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| **Lower Your Mortgage Insurance With A Credit Union Home Loan**    **For first-time home buyers or cash strapped home buyers, mortgage insurance is one avenue for helping them buy a home**. A possible deciding factor in whether to get an 80% Loan To Value (LTV) mortgage or 90% LTV may be the cost of the mortgage insurance.  Credit unions are usually able to beat most mortgage insurance rates on the market due to their history of conservative lending with their resultant low rate of foreclosures.  **Mortgage insurance is purchased by the home buyer to cover their lender in case the lender does not recover the loan's balance in a foreclosure situation**. Loans for over 80% LTV assume that the lender will have a hard time recovering their principal in a distress sale or foreclosure situation. Since 2007, mortgage insurance has been a tax-deductible expense for home buyers whose mortgage began after January 2007 and whose annual income is less than $109,000 (fully deductible if income $100,000 or less).  Mortgage insurance, sometimes called lender's or private mortgage insurance (PMI), is generally not required in home loans where there is a 20% or greater down payment on the real estate. **The benefit of a mortgage insurance option is it may give homeowners who do not have the ability to come up with a 20% downpayment the ability to buy their home with as little as 5% down**. Where PMI is necessary to obtain a loan, the rate is calculated upon the loan's terms, type, percentage of the home's value being financed, coverage amount, frequency of payments and the lender's foreclosure rate. With government loan products, the government's equivalent of PMI is called a Mortgage Insurance Premium or MIP.  One mortgage insurance avoidance technique is the borrower only obtains a first mortgage for 80% loan to value and then gets more of their equity out of their real estate investment by taking out a second mortgage or a home equity line of credit (HELOC). The second mortgage may carry a higher interest rate, due to its inherent risks.  Credit unions with conservative lending policies and low foreclosure rates are often able to negotiate lower mortgage insurance rates. **A lower mortgage insurance rate makes it financially feasible to secure a loan with a higher loan to value ratio, rather than incur the additional expense of obtaining a second mortgage**.  In some loan structures, the lender pays the insurance and the buyer may not be aware that there is mortgage insurance attendant with their loan. Most "no mortgage insurance required" loans are really lender-paid. **The borrower ends up paying for the insurance through a higher mortgage interest rate**.  The 80% LTV amount is break point where Fannie Mae's statistics show loans above the 80% LTV level are 5.5% more likely to be over 90 days in arrears or in foreclosure. **Fannie Mae, Freddie Mac and most private mortgage lenders will not accept over 80% LTV mortgages without mortgage insurance**.  **Credit unions sometimes have an option of lending over the 80% LTV level without mortgage insurance by holding onto the loan** and not selling it on the secondary market until the principal is paid below the 80% rate. they may also opt for paying for the mortgage insurance themselves in order to sell the mortgage on the secondary market.  Along the same lines, **homeowners with high LTV mortgages can have the insurance cancelled once the balance is paid down below the 80% LTV** of purchase price or of a recent appraisal. The lender may also require an additional two years of on-time payments to drop the mortgage insurance requirement.  Another strategy dropping the mortgage insurance is to **remodel the home to increase its value and consequently effectively dropping the loan's LTV below the 80% level**. Courtesy of the Homeowner's Protection Act of 1998, lenders are required to cancel your mortgage insurance automatically once it falls below the 78% LTV of the value established with the loan's inception.  Forward thinking credit unions and conservative banks take the steps possible to keep borrowers' mortgage insurance as low as possible. By educating their borrowers, **financial institutions can help the borrowers position themselves to cancel their mortgage insurance as soon as they can and, quite possibly save themselves thousands of dollars**.  For example, **typical credit union mortgage insurance may be .38% for 90% LTV mortgages versus the .52% rate most banks are able to offer**. For a 95% LTV mortgage, conservative credit unions can usually get mortgage insurance at .63% versus the .78% most other lenders are only able to offer.  Credit unions and some banks **may have an additional break in mortgage insurance for purchase loans where the home buyer(s) take a First-time Homebuyers class** (even if it is not their first home purchase), dropping the mortgage insurance rate to as low as .28%. This can reduce home loan payments by $20 a month per each $100,000 loan amount.  **First-time Homebuyers programs are usually offered by your local Housing Finance Authority, credit union or bank**. These classes usually cover subjects such as choosing a home, real estate agent services, mortgage lenders, available loan programs, saving for a down payment, and real estate ownership responsibilities.  If you are interested in a residential mortgage as a first-time homebuyer or as a homeowner looking to refinance your mortgage that has a higher than 80% LTV, it may well be worth your while to check with your local credit union to see how quickly they can move you into your house or a better mortgage situation with the lowest monthly payments possible. |