



## Calculating MI Premium

### How to Calculate Initial<sup>1</sup> MI Premium

Private mortgage insurance is the easiest, most flexible and least expensive way to buy a home with a low down payment. It can help borrowers buy a home with a down payment of three percent or less instead of the 20 percent down payment lenders traditionally require for loans without insurance. Private mortgage insurance protects lenders and investors against loss if a borrower stops making mortgage payments.

#### 1. Select a Rate Plan

For this example, we'll use No Refund Monthlies/ZIP® Monthlies.

#### 2. Determine the Loan-to-Value (LTV/CLTV) Ratio

Value is defined as the lesser of the sales price or appraised value. If the value of the property is \$200,000 and the borrower makes a 10% (\$20,000) down payment, the loan-to-value ratio is 90%.

#### 3. Determine the Loan Type and Term

Determine which RMIC loan type and term categories are applicable. We'll use 30-year Fixed Payment for this example.

#### 4. Select the Coverage

Select the RMIC coverage percentage, which is usually specified by the investor. In this case, we will use standard Fannie Mae/Freddie Mac coverage of 25%.

#### 5. Determine the Initial MI Rate

Using the LTV/CLTV (90%), coverage (25%), loan type (Fixed Payment), and loan term (30-year), locate the correct rate on the rate chart. Using these assumptions, the Monthlies/ZIP® Monthlies rate is .62%.

#### 6. Apply Rate Adjustments

If a loan qualifies for any of the rate adjustments, apply the amount of the adjustment to the initial rate calculated in Step 5 to determine the final rate. In this example, assume the only applicable rate adjustment is Second Home. Therefore, add .14% to the initial Monthlies/ZIP® Monthlies rate of .62%, resulting in a final rate of .76%.

#### 7. Calculate the Premium Amount

Multiply the selected RMIC rate by the loan amount to determine the annual RMIC premium payment, and divide by 12 to determine the monthly premium payment.

Monthlies/ZIP® Monthlies			30-Year • FICO 660+	
LTV %	Coverage %	Exposure %	Fixed Payment	Non-Fixed Payment
95 -90.01	35	62	1.06	1.24
	30	67	.94	1.07
	25	72	.84	.93
	22	75	.80	.89
	20	76	.78	.82
	18	78	.75	.80
	16	80	.72	.78
90 -85.01	35	59	.75	.95
	30	63	.69	.88
	25	68	<b>.62</b>	<b>.77</b>
	22	71	.57	.70
	20	72	.52	.63
	17	75	.49	.60
85 & Under	12	80	.44	.49
	30	60	.57	.71
	25	64	.48	.58
	20	68	.45	.54
	17	71	.43	.48
	12	75	.38	.43
	6	80	.34	.39

Adjustments		Max LTV/CLTV	Min FICO
Refund	+ .01%	-	-
Steady Annuals	- .04%	-	-
25-Year & Under	- .11%	-	-
Rate/Term Refinance	+ .10%	95% <sup>2</sup>	660
Second Home	<b>+ .14%</b>	90%	720
Jumbo (1 Unit > \$417,000)	+ .25%	90%	720
Relocation (> 85% LTV) <sup>3</sup>	- .10%	Note <sup>3</sup>	Note <sup>3</sup>
Relocation (≤ 85% LTV) <sup>3</sup>	- .07%	Note <sup>3</sup>	Note <sup>3</sup>

#### Assumptions:

Monthlies/ZIP® Monthlies, No Refund, Fixed Payment, 30-Year, 90% LTV, 25% Coverage, Second Home, Loan Amount \$180,000

Initial RMIC Rate	.62%
Second Home Adjustment	+ .14%
Final RMIC Rate	<u>.76%<sup>1</sup></u>
Loan Amount	\$180,000
Final RMIC Rate	x .76%
Annual Premium Payment	<u>\$1,368</u>
	÷ 12
Monthly Premium Payment	\$114

<sup>1</sup> Monthly renewal premium rates are adjusted for years 11+ if the level renewal rate option is selected.

<sup>2</sup> Streamline refinances of loans currently insured by RMIC are exempt from most underwriting requirements. Refer to RMIC's underwriting guidelines for more specific information.

<sup>3</sup> Requires written pre-approval by RMIC. Refer to RMIC's Relocation Guidelines.