

.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. Borrower-Initiated Termination of Conventional Mortgage Insurance Based on Addition of Square Footage to the Home or Renovation/Improvements to Existing Square Footage of the Home

AHFC may consider mortgage insurance cancellation on properties where an addition has been added or renovations/improvements have been done that substantially increase the value of the home. The following requirements must be met:

1. Prior AHFC approval is required. The Servicer is cautioned not to cancel the mortgage insurance under this option without prior approval from AHFC.
2. Loan must be a seasoned loan and borrower must have an acceptable payment record.
 - a. The loan must have been closed no less than 12 months prior to the cancellation request, and
 - b. The borrower must have no payment 30 days or more past due in the last 12 months.
3. A complete historical appraisal that reflects the value of the property with the added improvements as if the original loan had been made on value attributed to current improvements.
 - a. The appraisal must be ordered by the Servicer from an Alaska certified residential appraiser.

C. 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.

D. 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.