
Saving Money - Removing PMI on Home Mortgages

If you put less than 20 percent down on a home mortgage, lenders often require you to have Private Mortgage Insurance (PMI). PMI protects the lender if you default on the loan. However, there are times that you maybe able to cancel PMI insurance and save yourself thousands of dollars over the life of the loan.

With certain exceptions, PMI is to be terminated automatically when you reach 22 percent equity in your home based on the original property value, if your mortgage payments are current. However, sometimes this is overlooked and you must request cancellation.

It is also possible that your PMI can be canceled upon you request when you reach 20 percent equity in your home.

On a \$100,000 loan with 10 percent down (\$10,000), PMI might cost you \$40 a month. If you can cancel the PMI, you can save \$480 a year and many thousands of dollars over the loan. Check your annual escrow account statement or call your lender to find out exactly how much PMI is costing you each year.

Next Step

Contact your lender (the place where you send your mortgage payment) to learn whether you're paying PMI. If you are, ask how much and when can be terminated or canceled.