

Avoiding Private Mortgage Insurance

Looking to make less than a 20 percent down payment on your home? This could increase the overall cost of owning your home. Most lenders will require you to purchase private mortgage insurance to secure your loan if you put down less than 20%.

Private mortgage insurance protects the lender against a financial loss if you should fail to repay your mortgage. Generally, you will be required to pay the cost of this insurance until you achieve 20 percent equity in your property (as determined by the current appraised value of the home).

Fortunately, there are some alternatives to paying for private mortgage insurance. Check with your lender to see if they offer loan products that feature low down payments or flexible mortgage insurance options.

These products, such as the 80/10/10, 80/15/5 and 75/20/5 products, combine a home equity loan with your mortgage. The home equity loan makes up the difference between the amount you put down on your first mortgage and your down payment funds so there is no need to purchase private mortgage insurance.

Another solution is to have the lender pay the mortgage insurance. With this option, your interest rate is increased slightly to cover the cost of the coverage, but you may still have a lower monthly payment than if you bought private mortgage insurance. Plus, you may realize a larger tax deduction benefit based on the loan's interest rate.*

Lender-paid mortgage insurance is often a good idea if you think you might move or refinance within ten years, or if you are making a down payment of 15 percent or less on your home.

NEA members and their families can get more information about mortgage products and services by calling the **NEA Home Financing Program**[®] at **1-800-NEA-4-YOU** (1-800-632-4968) to speak to one of Wells Fargo Home Mortgage's experienced home mortgage consultants. Be sure to ask about the current member bonus offer. They are available from Monday through Friday, 8 a.m. to midnight, and Saturday, 9 a.m. to 5:30 p.m. (Eastern Time). If you prefer, stop by your local Wells Fargo branch and identify yourself as a member of NEA. Or visit us online at www.neamb.com/loans/hmfpgc.jsp.

Deaf/hard of hearing individuals may call 1-800-842-3548 TTY. Spanish speakers may call 1-800-544-3482.

*Consult your tax advisor regarding the deductibility of interest.

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