Resource Guide

UNDERSTANDING PMI
(PRIVATE MORTGAGE INSURANCE)

PRIVATE MORTGAGE INSURANCE

Private mortgage insurance, or PMI, protects the lender in the event that a buyer stops making their monthly payments, defaults on their primary mortgage and the home goes into foreclosure.

Conventional loans with a down payment of less than 20% are normally required to pay PMI until the balance is paid down to the 80% mark, at which time a buyer can request it be removed with an on-time payment history. The PMI is normally paid monthly in addition to the principal, interest, property tax and homeowners insurance. It's part of the overall payment.

Although PMI protects the lender, the borrower also benefits by being allowed to purchase a home with a less than a 20% down payment. Mortgage insurance rates vary but are based on several variables such as credit score, loan amount and percentage you're financing (LTV).