the loan became current. If, at the time of the examination, a loan at the midpoint is not current, determine whether the financial institution is monitoring the loan and has systems in place to ensure that PMI is terminated when the borrower becomes current (12 USC §4902(c) and 12 USC §4902(g)(2)).

8. Obtain a sample of any lender defined "high risk" PMI residential mortgage transactions that have a 77 percent or lower LTV based on the original value of the property. Verify that PMI was canceled, based on the initial amortization schedule (in the case of a fixed rate loan) or the amortization schedule then in effect (in the case of an adjustable rate loan), on the date that the principal balance of the loan was scheduled to reach 77 percent of the original value of the mortgaged property (12 USC §4902(g)(1)(B)).
9. Obtain a sample of loans that have had PMI canceled or terminated (the samples obtained above can be used). For PMI loans canceled upon the borrowers' requests, determine that the financial institution did not require any PMI payment(s) beyond 30 days of the borrower satisfying the evidence and certification requirements to cancel PMI (12 USC §4902(e)(1)). For the PMI loans that received automatic termination or final termination, determine that the financial institution did not require any PMI payment(s) beyond 30 days of termination (12 USC §4902(e)(2) and 12 USC §4902(e)(3)).
10. Using the samples in steps 5, 6, and 7, determine if the financial institution returned unearned premiums, if any, to the borrower within 45 days after cancellation or termination (12 USC §4902(f)(1)).

Conclusions

11. Summarize all violations and internal deficiencies.
12. If the violation(s) or internal deficiencies noted above represent(s) a pattern or practice, determine the root cause by identifying weaknesses in internal controls, compliance review, training, management oversight, or other factors.
13. Identify action needed to correct violations and weaknesses in the institution's compliance system, as appropriate.
14. Discuss findings with the institution's management and obtain a commitment for corrective action.
15. Determine if enforcement action is appropriate. If so, contact appropriate agency personnel for guidance. Section 10(c) of the Act contains a provision requiring restitution of unearned PMI premiums.

References

FIL 50-99: Homeowners Protection Act of 1998
http://www.fdic.gov/news/news/financial/1999/fil9950.html

DSC RD Memo 03-049: Revised Interagency Examination Procedures for the Homeowners Protection Act
http://fdic01/division/dsc/memos/memos/6000/03-049.pdf

DCA RD Memo 99-011: Questions and Answers regarding the Homeowners Protection Act of 1998
http://fdic01/division/dsc/memos/memos/direct/6487.pdf

12 USC §§4901 – 4910 (2001)
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http://www.access.gpo.gov/uscode/title12/chapter49_.html