Arch | MI

For Credit Unions

One important question you must consider:

Would you like the option of a lower down payment on your home? **If the answer is yes,** you should know about private mortgage insurance (PMI).

Basics of Private Mortgage Insurance

What is private mortgage insurance?
Private mortgage insurance, or MI, helps protect your credit union from losses should you lose your home due to default on your loan.

Why does my credit union need private MI on my loan?
Private MI is usually required by credit unions when the member is unable to contribute a down payment of at least 20% of their own funds to purchase the home.

By limiting the risk of losses, private MI enables the credit union to make low down payment mortgages affordable and available to you.*

Who pays for this insurance?
Your credit union takes care of applying for MI coverage on your loan after determining the kind of plan you can afford and that best fits your needs.

Typically, the credit union will remit the MI premium to the mortgage insurer, similar to the way a mortgage servicer may remit the property taxes and homeowner's insurance premium.

The cost may be added to your monthly principal and interest payment (along with your property taxes and homeowner's insurance) or premiums may be financed into the loan amount. Premiums may be payable monthly, annually or in a single upfront payment, depending on the payment plan your credit union selects.

Why is it called private MI?
It is called "private" because it is offered through private MI companies. Similar products are available from public agencies such as the Federal Housing Administration (FHA) or Veterans Administration (VA).

What are the advantages to using private MI instead of the public programs?

- FHA does not offer a choice in premium plans to consumers.
- FHA requires both upfront and monthly premiums.
- For members with good credit profiles who make at least a 5% down payment, private MI coverage is usually less expensive than FHA.
- FHA insurance is not cancelable for LTVs more than 90%.

Basics of Private Mortgage Insurance

Will this policy make mortgage payments in the event of my death or disability?

No. Credit life insurance and credit disability insurance protect you from losing your home in the event of death or disability, according to the terms of the insurance policy. MI protects only the credit union in the event you lose your home due to default.

How is the cost of MI calculated?

Your MI premium is based on the amount and terms of the mortgage and will also vary according to such other factors as the amount of your down payment, type of loan and level of insurance coverage required by your credit union.*

How are premiums paid?

The premiums may be paid in several different ways:

- A monthly plan, where no initial premium may be required but a regular monthly premium is added to your monthly mortgage payment and sent to the MI company by your credit union. This plan can minimize the costs needed at closing.
- An annual plan, which is less expensive than monthly MI, requiring you to pay an initial premium at closing and a renewal premium each year. The renewal premium will be included in your monthly mortgage payment and put into escrow for annual collection. The initial premium may be financed into the mortgage loan. You may receive a refund of the unearned premium when the coverage cancels.
- A single-premium plan, where the entire premium is paid at one time, up front and depending on the amount of your down payment, may be financed into the loan amount at closing. This option generally minimizes the member's monthly mortgage payments, and a portion may be refundable in the event your loan is paid off or meets the MI cancellation requirements outlined below.
- Premiums may also be paid by your credit union without directly passing along the cost to you. In such circumstances, the credit union may offset the cost of MI by increasing the loan's finance charges by a corresponding amount.

Are private MI costs paid for the life of the mortgage?

The Homeowners Protection Act of 1998 requires lenders and credit unions to cancel mortgage insurance when a home loan amortizes to 78% of the home's original value, subject to certain conditions.

When specific cancellation requirements are met, members have the right to request cancellation of their private MI. Certain high-risk mortgages are treated separately. For more detailed information about the Homeowners Protection Act, please consult your credit union's mortgage loan specialist.**

Ask your loan officer about the various private MI products and payment options available to your credit union from Arch MI.

* Consult with your credit union for a homebuying decision that makes financial sense for you.
** Certain other conditions apply. Consult your credit union.

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