Consumer Services FAQ's

Private Mortgage Insurance

If you put less than 20% down when purchasing a house, many lenders require you to buy Private Mortgage Insurance (PMI) to cover the remainder of the 20% and guarantee your loan. Unfortunately, many people keep paying for PMI coverage they no longer need after they have acquired more than 20% equity in their home. The terms of your mortgage agreement may require that you obtain an appraisal to establish that you have reached the 20% equity mark before the PMI obligation is lifted.

You can, however, avoid PMI and still put down less than 20% by purchasing a two-loan package. Some mortgage companies offer packages that work as follows: The first mortgage may be the traditional 30-year fixed-rate mortgage for 80% of the purchase price. The second mortgage could then be a 15-year fixed-rate second mortgage for the remainder of the purchase price (less your cash down-payment). If you find a lender who allows you to do such a two-loan package you are putting your money into a mortgage instead of giving it away on PMI. And unlike your PMI premium, your mortgage interest is tax deductible.