



Borrower-Initiated Termination of Conventional Mortgage Insurance Based on Current Value of the Property

If the borrower's written or verbal request for termination based on the current value includes the information necessary to reach a decision, the servicer must evaluate the request based on the following:

1. Verify the LTV ratio of the mortgage loan meets Fannie Mae's eligibility criteria.

Satisfaction that the mortgage loan meets the applicable LTV ratio eligibility criterion must be evidenced by obtaining a property valuation based on an inspection of both the interior and exterior of the property from Fannie Mae's servicing solutions system by following the procedure in [Ordering Property Values for Mortgage Insurance Termination in F-1-02, Escrow, Taxes, Assessments, and Insurance](#).

The following table describes the LTV ratio eligibility criteria.

If the mortgage loan is...	Then...
secured by a one-unit principal residence or second home	<p>the LTV ratio must be</p> <p>75% or less, if the seasoning of the mortgage loan is between two and five years. 80% or less, if the seasoning of the mortgage loan is greater than five years.</p> <p>If Fannie Mae's minimum two-year seasoning requirement is waived because the property improvements made by the borrower increased the property value, the LTV ratio must be 80% or less.</p> <p>Note: The borrower must provide details to the servicer on the property improvements made since the mortgage loan's origination. Improvements that increase value are typically renovations that substantially improve marketability and extend the useful life of the property (e.g. kitchen and bathroom renovations and/or the addition of square footage). Repairs that are made to keep the property maintained and fully functional are not considered improvements.</p>
secured by a one- to four-unit investment property or a two- to four-unit principal residence	<p>the LTV ratio must be 70% or less and the seasoning of the mortgage loan must be greater than two years.</p>

Ordering Property Values for Mortgage Insurance Termination

The servicer must cancel borrower-purchased MI at the request of the borrower in accordance with *Borrower-Initiated Termination of Conventional Mortgage Insurance Based on Original Value of the Property* or *Borrower-Initiated Termination of Conventional Mortgage Insurance Based on Current Value of the Property*, as applicable in [B-8.1-04, Termination of Conventional Mortgage Insurance](#).

On one-unit properties, the servicer must order an interior and exterior BPO, or appraisal if the servicer determines it is required by law, using Fannie Mae's servicing solutions system. On two- to four- unit properties, the servicer must order an interior and exterior appraisal using Fannie Mae's servicing solutions system.



The BPO or appraisal to determine the current value of the property is at the expense of the borrower and the servicer must only order the valuation after the servicer receives the applicable fee. The borrower must be charged the cost of the BPO or appraisal based on the following table.

Valuation Type	Cost
BPO	\$150
Restricted appraisal one-unit	\$325
Appraisal two- to four-unit	\$750

If the borrower is requesting MI termination based on current value of the property because of property improvements made by the borrower since origination, the servicer must include details provided by the borrower of the property improvements to Fannie Mae.

Automatic Termination of Conventional Mortgage Insurance

The servicer must not charge the borrower a fee for processing an automatic termination.

The servicer must take the following steps to terminate the MI, as applicable:

1. Determine when the MI is due to automatically terminate.

The servicer’s review must determine whether

- a mortgage loan is eligible for automatic termination of MI based on the scheduled termination date (or the mid-point of the amortization period, as applicable), and
- the borrower’s payments are current on that date.

The following table describes the timing of the automatic termination.

If the mortgage loan closed...	Then the MI is eligible to be terminated...
on or after July 29, 1999 and is secured by a one-unit principal residence or second home	<p>on the applicable termination date, provided the borrower’s payments are current on the termination date.</p> <p>The applicable termination date is</p> <p>the date the principal balance of the mortgage loan is first scheduled to reach 78% of the original value of the property, or</p> <p>the first day of the month following the date the mid-point of the mortgage loan amortization period is reached, if the scheduled LTV ratio for the mortgage loan does not reach 78% before the mid-point.</p>
<p>before July 29, 1999, regardless of the property type; or</p> <p>on or after July 29, 1999 and is secured by a one- to four- unit investment property or a two- to four-unit principal residence</p>	<p>on the first day of the month after the date that is the mid-point of the original amortization period, provided the borrower’s payments are current on that date.</p>

Note: The servicer must determine the original value of the property in accordance with applicable law.

2. Verify the borrower’s payments are considered current.



The borrower's payments are considered current if the payment due in the month preceding the scheduled termination date, or the mid-point of the amortization period, as applicable, was paid by the end of the month in which the payment was due.

The following table describes the action the servicer must take depending upon the status of the borrower's payments.

If the borrower's payments are...	Then the servicer...
current and the mortgage loan is eligible for automatic termination based on its scheduled amortization	must terminate the MI immediately.
current and the mortgage loan is eligible for automatic termination based on the mid-point of the amortization period	must terminate the MI no later than the first day of the month following the mid-point date.
not current	<p>must not terminate the MI, even if the other eligibility criteria for automatic termination are met.</p> <p>The servicer must</p> <p>notify the borrower within 30 days after the termination date the MI was not automatically terminated because the payments were not current, and terminate the MI immediately if the borrower's payments are current at the time of a subsequent review.</p>

Borrower-Initiated Termination of Conventional Mortgage Insurance Based on Original Value of the Property

The servicer must take the following steps to evaluate the borrower's written or verbal request for MI termination due to reduction in the UPB through the payment of scheduled monthly payments or an unscheduled curtailment:

1. Verify the LTV ratio of the mortgage loan meets Fannie Mae's eligibility criteria.

The following table describes the LTV ratio eligibility criteria.

If the mortgage loan is secured by...	Then the LTV ratio eligibility criterion is met...
a one-unit principal residence or second home	on the date the mortgage loan balance is first scheduled to reach 80% (or actually reaches 80%) of the original value of the property.
a one- to four-unit investment property or a two- to four-unit principal residence	on the date the outstanding principal balance of the mortgage loan reaches 70% of the original value of the property.

Note: The servicer must determine the original value of the property in accordance with applicable law.

2. Verify the borrower has an acceptable payment record.

An acceptable payment record is achieved when the mortgage loan

- is current when the termination is requested, which means the mortgage loan payment for the month preceding the date of the termination request was paid;
- has no payment 30 or more days past due in the last 12 months; and
- has no payment 60 or more days past due in the last 24 months.



Note: When assessing the payment history for a mortgage loan that has been outstanding for fewer than 24 months (or for a new borrower who assumed a mortgage loan within the last 23 months), the servicer must apply the acceptable payment record criterion to the length of time the mortgage loan has been outstanding (or that has elapsed since the new borrower assumed the mortgage loan).

The 12- and 24-month payment histories must be measured backward from the later of the date

- the balance is first scheduled to reach, or actually reaches, 80% of the original value of the property; or
- the borrower actually requests termination.

3. Verify the current value of the property is not less than its original value.

The servicer must obtain a property valuation from Fannie Mae's servicing solutions system to verify that the current value of the property is at least equal to the original value of the property and take the required actions based on the following table.

If...	Then the servicer must...
Fannie Mae's servicing solutions system renders a current property value and the value is at least equal to the original value of the property	terminate the MI and notify the borrower within 30 days of receiving the value.
Fannie Mae's servicing solutions system renders a current property value and the value is less than the original value of the property	deny the borrower's request for termination unless the borrower pays down the mortgage loan balance to the point that satisfies Fannie Mae's LTV ratio eligibility criterion, or chooses to verify that the current value of the property is at least equal to the original value of the property by following the procedure in Ordering Property Values for Mortgage Insurance Termination in F-1-02, Escrow, Taxes, Assessments, and Insurance .
Fannie Mae's servicing solutions system does not render a property value	deny the borrower's request for termination unless the borrower chooses to verify that the current value of the property is at least equal to the original value of the property by following the procedure in Ordering Property Values for Mortgage Insurance Termination in F-1-03, Establishing and Implementing Custodial Accounts .
The BPO or appraised value is at least equal to the original value of the property	terminate the MI and notify the borrower within 30 days of receiving the value.
The BPO or appraised value is less than the original value of the property	deny the borrower's request for termination unless the borrower pays down the mortgage loan balance to the point that it satisfies Fannie Mae's LTV ratio eligibility criterion.

Note: The AVM value in Fannie Mae's servicing solutions system will be updated after 120 days.

If the request for termination is denied, the servicer must

- notify the borrower and provide the grounds for denial, including the results of the AVM value, BPO, or appraisal used to make the determination, and
- send this notice within 30 days of the date the servicer received the AVM value, BPO, or appraisal, if applicable and in accordance with applicable law.

Property Values for Mortgage Insurance Termination in [F-1-02, Escrow, Taxes, Assessments, and Insurance](#).