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Free Money: Getting Rid of Your Private Mortgage Insurance

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You know that feeling of finding a \$20 bill in the back pocket of jeans you haven't worn in months? Well, get ready for something even better.

If you purchased your home with less than 20% down, chances are you are paying Private Mortgage Insurance (PMI) as part of your monthly mortgage payment. PMI is an insurance policy not for your benefit, but for your lender's benefit should you default on your loan. PMI can be expensive. A borrower with great credit who has a \$300,000 loan with 10% down would pay approximately \$120 per month or \$1,440 per year.

Now here is the great news. If you have 20% equity in your home, and you have a conventional loan, you can petition your mortgage company to have your PMI removed. The Northern Colorado real estate market has experienced significant appreciation over the past 7 years. Even if you purchased your home within the last 2-3 years, you may be surprised at the equity you have accumulated. Traditionally, a homeowner would have to wait until they have paid down their mortgage to 80% of the home's original value when they purchased it. However, with a little effort, you can push the issue with your mortgage company.

The first step is to contact a real estate professional to give you an idea of what your home is worth today. Most Realtors provide this service for free. Once you have determined you have 20% equity, contact your mortgage company to learn their PMI petition process. You may be able to submit a Realtor's market evaluation, but most likely, you will have to supply your mortgage company with a current appraisal prepared by a licensed appraiser. This may cost you upfront, but the monthly savings will be well worth it.

If you have a FHA or USDA loan, you may not be able to remove your PMI. If you have 20% equity, you will have to refinance to a conventional loan. The good news is that interest rates are very favorable and it is a great time to refinance. Contact a local lending professional today to learn about your options.


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