How to overcome a low appraisal with private mortgage insurance

SAVING THE DEAL

Meet Jasmine and John. In a very hot market, they finally had the winning bid on a great house. The listing price was $430,000, but they offered $450,000 to beat the competition. They plan to put down 20% to avoid private mortgage insurance (MI), which would mean a monthly mortgage payment (P&I)[1] of $2,217.

The dreaded appraisal gap

Unfortunately, the appraisal comes in at the original asking price of $430,000. Jasmine and John are not comfortable depleting their remaining savings and reserves to cover the difference. In this case, they'd need $16,000 more than the original $90,000 they planned to put down.[2]

Another solution: Private mortgage insurance

By accepting a higher loan-to-value (LTV) and using one of these MGIC MI options, Jasmine and John can save the deal – without a significant impact on either the funds due up front or their monthly mortgage payment.

- **BPMI Single Premium paid at closing:** Pay just an additional $1,080 at closing instead of $16,000, with no impact to their monthly mortgage payment
- **BPMI Single Premium financed into loan:** No additional funds at closing, pay just an additional $6 per month
- **BPMI Monthly Premium:** No additional funds at closing; pay just an additional $36 per month; MI can likely be cancelled in 5 years or less, depending on local home appreciation

Compare options: See how MGIC's borrower-paid mortgage insurance (BPMI) can help

$450,000 Purchase price	Jasmine and John's original expectation (20% down)	Low appraisal with MGIC BPMI Single Premium paid at closing	Low appraisal with MGIC BPMI Single Premium financed	Low appraisal with MGIC BPMI Monthly Premium
Appraised value	$450,000	$430,000	$430,000	$430,000
Down payment	$90,000	$90,000	$90,000	$90,000
Loan amount	$360,000	$360,000	$361,080	$360,000
LTV	80%	83.7%	84%	83.7%
MI premium	n/a	$1,080	$1,080	$36/month
Monthly MI	$0	$0	$0	$36
Monthly P&I + MI	**$2,217**	**$2,217**	**$2,223**	**$2,252**

Example is for illustrative purposes and meant only for mortgage and real estate professionals. [1]Assumes a 6.25% interest rate on a 30-year fixed-rate loan of $360,000. [2]$20,000 difference in purchase price and appraised value + $86,000 for a total of $106,000, to bring loan amount to 80% LTV. Example assumes representative MI premium rates as of 3/6/26. **Find your right rate, right now at mgic.com/MiQ.**

To learn more about this strategy and other MI Solutions, contact your MGIC representative or go to rethinkMI.com.

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