

Minnesota Housing Conventional Products

What is Mortgage Insurance?



Private mortgage insurance (PMI) is required on conventional loans (Fannie Mae HFA Preferred™ or Freddie Mac HFA AdvantageSM) if your downpayment is less than 20% of the purchase price. The PMI helps protect the lender from losses if you don't repay your loan.

What are my mortgage insurance options?

If you use a Minnesota Housing conventional loan product, you have several mortgage insurance options which you should discuss with your lender, the two most common options are:

1. **Borrower-paid MI:** You make monthly MI payments as part of your monthly mortgage payment.

- Slightly lower interest rate

- MI premium added to monthly mortgage payment

- May be cancelled when the loan principal balance reaches 80% of the original property value

2. **Upfront paid MI:** In exchange for a slightly higher interest rate, the lender pays the MI premium in a lump sum at closing, eliminating the need for you to make monthly MI payments.

- MI is included in the interest rate, resulting in a slightly higher rate

- Typically results in a lower monthly mortgage payment

- No need to cancel MI when the loan principal balance reaches 80% of the original property value

- More restrictive eligibility requirements apply

For More Information

To learn more, visit the Minnesota Housing website at www.mnhousing.gov to see our [Conventional Product Comparison](#). Talk to a Minnesota Housing approved [lender](#) to find out which financing option is right for you.

Minnesota Housing does not make or arrange loans. It is neither an originator nor creditor and is not affiliated with any Lender. The terms of any mortgage finance transactions conducted in connection with Minnesota Housing programs, including important information such as loan fees, the annual percentage rate (APR), repayment conditions, disclosures, and any other materials which are required to be provided to the consumer are the responsibility of the Lender.