

.04 CANCELLATION OF MORTGAGE INSURANCE

A. Automatic Termination of Conventional Mortgage Insurance

The Servicer is to cancel mortgage insurance for all AHFC loans when the loan reaches 80% of the lower of the original sales price or original appraisal value and the loan is current, with the following exceptions:

1. Rural Owner Occupied Loan Program

The Servicer is to cancel mortgage insurance when the loan reaches 90% of the lower of the origination appraisal value and the loan is current.

2. Renovation Loan Program Option

The Servicer is to cancel mortgage insurance when the loan reaches 80% of the origination "as completed" appraisal value and the loan is current.

B. Termination of Conventional Mortgage Insurance Based on Improvements

AHFC may consider mortgage insurance cancellation on properties where an addition has been added or renovations/improvements have been completed after loan origination. The improvements made by the borrower must have substantially increased the value of the home. The following requirements must be met:

- 1.** A complete appraisal not more than 180 days old at the time of submission must reflect the value of the property with the added improvements since loan origination.
 - a.** The appraisal must be ordered by the Servicer from an Alaska certified residential appraiser.
 - b.** The appraiser must address all completed renovations made to the property since loan origination.
 - c.** The appraiser must address all health and safety items. All health and safety items must be corrected before submission.
- 2.** The borrower must provide an explanation of all completed renovations done to the property since loan origination.

3. Loan must be a seasoned loan and borrower must have an acceptable payment record.
 - a. The loan must have been closed not less than 12 months prior to the cancellation request.
 - b. The borrower must have no payments 30 days or more past due in the last 12 months.
4. Prior AHFC approval is required. The Servicer is cautioned not to cancel the mortgage insurance under this option without prior approval.
5. To obtain AHFC approval, the following documentation must be provided to AHFC's Servicing Department:
 - a. New appraisal.
 - b. Copy of origination appraisal.
 - c. Borrower explanation of improvements since loan origination.
 - d. Last 12 month payment history.

C. Federally Guaranteed Loans

The mortgage insurance or guaranty may not be cancelled and must remain in full force and effect during the life of the loan.

D. Submission to AHFC

When canceling insurance, the Servicer must submit a Notification of Cancellation of Mortgage Insurance ([Form SER-75](#)) to AHFC's Servicing Department within 30 calendar days of cancellation.