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CFPB Provides Guidance About Private Mortgage Insurance Cancellation and Termination

Bureau Issues Bulletin Regarding Homeowners Protection Act

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today issued a bulletin providing guidance to mortgage servicers regarding the cancellation and termination of private mortgage insurance. The bulletin explains certain requirements of the Homeowners Protection Act and is intended to help servicers comply with the law.

“Consumers should not be billed for unnecessary private mortgage insurance,” said CFPB Director Richard Cordray. “We will continue to supervise mortgage servicers to ensure they are treating borrowers fairly, and today’s guidance should help servicers come into compliance with the Homeowners Protection Act.”

Private mortgage insurance (PMI) protects the lender if the borrower stops making payments on a loan. Lenders generally require consumers to purchase PMI if their down payment is less than 20 percent of the sales price or the appraised value of the home. PMI premiums are added to the borrower’s monthly mortgage payment. The Homeowners Protection Act of 1998 was passed by Congress to address borrowers’ difficulties in cancelling PMI when they had reached a certain level of equity in the property.

Private mortgage insurance can be expensive for consumers, and the Homeowners Protection Act provides specific cancellation and termination rights. If a servicer does not cancel a borrower’s private mortgage insurance promptly, it can lead to the borrower paying significant amounts of money on unnecessary premiums.

The CFPB has identified substantial industry confusion over implementation of the PMI cancellation and termination requirements in the Homeowners Protection Act, and examinations by the Bureau have identified violations of several different provisions of the Act. The CFPB discussed a number of

Homeowners Protection Act violations in the Summer 2013, Winter 2013, and Summer 2015 issues of Supervisory Highlights.

Today's bulletin summarizes existing requirements under the law, and does not create any new responsibilities or requirements.

Today's bulletin is available

here:http://files.consumerfinance.gov/f/201508_cfpb_compliance-bulletin_private-mortgage-insurance-cancellation-and-termination.pdf

The Summer 2013 issue of Supervisory Highlights is available here:

<http://www.consumerfinance.gov/reports/supervisory-highlights/>

The Winter 2013 issue of Supervisory Highlights is available here:

<http://www.consumerfinance.gov/reports/supervisory-highlights-winter-2013/>

The Summer 2015 issue of Supervisory Highlights is available here:

<http://www.consumerfinance.gov/reports/supervisory-highlights-summer-2015/>

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.