Mortgagee Letter 2011-35 outlines the scenarios regarding cancellation of FHA mortgage insurance.

Cancellation of the FHA monthly mortgage insurance premium (MIP) is based on several factors including the loan term, loan-to-value (LTV) and regulations in place when the loan is closed.

For loans closed January 1, 2001 or later, MIP will be automatically cancelled when the LTV reaches 78% under the following terms.

Loan Terms Longer than 15 Years

- To be eligible for automatic cancellation the monthly MIP must have been paid for a minimum of five years.

Loan Terms 15 Years or Less

- There is no minimum time period for which the MIP must have been paid (five-year requirement does not apply).
- If the LTV is 78.00% or less at loan closing it is exempt from MIP

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- The MIP is collected monthly for the life of the loan

Notes

- MIP cancellation does not apply to loans that are not insured by the Mutual Mortgage Insurance (MMI) fund. Generally, loans closed prior to January 1, 2001 will not be eligible for cancellation of MIP, which is collected as part of the monthly mortgage payment.
- 78% LTV is based on the lower of the sales price or appraised value, as that is what your original LTV was based on as well. Below are more MI details for you.
- Cancellation of the annual MIP is normally based on the scheduled amortization of the loan. However, in cases where the loan payments have been accelerated or modified, cancellation can be based on the actual amortization of the loan as provided to FHA by the servicing lender.
- Mortgage insurance may also be terminated via payment in full, conveyance for insurance benefits, or voluntary termination upon agreement between the borrower and lender.
- Although the MIP is cancelled, the contract of mortgage insurance remains in force.