



How to overcome a low appraisal with private mortgage insurance

SAVING THE DEAL

Meet Jasmine and John. In a very hot market, they finally had the winning bid on a great house. The listing price was \$380,000, but they offered \$400,000 to beat the competition. They plan to put down 20% to avoid private mortgage insurance (MI), which would mean a monthly mortgage payment (P&I)¹ of \$2,237.

The dreaded appraisal gap

Unfortunately, the appraisal comes in at the original asking price of \$380,000. Jasmine and John are not comfortable depleting their remaining savings and reserves to cover the difference. In this case, they'd need \$16,000 more than the original \$80,000 they planned to put down.²

Another solution: Private mortgage insurance

By accepting a higher loan-to-value (LTV) and using one of these MGIC MI options, Jasmine and John can save the deal – without a significant impact on either the funds due up front or their monthly mortgage payment.

- **BPMI Single Premium paid at closing:** Pay just an additional \$1,024 at closing instead of \$16,000, with no impact to their monthly mortgage payment
- **BPMI Single Premium financed into loan:** No additional funds at closing, pay just an additional \$7 per month
- **BPMI Monthly Premium:** No additional funds at closing; pay just an additional \$29 per month; MI can likely be cancelled in 5 years or less, depending on local home appreciation

Compare options: See how MGIC's borrower-paid mortgage insurance (BPMI) can help

\$400,000 Purchase price	Jasmine and John's original expectation (20% down)	Low appraisal with MGIC BPMI Single Premium paid at closing	Low appraisal with MGIC BPMI Single Premium financed	Low appraisal with MGIC BPMI Monthly Premium
Appraised value	\$400,000	\$380,000	\$380,000	\$380,000
Down payment	\$80,000	\$80,000	\$80,000	\$80,000
Loan amount	\$320,000	\$320,000	\$321,024	\$320,000
LTV	80%	84.2%	84.5%	84.2%
MI premium ³	n/a	\$1,024	\$1,024	\$29/month
Monthly MI	\$0	\$0	\$0	\$29
Monthly P&I + MI	\$2,237	\$2,237	\$2,244	\$2,266

¹Assumes a 7.5% interest rate on a 30-year fixed-rate loan of \$320,000. ²\$20,000 difference in purchase price and appraised value + \$76,000, for a total of \$96,000, to bring loan amount to 80% LTV. ³MI premium based on rates as of 11/10/23 for Milwaukee, WI. **Find your right rate, right now at [mgic.com/MiQ](https://www.mgic.com/MiQ).** Example is for illustrative purposes and meant only for mortgage and real estate professionals. Assumes owner-occupied, primary residence; 2 borrowers with 760 credit scores, 28% DTI ratio and 25% housing ratio.

To learn more about this strategy and other MI Solutions, contact your MGIC representative or go to [rethinkMI.com](https://www.rethinkMI.com).