

FAST FACTS ABOUT

PRIVATE MORTGAGE INSURANCE

In recent years, the Federal Housing Administration (FHA) – a government program backed by taxpayers – has become the go-to option for low-downpayment borrowers. But did you know that clients with credit scores of 700 or higher have a much better alternative available to them? In fact, Radian private mortgage insurance (MI) can give your client up to 21% more purchasing power and 17% lower monthly payments!

Q: What is the difference between MI on conventional loans and the FHA?

A: Private MI is the private sector alternative to the FHA. While both guarantee repayment to banks if a buyer defaults on their loan, there are some important differences. Private MI typically:

- Costs less than the FHA for borrowers with good credit
- May be canceled sooner
- Is available on a wider variety of loan products

Q: When should I suggest private MI over FHA?

A: If your client has a credit score of 700 or higher with at least 5% down, they should definitely talk to their lender about Radian private MI.

Q: What are the incentives for me in referring clients to Radian MI?

A: Radian can help your clients achieve the dream of homeownership sooner, or even qualify for greater purchasing power – increasing your success at closing the sale.

Q: Are there any other benefits of MI?

A: Anyone can run into financial difficulty. Radian works diligently with lenders to help clients who encounter a financial challenge find ways to make their mortgage payment and protect their credit and the investment in their home.

Q: What are the ways to pay for MI?

A: The premium can be paid monthly, in a lump sum at closing or by financing it into the loan amount.

Q: How much does MI cost?

A: That depends. Less MI is required with a 15% downpayment than with a 5% downpayment. In addition, it depends on other factors including the type of mortgage, the amount of coverage and the MI payment option. Your clients' mortgage lenders can help them understand the various options available to them and the associated costs.

Q: Do clients have to pay for MI for the entire term of the mortgage?

A: Not with Radian MI. A federal law called the Homeowners Protection Act requires that MI be canceled when a home builds up a certain amount of equity. Homeowners can request cancellation of MI when the balance on the mortgage reaches 80% of the home's original value. Otherwise, MI must be automatically canceled by the lender when the mortgage balance reaches 78% of the home's original value, as long as payments are current. With FHA MI, borrowers with less than 10% down have to pay for MI for the entire term of the mortgage.

For clients looking for more information about private mortgage insurance, send them to www.achievethe dream.com.

www.radian.biz | 877.723.4261

© 2014 Radian Guaranty Inc. Ensuring the American Dream is a registered trademark of Radian Guaranty Inc. All information contained herein is subject to change without notice. RAC548 6/14

RADIAN
Ensuring the American Dream®

