



Formerly Cobalt Financial Corp.

4811 Telegraph Ave., #511
Oakland, CA 94609



Viral (Vic) Joshi

Branch Manager/
Loan Consultant

Cell: (510) 853-2407

DRE Lic. #01242935

NMLS #244388

PRESORTED
STANDARD
U.S.POSTAGE
PAID
MONUMENT, CO
80132
PERMIT #57



Compliments of: Viral (Vic) Joshi

C2 Financial Corporation is licensed by the CA Dept. of RE, License #01821025 • NMLS #135622

(continued from front page)

The actual rule for PMI is that anytime a borrower takes out a loan where the loan amount exceeds 80% of the purchase price of the property, 80% Loan-to-Value or LTV, the lender requires the borrower to pay PMI. There are a few ways around paying PMI with less than 20% down payment. The lenders offer a product called Lender Paid PMI, or LPMI. LPMI is where the lender pays for the monthly PMI payment, but they do this by increasing the interest that they offer on the mortgage that the borrower takes out from the lender. The benefit of LPMI is that the higher interest paid is all write-off for tax purposes. I am not a tax expert and cannot give tax advice, but I have heard from my tax advisors that a borrower can write off PMI if the combined household income is less than \$100K/year. If that is the case, LPMI could be a better option for some home buyers than taking the lower rate and paying the monthly PMI. The other way to not have to pay PMI is to split the loan into a first and second mortgage where neither loan is greater than 80% LTV. This requires 10% down and the first mortgage would be at 80% LTV with the second mortgage at 10% LTV. This is called an 80/10/10 and just in the last two years became available to us, after disappearing from the market when the mortgage markets collapsed in August 2007.

Both standard PMI and FHA mortgage insurance will allow for the mortgage insurance to be removed once the loan amount is reduced to 78% of the original value of the property when purchased. With standard PMI where the mortgage is not an FHA mortgage, the borrower is supposed to be able to work with the lender/servicer to remove the PMI if the borrower can demonstrate that the property has 22% or greater equity, which would mean the loan amount is 78% or less of the property value. Unfortunately, I have experienced recently that the servicers who collect the mortgage payments make it very difficult for the borrower to remove the PMI through

property appreciation. The servicers are aggressively trying to force the borrower with PMI to refinance with them to remove the PMI and, in many cases, the borrower is made to pay for an appraisal that comes in too low to be able to remove the PMI. I have helped a number of previous clients refinance to remove the PMI and reduce their payments, even after the previous lender/servicer failed at getting it done.

In the case of a FHA loan, reaching 78% LTV is not the only requirement to removing the FHA mortgage insurance. FHA will not allow the borrower to show new property appreciation through a new appraisal. FHA requires 78% LTV based on the original property valuation, which means the only way to remove the FHA mortgage insurance is to pay down the mortgage principal balance to 78% LTV. Depending on what month and year the borrower took out the FHA mortgage, there is a minimum of five years that has to elapse on conjunction with reaching 78% LTV. In most cases, it will take a borrower between 9.5 to 11 years to reach the 78% LTV without making additional payments to the principal balance. After June of 2013, the FHA rules to remove FHA mortgage insurance became even stricter and, in many cases, the FHA mortgage insurance is now permanent and cannot be removed even when reaching the 78% LTV.

If you or anyone in your sphere of influence has PMI or an FHA loan, I would be very happy to give them a *free consultation* to review their options in detail.

*As always, your loan guy,
Viral (Vic) Joshi*

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, **viral@vicjoshi.com**, so that I can put you on the mailing list.

Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi

Branch Manager/
Loan Consultant



Hello Friends,
Rates improved following the last Federal Reserve Open Market Committee meeting in March due

to tame inflation readings and weak employment numbers. The 10-Year Treasury Bond yield, a key barometer of mortgage interest rates, has been on a slow decline and is starting to trade again close to the low levels of January 30th of this year. After two and half months, rates are within .125% of this last low date, which was the lowest day in the prior 1.5 years.

Refinance activity has started picking up again and while the rates are attractive to home buyers, we continue to see low inventory levels that are impacting housing prices higher.

On the positive side, with housing price appreciation soaring, I have been able to help many people refinance to get rid of PMI, Private Mortgage Insurance, which is required when a buyer puts less than 20% down payment on a home purchase. I have been able to save some home owners as much as \$800/month by helping them refinance to get rid of PMI. In many cases, we may even increase the interest rate on their mortgage and still save them hundreds of dollars per month because the PMI can add up to 1.35% to their effective rate based on how much the monthly PMI costs in the monthly payment.

(continued on back page)

Office: (510) 655-2868

Cell: (510) 853-2407

Fax: (510) 291-2824

viral@vicjoshi.com

www.vicjoshi.com