Your Mortgage PLANNER

with Jamie H. Harrington, President

AVOIDING PRIVATE MORTGAGE INSURANCE

Private mortgage insurance (PMI) protects the lender against financial loss if the borrower fails to repay the mortgage. When a home is purchased with a mortgage, and the down payment is less than 20 percent of the total price, lenders usually require buyers to buy PMI. The borrower must pay the significant expense of the premium. The payments are usually built into the monthly mortgage payments, and continue until the mortgage balance is less than 80 percent of the current value of the home.

Borrowers have been taking creative steps to avoid paying for PMI. The most common way has been to apply for a small second loan (often called a piggy-back loan). Home equity loans, or lines of credit, can make up the difference between the primary mortgage balance and the home's purchase price, less the cash down payment. Therefore, there's no need to purchase mortgage insurance. But these short-term loan interest rates have been increasing dramatically in recent months.

Now buyers are finding that "Lender Paid" Mortgage Insurance is becoming the most attractive option. Instead of paying mortgage insurance or paying a high rate on an equity line, the cost of the mortgage insurance is built into the interest rate. This can be a good deal if the buyer plans to own the home for a limited time – say eight years or less. Buyers have only one monthly payment to make, the rate is not subject to change, and the interest is generally tax deductible.

*If you would like to discuss what type of mortgage loan will work best for you, call Jamie Harrington at **828-632-0650** for an appointment. United Carolina Group, Inc., is located at 340 NC Highway 16 S. in Taylorsville.*

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