

Service Release Premium (SRP)

UPMI and Step Up Lender Credit Examples



3.5% SRP with Upfront Paid Mortgage Insurance (UPMI)

- Lenders may retain no more than 1.50% of the SRP as lender compensation.
- At least 2.00% SRP must be applied as borrower credit for the upfront mortgage insurance premium and closing costs.
- The amount of lender-retained SRP may vary based on borrower LTV.
- Additional MI premium can be charged to borrower as MI premium in HUD 1 section 900.
- See our [Lock, Fee and SRP Guide](#) for more details.

	Example 1 95% LTV with 740 FICO	Example 2 97% LTV with 740 FICO	Example 3 97% LTV with 720 FICO
Origination Fee	1.00%	1.00%	1.00%
MI Premium	1.17%	2.00%	2.47%
SRP retained by lender	1.50%	1.50%	1.50%
Borrower Credit	0.83%	0.00%	-0.47%
Total lender compensation	2.50%	2.50%	2.50%

UPMI premiums are estimates. See MGIC LPMI rate matrix for current rates.

Example 1: With a 95% LTV and 740 FICO, the MI premium is 1.17%. Because at least 2.00% SRP must be applied as borrower credit for the upfront mortgage insurance premium and closing costs, the remaining 0.83% is credited to the borrower. The lender retains the remaining 1.50% SRP as lender compensation and charges a 1.00% origination fee for a total compensation of 2.50%.

Example 2: With a 97% LTV and 740 FICO, the MI premium is 2.00%. The lender retains the remaining 1.50% SRP as lender compensation and charges a 1.00% origination fee for a total compensation of 2.50%.

Example 3: With a 97% LTV and 720 FICO, the MI premium is 2.47%. The lender has the choice to pay the remaining 0.47% on behalf of the borrower or pass the charge onto the borrower. The lender retains the remaining 1.50% SRP as lender compensation and charges a 1.00% origination fee for a total compensation of 2.50%.

3.5% SRP with Step Up Lender Credit

- Lenders have the flexibility to allocate the 3.5 points as needed for borrower closing costs and lender compensation.
- Total lender compensation cannot exceed 2.5% (Lender retained SRP + origination fee).
- Lenders should follow industry-standard practices for determining what costs can be covered by the SRP.
- See our [Lock, Fee and SRP Guide](#) for more details.



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	Example 1	Example 2*
Origination Fee	0%	1.0%
SRP to cover closing costs	1.5%	2.5%*
SRP retained by lender	2.0%	1.0%
Total lender compensation	2.0%	2.0%

} 3.5%
Total SRP

*SRP finances both closing costs and the 1% origination fee

Example 1: The lender doesn't charge an origination fee and allocates 1.5 points to cover borrower closing costs. The lender is compensated with the 2 remaining SRP points.

Example 2: The lender charges a 1% origination fee and allocates 2.5 points to finance both closing costs and the origination fee. The lender takes the remaining 1% SRP. The total lender compensation is 2 points (1% origination fee + 1% SRP retained).

