

Comparing Low Down Payment Mortgages: Which Mortgage Insurance (MI) Works for You?

When making a down payment of less than 20% on a home, there are multiple mortgage insurance (MI) options for borrowers to consider. While monthly-paid MI is the most common in the conventional mortgage market, there are other types, including Single Premium and Lender-Paid, to consider:

Monthly MI: This is the most commonly used form of private MI, paid each month, and can be cancelled after 20% equity in the mortgage is established, which typically occurs after 5 years via payments or home price appreciation (HPA). When MI is cancelled, the borrower's monthly payment goes down.

Single Premium Borrower-Paid MI (Single BPMI): With this private MI product, borrowers pay MI upfront in a lump sum that can be paid at closing or financed into the mortgage. While Single BPMI cannot be cancelled because it is paid in full at closing, it can often offer one of the lowest monthly payment options.

Lender-Paid mortgage insurance (LPMI): With LPMI, the lender pays the MI premium, and to account for this the borrower typically will have a slightly higher interest rate on their loan. Like Single Premium MI, LPMI does not feature a monthly payment and can often offer a low monthly payment.

Federal Housing Administration (FHA) Mortgage Insurance Premiums (MIP): FHA mortgages are backed by the U.S. government and the insurance program is administered by the U.S. Department of Housing and Urban Development (HUD). FHA MIP features two components; an Upfront MIP which is usually financed into the loan, and then an Annual MIP which is paid monthly. FHA MIP is not cancelable for the vast majority of FHA borrowers.

Comparison of MI Options

5% Down Payment (95% LTV) 700 FICO Score	FHA Mortgage	Monthly MI	Single Premium MI	Lender-Paid MI
Interest Rate	5.50%	5.50%	5.50%	6%
Purchase Price	\$330,000	\$330,000	\$330,000	\$330,000
Base Loan Amount	\$313,500	\$313,500	\$313,500	\$313,500
Loan Term (years)	30	30	30	30
Upfront MI Premium Rate	1.75%	0%	2.52%	N/A
Upfront MI Premium Charge	\$5,486	\$0	\$7,900	\$0
Total Amount Borrowed	\$313,500	\$318,986	\$321,400	\$313,500
Monthly MI Premium Rate	0.80%	0.78%	N/A	N/A
Monthly MI Payment	\$208	\$204	\$0	\$0

**Total Monthly Payment for
Principal, Interest, and MIP or PMI**

\$2,019

\$1,984

\$1,825

\$1,880

**Initial Monthly Savings with
Private MI**

\$35/month

\$194/month

\$139/month

**Total Monthly Payment after
Private MI Cancellation**

**\$2,019
(MIP cannot be canceled)**

**\$1,780
(PMI cancels)**

**\$1,825
(Not applicable –
Single Premium does
not cancel)**

**\$1,880
(Not applicable – Lender
Paid MI is part of interest
rate and therefore does
not cancel)**

**Post-Cancellation Monthly Savings
with Private MI**

\$239/month

\$194/month

\$139/month