

Comparing Low Down Payment Mortgages: MI on a Conventional Mortgage vs on a FHA Loan

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 private MI is the most common in the conventional mortgage market, there are other types, including Single Premium and Lender-Paid, to consider:

Borrower-Paid Monthly Private MI: This is the most commonly used form of private MI and it is paid each month. Borrowers can request cancellation once 20% equity is established and the MI automatically terminates once 22% equity is reached, subject to statutory, GSE, and servicer requirements. Once private MI is cancelled or terminated, 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 First-Time Homebuyer, Income at 100% AMI	FHA Mortgage Insurance	Borrower-Paid Monthly Private MI	Single Premium Private MI	Lender-Paid Private MI
Interest Rate	6.25%	6.00%	6.00%	6.50%
Purchase Price	\$360,000	\$360,000	\$360,000	\$360,000
Base Loan Amount	\$342,000	\$342,000	\$342,000	\$342,000
Loan Term (Years)	30	30	30	30
Upfront MI Premium Rate	1.75%	N/A	2.52%	N/A
Upfront MI Premium Charge	\$5,985	\$0	\$8,618	\$0
Total Loan Amount	\$347,985	\$342,000	\$350,618	\$342,000
Annual MI Premium Rate	0.50%	0.78%	N/A	N/A
Monthly Principal & Interest	\$2,143	\$2,050	\$2,102	\$2,162
Monthly MI Payment	\$143	\$222	\$0	\$0

Total Monthly Payment for Principal, Interest, and MIP or PMI	\$2,285	\$2,273	\$2,102	\$2,162
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Initial Monthly Savings with Private MI		\$12/month	\$183/month	\$123/month
Total Monthly Payment After MI Cancellation	\$2,285 (FHA MIP cannot be canceled)	\$2,050 (Once the mortgage becomes eligible for MI cancellation)	\$2,102 (Not applicable – Single Premium does not cancel)	\$2,162 (Not applicable – Lender Paid MI is part of interest rate and therefore does not cancel)
Post-Cancellation Monthly Savings with Private MI		\$235/month	\$183/month	\$123/month

For illustrative purposes only. Each borrower's mortgage payment calculation is unique. Borrowers should consult with a mortgage lender for their own set of personalized mortgage and payment comparisons.