



Robert L. Ehrlich, Jr.
GOVERNOR

Michael S. Steele
LT. GOVERNOR

Victor L. Hoskins
SECRETARY

Shawn S. Karimian
DEPUTY SECRETARY

March 7, 2006

Directive 2006-2

MEMORANDUM: ALL PARTICIPATING LENDERS

SUBJECT: MORTGAGE INSURANCE REQUIREMENTS

The purpose of this Directive is to advise you of our new policy regarding when mortgage insurance is not required and the additional criteria for canceling private mortgage insurance. This Directive will be uploaded to our website (access [Just for Lenders](#) and then click on Single Family Housing Directives) and also to Lender On-Line (access [Lender On-Line](#), click on Program Documents and then click on Single Family Housing Directives).

When mortgage insurance is required

DHCD will not require mortgage insurance for MMP loans with a 75 percent or less loan-to-value (LTV) provided that there is acceptable secondary financing in place or if funds are used for down payment which allow the borrower to meet CDA's 20 percent asset test. Acceptable forms of secondary financing include "soft" subordinate non-amortizing loans or sub-market interest rate amortizing subordinate loans made by governmental agencies or non-profit organizations. Loans not requiring mortgage insurance must be underwritten to the current Fannie Mae underwriting guidelines.

Cancellation of Private Mortgage Insurance

In addition to the termination and cancellation rights available to a borrower under the Homeowners Protection Act, CDA also permits a borrower to request cancellation of private mortgage insurance or insurance through the Maryland Housing Fund for loans made after January 1, 2005, provided they meet the criteria outlined under Section 3.1, item G on pages 38 and 39 of the Lender's Manual [access [Just for Lenders](#) and then click on Lender's Manual – MMP (02/23/06)]

As always, we appreciate your continued participation in MMP. If you have any questions concerning this Directive or suggestions for improving our Program, please contact me directly at (410) 514-7508 or 1-800-638-7781 or by e-mail at manahan@mdhousing.org.

Sincerely,

William J. Manahan
William J. Manahan
Senior Manager
Single Family Housing

COMMUNITY
DEVELOPMENT
ADMINISTRATION
Division of Development
Finance

100 Community Place
Crownsville, MD 21032

PHONE 410-514-7400
TOLL FREE 1-800-756-0119
FAX 410-987-8763

