Making homeownership possible for nearly 65 years

USMI®
U.S. Mortgage Insurers

June 2021

Private Mortgage Insurance 2020 Record-Setting Year

Serving 35+ million homebuyers across the United States for nearly 65 years

A State-by-State Report by U.S. Mortgage Insurers

ABOUT USMI

U.S. Mortgage Insurers (USMI) is dedicated to a housing finance system that is backed by private capital and enables access to affordable, low down payment mortgage financing for borrowers while protecting taxpayers and the federal government.

Private mortgage insurance offers an effective and time-tested way to make mortgage credit available to low down payment borrowers. USMI is ready to help build the future of homeownership. Learn more at www.usmi.org.

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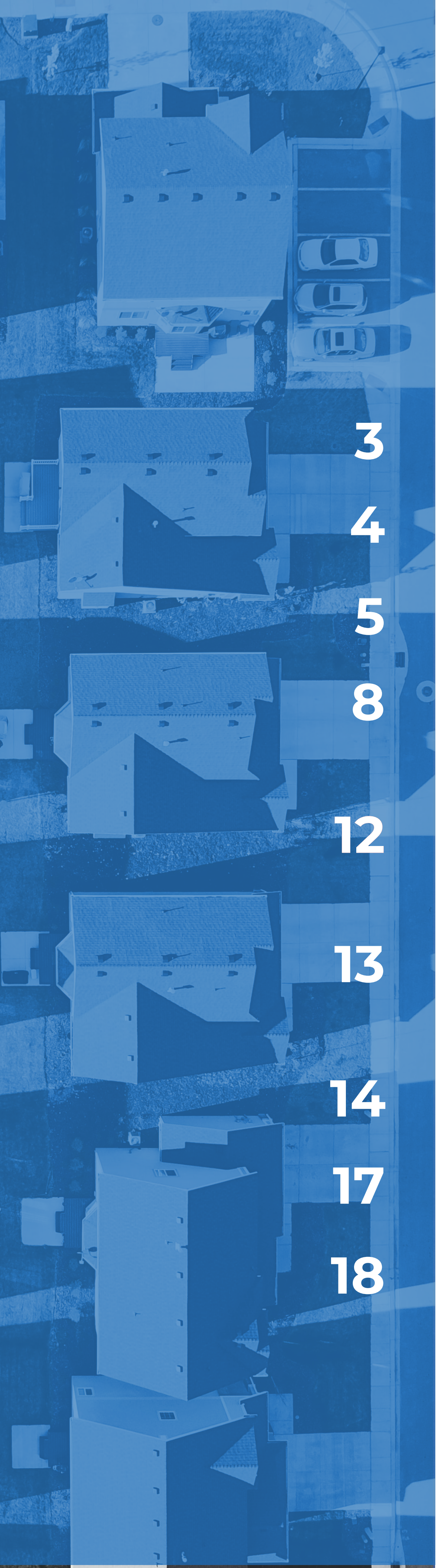

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INTRODUCTION

Private mortgage insurance (MI) has been an important component of the U.S. housing and mortgage finance system for nearly 65 years. First, as a means to help millions of home-ready borrowers qualify for affordable mortgage financing with low down payments; and second, as protection for the government-sponsored enterprises (GSEs), lenders, and American taxpayers from mortgage credit risk. Private MI remains the leading way Americans without large down payments are able to become homeowners sooner than they otherwise would be able.

For many Americans, the biggest hurdle in buying a home is saving for a large down payment. However, private MI helps bridge the down payment gap to help borrowers obtain the financing needed to purchase a home. In doing so, private MI allows homeowners to build the kind of long-term stability and equity that comes with homeownership. Private MI facilitates low down payment lending by providing a safeguard for lenders and the GSEs against the higher risk associated with mortgages originated with down payments of less than 20 percent of the purchase price. Therefore, private MI is a valuable benefit for borrowers, lenders, and American taxpayers.

Since 1957, private MI has helped more than 35 million families become homeowners.[1] In 2020, the private MI industry experienced a record-setting year, helping more than 2 million borrowers secure mortgage financing.[2] Of the total number of borrowers using private MI, more than 40 percent had annual incomes below $75,000[3] and nearly 60 percent of purchase loans went to first-time homebuyers.[4] Further, the industry supported $600 billion in mortgage originations for new home purchases and refinance loans.[5] Private MI truly helps low- and moderate-income Americans who cannot afford to put down 20 percent.

Additionally, private MI has proven to be a reliable method for shielding the GSEs, Fannie Mae and Freddie Mac, as well as American taxpayers, from losses on mortgage credit risk. Private MI companies have paid nearly $60 billion in claims[6] since the 2008 financial crisis and housing market downturn – claims the government and taxpayers did not have to pay.

This report looks at how private MI helps bridge the down payment gap and analyzes at a state level who specifically benefits from private MI.

2020: A RECORD-SETTING YEAR

In March, USMI announced[7] that the private MI industry helped more than 2 million low down payment borrowers secure mortgage financing in 2020, a 53 percent increase from the previous year, according to data from the GSEs. The industry also supported $600 billion in mortgage originations.[8] According to public filings, approximately 65 percent of this volume was for new purchases while 35 percent was for refinanced loans. This resulted in approximately $1.3 trillion in outstanding mortgages with active private MI coverage at year's end, underscoring the industry's critical role as serving as the first layer of protection against credit risk in the conventional mortgage market backed by the GSEs.

Private MI secured mortgage financing for over 2 million borrowers in 2020 and supported $600 billion in mortgage originations, resulting in approximately $1.3 trillion in outstanding mortgages with active private MI coverage at year's end.

Throughout 2020, USMI members worked closely with federal policymakers, industry groups, and consumer organizations to support homeowners experiencing financial hardships due to the COVID-19 pandemic. The industry updated its guides and processes to align with the Federal Housing Finance Agency (FHFA) and GSEs' policies to implement nationwide forbearance programs.

At the end of 2020, private MI companies held more than $7.7 billion in excess of capital requirements set by the GSEs.[9] This furthered the private MI industry's ability to support lenders and borrowers over the past year while operating in a unique and unpredictable market.

In its nearly 65-year history, the private MI industry has enabled more than 35 million[10] people to access affordable low down payment mortgages. In 2020, nearly 60 percent of purchase loans backed by private MI went to first-time homebuyers[11] over 40 percent went to borrowers with incomes below $75,000,[12] and the average loan amount with private MI was approximately $290,000.[13]

DOWN PAYMENT: THE #1 IMPEDIMENT

For many Americans, the biggest hurdle in buying a home is the 20 percent down payment many believe is required for mortgage approval. In March 2021, the National Association of REALTORS® (NAR) published a report on homebuyers and sellers generational trends. It found, "[11] percent of all buyers cited that saving for a down payment was the most difficult step in the home buying process. For buyers 30 years and younger, this was 25 percent compared to only one percent of buyers 66 years and older."

The 20 percent down payment is increasingly becoming a moving target as home appreciation rapidly increases and supply of affordable housing is at historic lows. In May 2021, FHFA reported that house prices rose 12.6 percent from March 2020 to March 2021. This increased market demand coupled with a record-low supply have brought great affordability challenges for first-time buyers. NAR reported during the same time that the inventory of existing and new single-family homes for sale was at the lowest level since 1982, with a shortage of 2.4 million homes for sale to meet six months of supply.

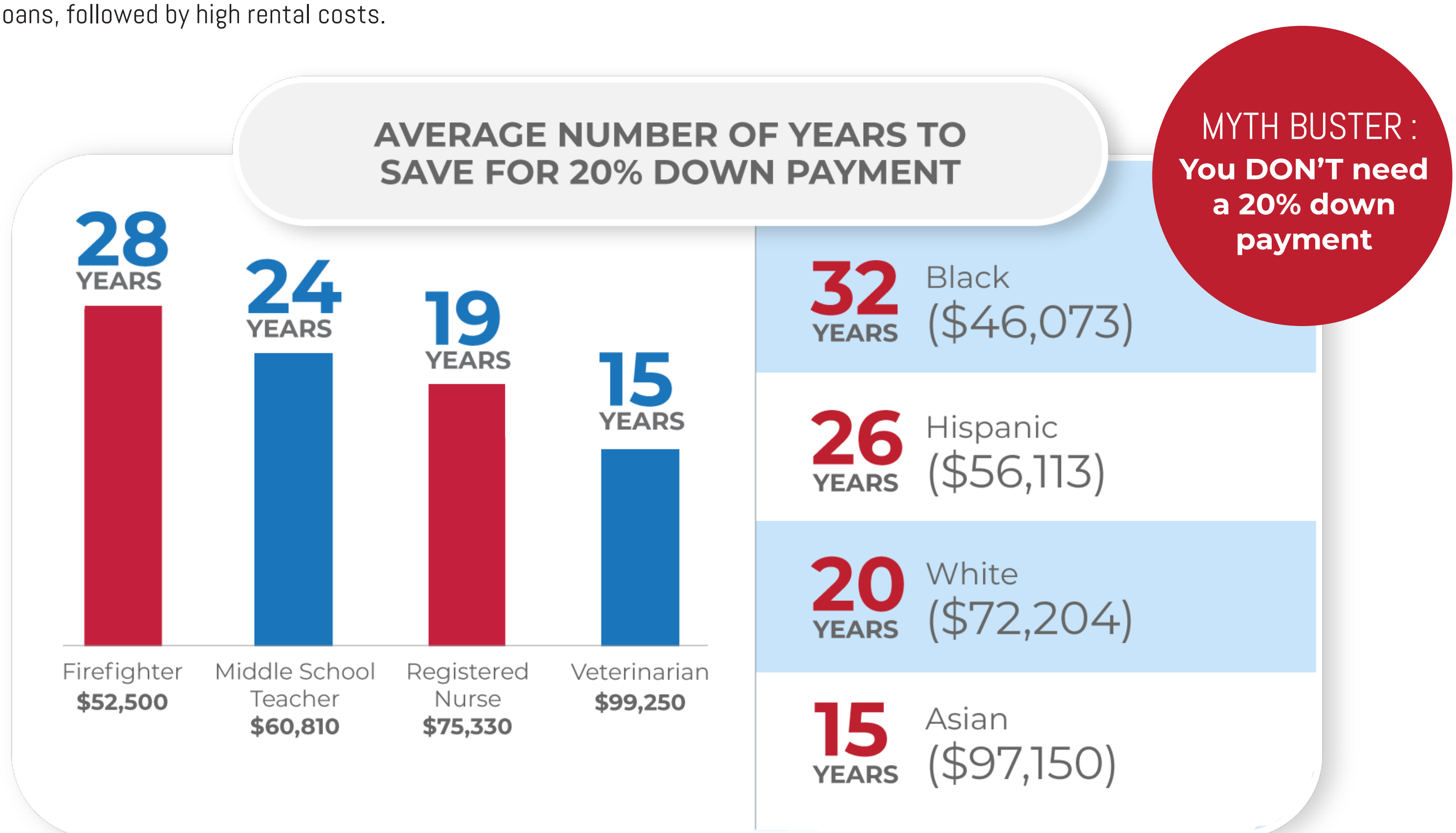
"[Forty-three] percent of Younger Millennials reported having student loan debt with a median loan balance of $25,000, compared to 37 percent of Older Millennials with a median of $33,000. While only 21 percent of Gen Xers had student loan debt, they had a median balance of $35,000."

– NAR March 2021 Report

House prices rose 12.6% from March 2020 to March 2021. During this same time, housing supply was at the lowest level since 1982, with a shortage of 2.4 million homes for sale to meet six months of demand.

The low housing supply, combined with the financial reality of many young, first-time, and minority homebuyers, pushes the 20 percent down payment even farther out of reach. NAR's March 2021 report further found that "[y]ounger buyers continue to depend on savings for their down payment, while older buyers use proceeds from the sale of their previous residence." The report also showed that 28 percent of younger Millennials used a gift or loan from a friend or relative to purchase their home. Among those with debt, it hindered their ability to save for a down payment, adding approximately three years to the process. Among aspiring Millennial homebuyers, challenges to saving for down payments came primarily from student loans, followed by high rental costs.

It could take 21 years for a household earning the national median income of $68,703 to save 20 percent, plus closing costs, for a $299,900 home, the median sales price for a single-family home in 2020. That's nearly $60,000 in cash that the borrower would need to bring to the closing table. The below graphic illustrates specific examples, breaking down the number of years it would take people from various professions and races to save 20 percent down plus closing costs.



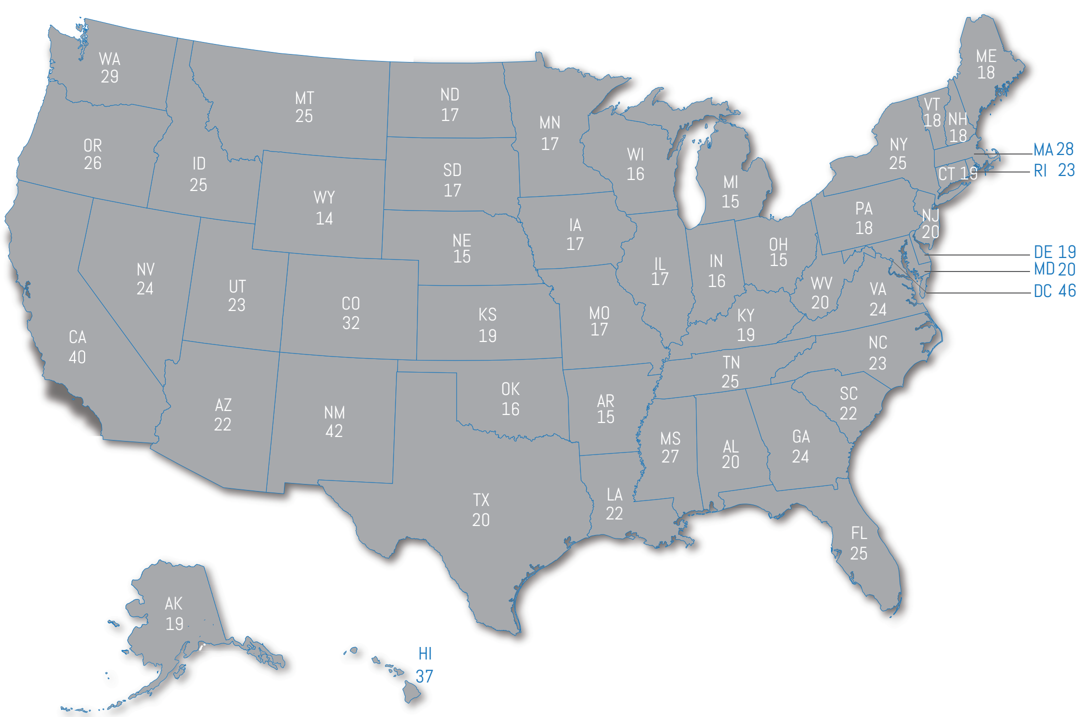
Dollar amounts by occupation[20] and race[21] represent median income.

How many years could it take to save for a 20 percent down payment, plus closing costs?

The average number of years to save the 20 percent that many people mistakenly believe is required to buy a home varies depending on where you live.[22] But the reality is saving 20 percent can unnecessarily delay homeownership for many families, which can result in missed equity and wealth building, and paying more rent. All the while these families may likely be chasing a moving target as home prices that may be attractive today could continue to escalate and become out of reach.

USMI looked at how long it could take prospective borrowers to save a full 20 percent at the national and state levels based on the average savings rates, median household incomes, and median sales prices. Based on this analysis, prospective homebuyers in Washington, DC could have the longest wait time at 46 years (down from 47 years in USMI's 2019 report), followed by New Mexico at 42 years (up from 21 years), California at 40 years (up from 39 years), Hawaii at 37 years (down from 41 years), Colorado at 32 years (up from 25 years), Washington at 29 years (up from 22 years), Massachusetts at 28 years (up from 23 years), Mississippi at 27 years (up from 21 years), and Oregon at 26 years (up from 23 years). Additionally, it could take up to 25 years in Florida (up from 23 years), Idaho (down from 27 years), Montana (down from 27 years), New York (up from 20 years), and Tennessee (up from 18 years). Prospective homebuyers in Wyoming have the shortest wait time at 12 years, followed by homebuyers in Arkansas, Michigan, Nebraska, and Ohio at 15 years. According to USMI's report on 2019 data, the shortest wait time was 12 years for homebuyers in Iowa and Pennsylvania. These calculations are based on the median sales price for single-family residences in 2020.

At the same time, home price appreciation continued to dramatically outpace wage growth across the country. The 2020 Employment Situation Summary report released by the U.S. Bureau of Labor Statistics found that the average hourly earnings for all employees on private, non-farm payrolls was $28.43 in January 2020, increasing to $29.96 in January 2021 and representing an increase of only 5.4 percent.[23] Meanwhile, according to FHFA's House Price Index (HPI), national home prices increased 10.8 percent from 4Q2019 to 4Q2020.[24] With HPI growth outpacing average wage growth, in addition to shortages of affordable housing supply, this creates serious concerns that prospective homebuyers could be priced out of the housing market in the future.

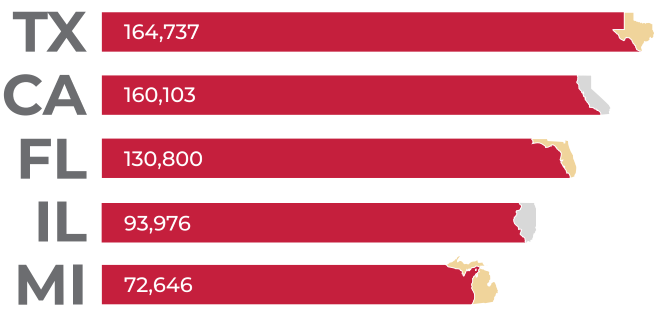


PRIVATE MI HELPS BRIDGE THE DOWN PAYMENT GAP

By helping borrowers qualify for a mortgage with a down payment as low as three percent, private MI has given more than 35 million families nationally the opportunity to purchase a home sooner or refinance to a lower mortgage interest rate.[25]

In 2020 alone, private MI helped more than 2 million borrowers purchase or refinance a mortgage.[26] Of the total number of borrowers, more than 40 percent had annual incomes below $75,000.[27] Additionally, nearly 60 percent of purchase loans with private MI went to first-time homebuyers.[28] These homebuyers had an average FICO® credit score of 749 and on average took out a home loan for nearly $290,000.[29]

Top States for Low Down Payment Loans Backed by Private MI in 2020



The table on page 9 shows the number of homeowners helped with private MI nationally, across all 50 states plus Washington, DC, and includes details on the average credit score, home loan size, and percentage of first-time buyers.

Number of homeowners helped with private MI across all 50 states and DC

(Table organizes states from highest to lowest in terms of the number of homeowners helped with private MI)

Rank	State	Homeowners Helped	% First-Time	Avg. Loan	Avg. FICO
	National	*>2,000,000*	*58%*	*$289,482*	*749*
1	TX	164,737	58%	$276,356	747
2	CA	160,103	70%	$435,946	751
3	FL	130,800	55%	$276,232	746
4	IL	93,976	64%	$241,492	750
5	MI	72,646	59%	$216,444	745
6	NC	72,537	51%	$269,677	751
7	OH	72,029	60%	$205,239	746
8	GA	68,941	54%	$273,799	748
9	AZ	66,145	54%	$293,303	747
10	PA	65,514	61%	$249,351	752
11	VA	65,393	57%	$343,029	755
12	CO	56,204	60%	$365,243	755
13	MN	55,658	61%	$266,371	751
14	MD	54,098	61%	$340,174	754
15	WA	53,767	65%	$396,092	751
16	NJ	50,324	67%	$338,293	750
17	IN	48,689	55%	$209,291	745
18	WI	44,761	62%	$222,851	747
19	MO	44,629	51%	$223,561	749
20	NY	44,464	69%	$308,069	749
21	TN	41,547	48%	$273,423	750
22	UT	37,274	55%	$330,892	751
23	SC	36,152	46%	$249,670	750
24	MA	35,426	71%	$372,637	749
25	OR	30,477	63%	$343,124	754
26	AL	26,860	42%	$239,588	750
27	NV	23,723	57%	$311,592	746
28	IA	23,264	57%	$202,949	747
29	KY	22,790	52%	$215,300	747
30	CT	22,752	66%	$280,458	749
31	LA	21,587	48%	$247,831	750
32	OK	20,024	43%	$222,538	749
33	KS	18,820	53%	$221,407	747
34	AR	15,230	44%	$221,068	749
35	NE	14,401	60%	$216,421	747
36	ID	14,119	51%	$289,459	747
37	NM	10,533	53%	$243,160	748
38	MS	9,563	41%	$226,949	746
39	NH	9,529	59%	$295,813	747
40	DE	7,529	47%	$287,896	751
41	MT	6,912	52%	$279,504	752
42	SD	6,548	51%	$231,592	751
43	ME	6,380	50%	$258,955	749
44	RI	5,963	64%	$286,352	750
45	WV	5,931	50%	$206,500	746
46	ND	5,235	53%	$246,646	753
47	DC	4,939	75%	$484,414	766
48	AK	4,066	47%	$317,569	754
49	WY	3,844	42%	$264,485	751
50	HI	3,835	65%	$493,283	755
51	VT	2,691	52%	$254,825	752

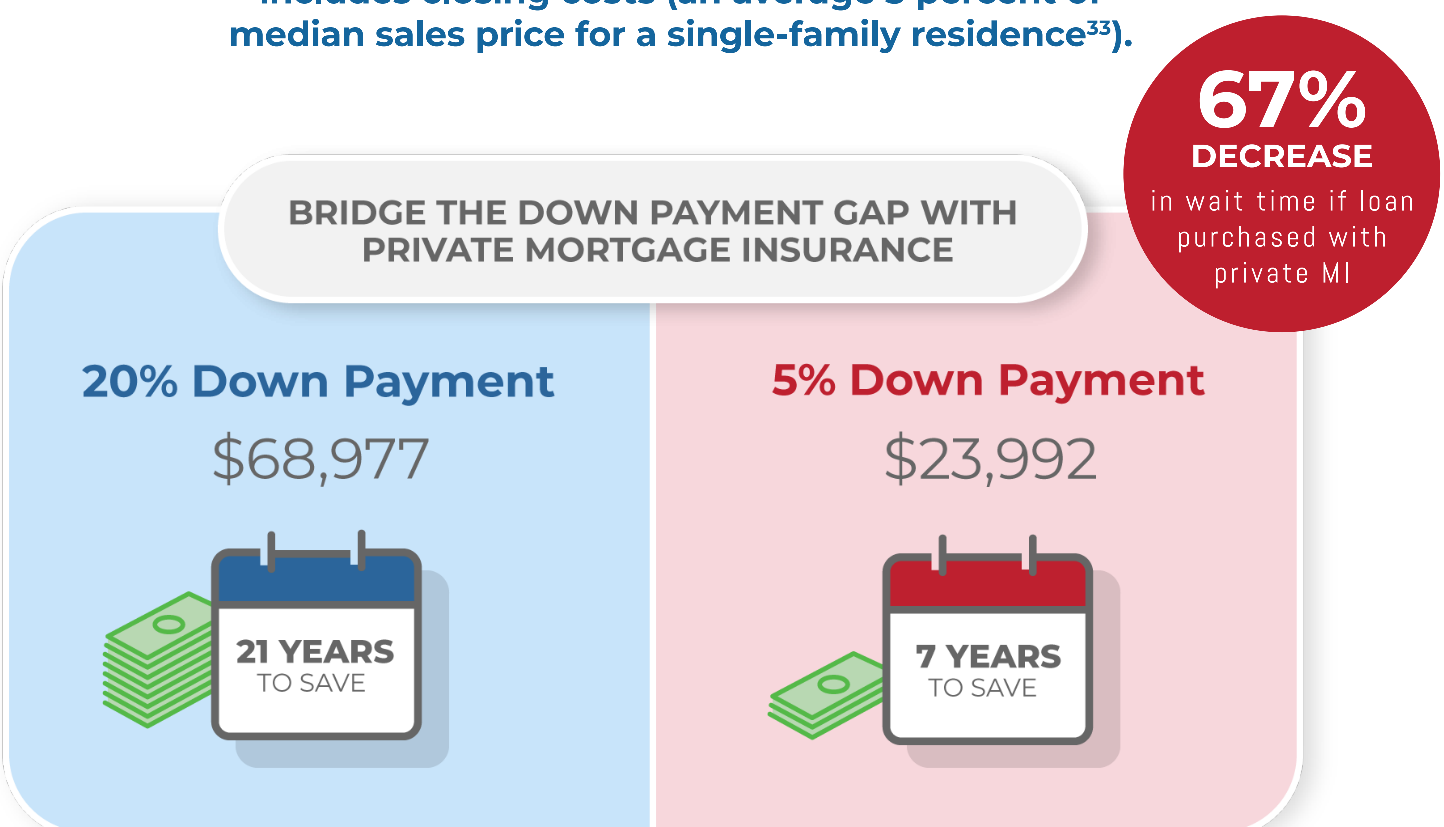
Private MI Helps Borrowers Afford a Home Sooner: Saving for a 5% vs. 20% Down Payment

Purchasing a home with a conventional loan backed by private MI allows borrowers to qualify for a mortgage with as little as 3 percent down and provides a safe and sustainable loan option. A lower down payment dramatically decreases the number of years needed to save to transition from renting to homeownership. Most people tend to put more than 3 percent down, with first-time homebuyers and repeat buyers on average putting down 7 percent and 16 percent, respectively.[30] Here USMI takes a look at the scenario of putting 5 percent down instead of 20 percent.

While it could take 21 years for a household earning the national median income of $68,703[31] to save 20 percent (plus closing costs) for a $299,900 home,[32] it drops to 7 years if the household saves 5 percent.

Private MI not only helps borrowers overcome the biggest hurdle to homeownership, but also enables them to retain some of their savings, which can significantly help borrowers who may have unexpected costs such as home repairs. In addition to these borrower benefits, private MI reduces risk in the mortgage market. Private MI acts as a second set of eyes providing independent credit underwriting standards to ensure borrowers receive mortgages that promote sustainable homeownership. Private mortgage insurers' underwriting function aligns with the interests of borrowers, lenders, and investors.

Total cash required by the borrower at closing, which includes closing costs (an average 3 percent of median sales price for a single-family residence[33]).



A State-by-State Look at 20% vs 5% Down

The number of years to save 5 percent for a loan backed by private MI dramatically decreases compared to saving for the traditional 20 percent down payment, resulting in a nearly 67 percent decrease in wait times across all the states.

(Table is ordered from highest to lowest in terms of the number of years it takes homeowners to save 20 percent down.)

State	Median Household Income[34]	Median Sales Price for Single-Family Residence[35]	20% Down Payment		5% Down Payment	
			Years to Save	Total Cash Needed at Closing	Years to Save	Total Cash Needed at Closing
US	*$68,703*	*$299,900*[36]	*21*	*$68,977*	*7*	*$23,992*
DC	$93,111	$892,950	46	$205,379	16	$71,436
NM	$53,113	$466,650	42	$107,330	15	$37,332
CA	$78,105	$649,700	40	$149,431	14	$51,976
HI	$88,006	$674,800	37	$155,204	13	$53,984
CO	$72,499	$479,950	32	$110,389	11	$38,396
WA	$82,454	$501,600	29	$115,368	10	$40,128
MA	$87,707	$507,550	28	$116,737	10	$40,604
MS	$44,787	$252,750	27	$58,133	9	$20,220
OR	$74,413	$410,850	26	$94,496	9	$32,868
FL	$58,368	$310,250	25	$71,358	9	$24,820
ID	$65,988	$351,000	25	$80,730	9	$28,080
MT	$60,195	$319,500[37]	25	$73,485	9	$25,560
NY	$71,855	$369,000	25	$84,870	9	$29,520
TN	$56,627	$290,500	25	$66,815	9	$23,240
GA	$56,628	$288,300	24	$66,309	8	$23,064
NV	$70,906	$348,350	24	$80,121	8	$27,868
VA	$81,313	$404,050	24	$92,932	8	$32,324
NC	$61,159	$292,500	23	$67,275	8	$23,400
RI	$70,151	$330,500	23	$76,015	8	$26,440
UT	$84,523	$412,800	23	$94,944	8	$33,024
AZ	$70,674	$325,200	22	$74,796	8	$26,016
LA	$51,707	$239,400	22	$55,062	8	$19,152
SC	$62,028	$288,150	22	$66,275	8	$23,052
AL	$56,200	$230,000	20	$52,900	7	$18,400
MD	$95,572	$407,600	20	$93,748	7	$32,608
NJ	$87,726	$363,000	20	$83,490	7	$29,040
TX	$67,444	$281,050	20	$64,642	7	$22,484
WV	$53,706	$228,750	20	$52,613	7	$18,300
AK	$78,394	$316,100	19	$72,703	7	$25,288
CT	$87,291	$343,950	19	$79,109	7	$27,516
DE	$74,194	$289,300	19	$66,539	6	$23,144
KS	$73,151	$296,650	19	$68,230	7	$23,732
KY	$55,662	$218,100	19	$50,163	7	$17,448
ME	$66,546	$249,700	18	$57,431	6	$19,976
NH	$86,900	$330,450	18	$76,004	6	$26,436
PA	$70,582	$272,350	18	$62,641	6	$21,788
VT	$74,305	$274,200	18	$63,066	6	$21,936
IL	$74,399	$263,150	17	$60,525	6	$21,052
IA	$66,054	$235,350	17	$54,131	6	$18,828
MN	$81,426	$294,350	17	$67,701	6	$23,548
MO	$60,597	$216,200	17	$49,726	6	$17,296
ND	$70,031	$251,000[38]	17	$57,730	6	$20,080
SD	$64,255	$234,500[39]	17	$53,935	6	$18,760
IN	$66,693	$224,850	16	$51,716	6	$17,988
OK	$59,397	$202,550	16	$46,587	6	$16,204
WI	$67,355	$230,500	16	$53,015	6	$18,440
AR	$54,539	$174,650	15	$40,170	5	$13,972
MI	$64,119	$205,650	15	$47,300	5	$16,452
NE	$73,071	$225,500	15	$51,865	5	$18,040
OH	$64,663	$201,950	15	$46,449	5	$16,156
WY	$65,134	$186,500[40]	14	$42,895	5	$14,920

PRIVATE MI BENEFITS FIRST-TIME HOMEBUYERS

Saving 20 percent for a down payment is particularly tough for first-time homebuyers who may not have as much in savings as repeat homebuyers, who may have equity or sale proceeds from their current or previous homes to use towards their next home purchase and are often higher wage earners. According to a NAR survey published in February,[41] the market remains strong for first-time buyers in the conventional market. "59 percent of first-time buyers obtained conventional, conforming loans in January 2021, while only 24 percent of first-time buyers obtained [Federal Housing Administration]-insured mortgages. In 2020, 57 percent of first-time buyers obtained conventional financing, up from 52 percent in the prior year. Meanwhile, the fraction of first-time buyers obtaining FHA-insured financing slightly fell to 29 percent."

USMI's 2020 data shows that first-time homebuyers (58 percent) make up a significant segment of those securing conventional loans backed by private MI.[42] Moreover, NAR's February survey[43] highlights that the private MI industry continues to be the leading mortgage product for first-time homebuyers for the third consecutive year.

In 2017, the Urban Institute released a report that examined the industry's 60-year history of providing this important risk protection against low down payment loans, and the positive role private MI has served for homebuyers and the mortgage finance system overall.[44] The report's chartbook, which was updated in 2019, notes the important role private MI plays in helping to ensure low- to moderate-income and first-time homebuyers have access to the conventional market. It details that private MI is more affordable than FHA-backed loans for most combinations of FICO score and loan-to-value (LTV) ratios of 95, 90, and 85 percent. Their analysis also finds that, compared to conventional borrowers without private MI, borrowers with private MI tend to have slightly lower credit scores, higher LTV ratios, and slightly higher debt-to-income (DTI) ratios, and are more likely to be first-time homebuyers.[45]

Fifty-eight percent of the purchase customers of mortgage lenders were first-time homebuyers in 2020.

In other words, private MI is highly effective in allowing more qualified borrowers to enter the mortgage market and achieve homeownership, while significantly reducing losses to the GSEs, which in turn reduces risk to taxpayers.

Private MI is Short-Term, but Benefits are Long-Term

Private MI benefits homebuyers because it helps them qualify for mortgage financing sooner, and the cost is temporary. Unlike the mortgage insurance premiums paid on the vast majority of loans insured by the FHA and other government-backed MI programs, which typically cannot be cancelled, private MI paid by the borrower can be cancelled once a certain amount of equity is attained, leading to lower monthly mortgage payments after approximately five to seven years of homeownership.

Two Ways to Cancel Private MI[46]

Option 1	Option 2
A borrower may request cancellation of private MI when he/she has established 20 percent equity in the home. In other words, the borrower has paid down the mortgage balance to 80 percent of the home's original or newly appraised price.	When the principal balance of the mortgage is scheduled to reach 78 percent of the home's original value, and the borrower is current on payments, the servicer is required to terminate the private MI.

Consumers should be fully informed of all their loan options with MI, including the benefits of private MI, before making one of the most significant purchases in their lives.

Home Loan Options with MI

	Private MI on Conventional Loans	MI Premiums on FHA Loans
How It Works	Private MI satisfies GSE requirements for borrowers to purchase a home with a down payment as low as 3 percent. Private MI protects lenders against losses if a borrower defaults.	FHA is a government-administered mortgage insurance program. The FHA requires a 3.5 percent down payment.
Consumer Impact	Private MI coverage and premiums paid by a borrower cancel when the mortgage LTV reaches approximately 78 percent. If a borrower experiences financial hardship, private MI companies have strong financial incentives to help borrowers avoid foreclosure, often through loan modifications.	Most FHA insurance premiums never cancel, and borrowers must pay insurance premiums for the entire life of the loan. In addition to the annual insurance premiums, borrowers pay an Upfront Mortgage Insurance Premium equal to 1.75 percent of the loan that is typically financed into the mortgage loan amount.
Tax Treatment	Private MI premiums are treated as "mortgage interest" and are tax deductible for many borrowers through 2021.	FHA insurance premiums are treated as "mortgage interest" and are tax deductible for many borrowers through 2021.

PRIVATE MI PROTECTS TAXPAYERS

Every dollar that a private MI company covers when a borrower defaults on their mortgage is a dollar that the GSEs, Fannie Mae and Freddie Mac, and therefore taxpayers, do not have to pay. With the GSEs in conservatorship and the government currently serving as their backstop, taxpayers face exposure to mortgage credit losses experienced by the GSEs. Traditionally, for loans with down payments less than 20 percent of the home value, private mortgage insurers — not taxpayers — cover the first losses in the event a borrower defaults, up to certain coverage limits.

44% Portion of new insured mortgages that private MI protected in 2020[47]

$1.3 T Amount in mortgages outstanding with private MI protection at the end of 2020[48]

Nearly $60 B Amount private MI industry covered in claims for losses since the 2008 financial crisis[49]

According to the Urban Institute, private MI is highly effective in reducing losses to the GSEs and analysis shows that GSE losses on loans with LTV ratios above 80 percent are at the same levels as the losses they experience on loans with LTV ratios up to 80 percent, due to the risk protection provided by private MI.[50]

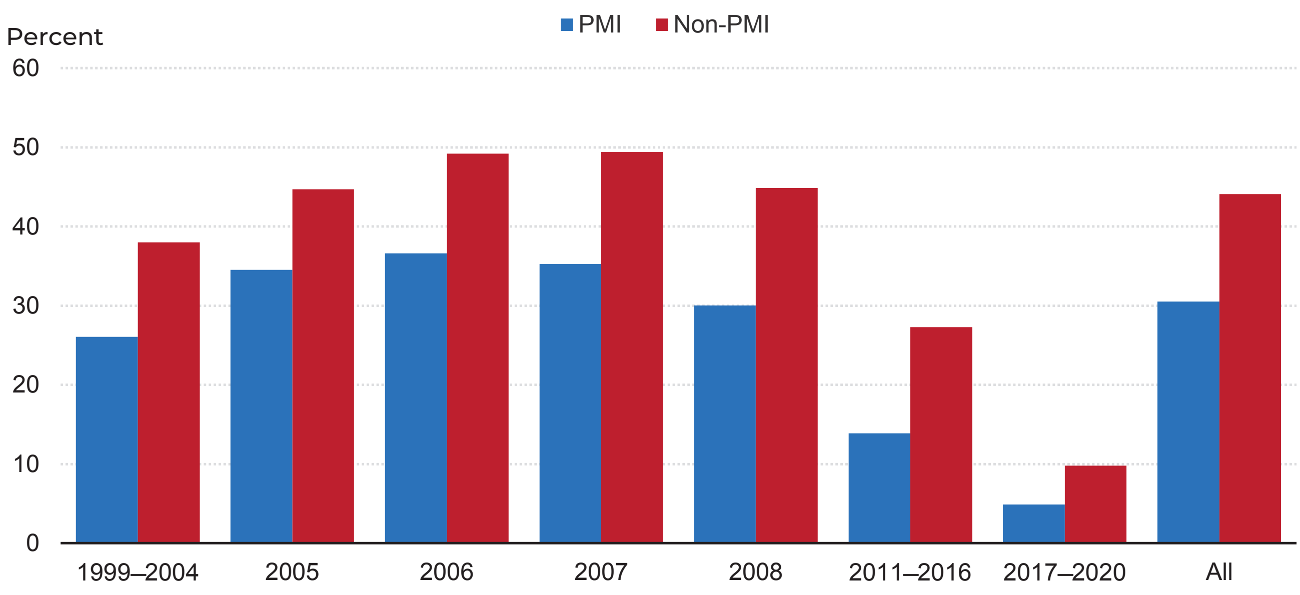
Private Insured Mortgages Experience Significantly Lower Loss Severities and Reduce Taxpayer Risk

According to the Urban Institute, the presence of private MI makes it easier for borrowers with limited down payments to access conventional mortgage credit. This is the primary function of private MI: to help borrowers qualify for home financing.

> The Urban Institute's analysis found that loans without private MI experience nearly 45 percent greater loss severity compared with privately insured mortgages.[51]

Moreover, historical experience and data show private MI works. The Urban Institute analysis shows that GSE loans with private MI consistently have lower loss severities than those without private MI. In fact, for more than 20 years, conventional loans with private MI have exhibited lower loss severity each origination year. According to the Urban Institute, the loss severity of GSE loans without private MI for the 1999 through 2020 origination period was 44.1 percent, which was significantly higher than the 30.5 percent severity for GSE loans with private MI.[52] This amounts to loans without private MI experiencing nearly 45 percent greater loss severity compared with privately insured mortgages.

Loss Severity for GSE Loans with and without PMI, by Origination Year Groupings[53]



DTI = debt-to-income ratio; FRM 30 = 30-year fixed rate mortgage; LTV = loan-to-value ratio; PMI = private mortgage insurance. Home Affordable Refinance Program loans are included and counted as refinances.

This data, coupled with the nearly $60 billion in claims the private MI industry has paid since the GSEs entered conservatorship, underscores how private MI provides significant first-loss risk protection for the government and taxpayers. By design, MI provides protection before the risk even reaches the GSEs' balance sheets. As the government explores ways to further reduce mortgage credit risk while also ensuring Americans continue to have access to affordable home financing, data shows that private MI has been an important solution across housing market cycles. Unlike most other forms of private capital in the housing finance system, it has also been available during economic downturns.

The private MI industry, like nearly all other financial services industries, was tested like never before through the 2008 financial crisis. Over a decade later, the MI industry is stronger than ever with more robust underwriting standards, stronger capital positions, and improved risk management.[54] Additionally, private mortgage insurers have materially increased their claims-paying ability in both good and bad economic times due to higher capital requirements and reserves and operational standards under the GSEs' Private Mortgage Insurer Eligibility Requirements (PMIERs).[55]

Since its implementation in 2015, PMIERs nearly doubled the amount of capital each mortgage insurer is required to hold, which allowed the private MI industry to enter the COVID-19 crisis from a position of financial strength. USMI member companies have maintained levels significantly over the PMIERs requirements, with each company holding hundreds of millions in excess. At the end of 2020, private MI companies collectively held approximately $7.7 billion in excess of these requirements, a sufficiency ratio of 151 percent.[56] This furthered the private MI industry's ability to support lenders and borrowers over the past year while operating in a unique and unpredictable market. Throughout 2020, all USMI members were able to raise capital in the debt and equity markets in order to scale up and support the increased volume.

Private MI companies collectively hold ~$7.7 billion in excess of PMIERs.

In fact, there is no other GSE counterparty with capital and operational standards as robust as private mortgage insurers. These developments have helped strengthen mortgage insurers as new reforms better position the industry to further shield the GSEs and taxpayers from mortgage credit risk, while also expanding access to homeownership for the next 65 years and beyond.

CONCLUSION

For nearly 65 years, private MI has proven to be a reliable source that helps first-time and low- to moderate-income borrowers achieve their dream of buying a home, while keeping some necessary cash on hand in the event of unforeseen hardships.

Private MI also benefits lenders because it provides an affordable, transparent, and easily accessible way to reduce credit risk and prudently approve borrowers for low down payment mortgages.

Finally, private MI benefits the government and taxpayers because it stands in front of the GSEs on credit risk and losses. When private mortgage insurers pay claims on mortgages backed by the GSEs, each dollar represents an amount the government, and therefore taxpayers, did not have to pay.

Through its role as a second set of eyes with independent credit underwriting standards, private mortgage insurers support prudent underwriting in the mortgage finance system, and ultimately help ensure borrowers receive sustainable credit – benefitting the GSEs, lenders, investors and, most importantly, borrowers.

Private MI has played a critical role in helping first-time buyers and low- to moderate-income earners achieve affordable home financing, while also protecting lenders, the government, and taxpayers. As a result, the industry is well-positioned to provide this important function in the housing system of tomorrow.

ENDNOTES

[1] USMI Member Company Data and GSE Aggregate Data.

[2] GSE Aggregate Data.

[3] USMI Member Company Data.

[4] GSE Aggregate Data.

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[33] National Association of REALTORS® (2020).

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[36] National Association of REALTORS®, National Median Home Price for a Single-family Home Calculated Based on Quarterly Reports of the "Metropolitan Median Home Prices and Affordability Index" (2020).

[37] Zillow Monthly Median Home Value for Single-Family Homes.

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[39] Zillow Monthly Median Home Value for Single-Family Homes.

[40] Zillow Monthly Median Listing Price for Single-Family Homes.

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