

How a Home Buyer Can Avoid PMI

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Mortgage Advice

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(Newswire.net -- March 15, 2019) -- Buying a home is something most people only do a couple of times throughout their lifetime. It is one of the biggest decisions and investment that most people will ever make. When buying a home there are some things that you will want to be aware of so you do not pay too much. One of those things that you will want to

avoid is Private Mortgage Insurance (PMI).

What You Can Do to Avoid Paying PMI

There is nothing more frustrating than being told you have to pay more money for something simply because you did not have all the information from the beginning. Here are some methods on how to [avoid PMI without 20 down](#).

The 20 Percent Down payment

Whether you have to pay for PMI is determined by how much the loan is going to be for and what the home is worth. Lenders like to see an 80 percent or less rating. This means that the lender would rather loan up to 80 percent of the value of the home. This is not as risky of an investment than that of loaning 100 percent of the homes value. PMI is something that the lender will require before issuing a home loan greater than the 80 percent of value. If the borrower defaults on the loan, the lender can file a claim against the PMI policy to get their money back. To avoid PMI you can make a 20 percent down payment on the home.

Use Two Loans to Buy the Home

Coming up with 20 percent for a down payment is hard. You can also avoid PMI by splitting the amount of the home loan into two loans. Sometimes a lender will approve a home equity loan to help the borrower avoid the cost of PMI. In other cases a borrower can pay 10 percent and use a second home loan to pay for the remaining 20 percent.

Roll the Cost of PMI into the Loan

This last option you can do in avoiding PMI is to ask the lender to include the cost of the PMI policy into the amount of the loan. In some cases a higher interest rate may be issued by it might be worth the effort versus having to pay for policy from an escrow account or out of your own pocket.

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