## Cut Mortgage Insurance

Making additional payments toward the principal of your mortgage will do three things for the homeowner: save interest, build equity and shorten the term on fixed rate mortgages.

These things should be beneficial enough to justify the extra payments but another huge advantage is available to those who have mortgage insurance on their loan. Mortgage insurance rates vary but can range from seventy-five to two hundred dollars a month on a $200,000 mortgage.

Conventional mortgage lenders who are lending more than 80% of the value of the home require mortgage insurance called PMI (Private Mortgage Insurance). All FHA loans have insurance. It is called MIP (Mortgage Insurance Premium). All conventional lenders are required to automatically terminate mortgage insurance when the principal balance reaches 78% of the original value of the property. Most FHA loans before June 2013 are treated the same. It is important for homeowners to monitor their balance because sometimes lenders may inadvertently fail to terminate the coverage.

Mortgage insurance, while expensive, allows many people to buy a home even though they don't have 20% down payment. Eliminating the mortgage insurance as soon as possible could save thousands of dollars over time. So even if the mortgage interest rate is low, making additional principal payments to get your balance lower than 78% of the original purchase price (or original appraised value) is a good plan.

The Consumer Financial Protection Bureau, CFPB, issued a compliance bulletin on August 4, 2015.

If you have questions about this, would like an amortization schedule for your mortgage or are thinking about refinancing, let me know.