USMI
U.S. MORTGAGE INSURERS

July 2024

PRIVATE MORTGAGE INSURANCE

Helping First-Time Homebuyers Overcome Market Challenges

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

About USMI

U.S. Mortgage Insurers (USMI) is dedicated to a housing finance system backed by private capital that enables access to affordable and sustainable 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 usmi.org.

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Introduction

Private mortgage insurance (MI) has been an important component of the U.S. housing finance system for 67 years. First, as a means to help millions of home-ready borrowers access affordable and sustainable low down payment mortgage financing; and second, as the first layer of protection for the government-sponsored enterprises (GSEs), lenders, and taxpayers from mortgage credit risk. Private MI remains the leading way creditworthy borrowers without 20% down payments are able to achieve the American Dream of homeownership.

In challenging homebuying environments, buyers face a bevy of obstacles to purchasing a home: high interest rates, low housing supply, and high home prices around the country. For many hopeful homebuyers, accumulating a substantial down payment poses the biggest obstacle of all. Instead of delaying the process to wait and save for a large down payment, homebuyers around the country use private MI to put down as little as 3% to begin building equity and long-term, intergenerational wealth.

Since 2018, USMI has released an annual report to look at how private MI helps bridge the down payment gap and analyze, at a state level, who specifically benefits from private MI. Low down payment mortgages, including conventional loans backed by private MI, have proven critical for millions of borrowers to sustainably buy a home sooner, secure financial stability, and build intergenerational wealth.

Since 1957, private MI has helped nearly 39 million families become homeowners.[1] This report details that in 2023, a year when mortgage interest rates hit a 20+ year high and home sales slowed, the private MI industry still, nonetheless, helped nearly 800,000 borrowers qualify for home financing with a low down payment.[2] As expected, nearly all activity involved purchase loans. Last year, 64% of purchase loans with private MI went to first-time homebuyers, a percentage that has consistently increased year-over-year since 2019, growing nearly 6% through 2023.[3] In addition, nearly 35% of private MI borrowers had annual incomes below $75,000, demonstrating that low down payment financing with MI robustly supports low- and moderate-income (LMI), first-time buyers.[4]

Further, the industry supported nearly $283 billion[5] in mortgage originations, allowing first-time, minority, and LMI buyers who are not able to amass large down payments to access the conventional mortgage market.

Private MI has proven to be a reliable method for shielding the GSEs, as well as American taxpayers, from losses on mortgage credit risk. At the end of 2023, the industry insured nearly $1.6 trillion in outstanding mortgages with active private MI coverage.[6] The industry also held more than $11.4 billion of capital in excess of the GSEs' Private Mortgage Insurer Eligibility Requirements (PMIERs), which represented a 172% sufficiency ratio.[7] This data underscores the industry's critical role as a strong, reliable first layer of protection against credit risk in the GSE-backed conventional mortgage market.

To support low down payment borrowers, USMI's member companies have created their own programs to educate borrowers on the homebuying process, ensure mortgage payment solutions in the event of financial hardships, and assist those with non-traditional credit in receiving approval for a mortgage loan. The private MI industry is keen to work collaboratively with policymakers, regulators, the GSEs, market participants and consumer advocates to reach more first-time, minority, and LMI borrowers while ensuring safeguards remain in place to promote safety and soundness in the housing finance system.

**The information in this report is retrospective, relating to the housing market and private MI activity in 2023 only. Therefore, it should not be used to make projections for 2024 and beyond as it does not account for current home price appreciation rates, mortgage rates, and other economic factors that impact the housing market.*

Supporting Homebuyers & the Housing Finance System Throughout all Market Cycles

In 2023, the private MI industry **helped nearly 800,000 low down payment borrowers**[8] qualify for home financing, representing **approximately $283 billion in mortgage originations**[9] — more than 98% of which were for new purchases.[10] This resulted in nearly **$1.6 trillion in outstanding mortgages with active private MI coverage** at the end of 2023, highlighting the industry's critical role of serving as the first layer of protection against credit risk in the GSE-backed conventional mortgage market.[11]

Particularly for first-time, minority, and LMI homebuyers, private MI helps to overcome one of the greatest barriers to homeownership – the need for a large cash down payment. In the midst of a market challenged by high mortgage interest rates, the percentage of first-time homebuyers increased in 2023 to 32%, up from 26% in 2022, according to research by the National Association of REALTORS® (NAR).[12] Moreover, first-time buyers represented 64% of the loans backed by private MI in 2023, up from 61% in 2022 and up 6 points since before the pandemic in 2019.[13] The idea of a large down payment can be daunting, and according to NAR, 38% of buyers aged 25 to 33 said that saving for a down payment was the most difficult step in the process.[14] Private MI can help alleviate the down payment challenge and enable access to sustainable and affordable homeownership.

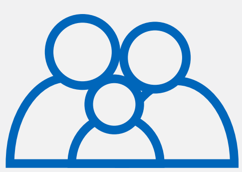
For 67 years, the private MI industry has enabled homeownership for nearly 39 million borrowers who lack sufficient funds for a 20% down payment. First-time buyers represented 64% of the loans backed by private MI in 2023, up from 61% in 2022, and up 6 points since before the pandemic in 2019.

While many prospective homebuyers mistakenly believe a 20% down payment is required, the average down payment for a first-time homebuyer is 8%, according to NAR.[15] Meanwhile, homebuyers can get approved with as little as 3% down when the mortgage is insured with private MI. In 2023, the market saw the number of 3% down payment mortgages increase with over 18% of private MI borrowers making down payments of 3%, representing a 7% increase since 2020.[16] While the costs of buying a house have increased in many markets over the past 5 years, homebuyers are still choosing to buy now to meet the needs of their families, and begin building equity and intergenerational wealth with the knowledge that they have the potential to refinance at a later date during lower interest rate environments. While home values increased between 15% and 83% since 2019, according to the Federal Housing Finance Agency's (FHFA) House Price Index, home price appreciation (HPA) has evened out over the past year, even going negative in a few states.[17] Those homebuyers that bought in 2019 – instead of waiting for the market to change – have been rewarded with significant HPA gains. It's nearly impossible to predict future economic trends and events, which is why potential homeowners should find a home, and a loan, they can afford now, consider taking advantage of a low down payment mortgage backed by private MI, and refinance at a later date if interest rates improve.

USMI worked closely with federal policymakers, industry groups, and consumer organizations to support and advocate for low down payment homebuyers and homeowners throughout 2023. The organization continues to support[18,19] bipartisan, bicameral legislative initiatives to restore, make permanent, and expand eligibility for homeowners to deduct MI premiums from federal income taxes; submitted a comment letter[20] providing feedback on FHFA's Notice of Proposed Rulemaking (NPR) on "Fair Lending, Fair Housing, and Equitable Housing Finance Plans;" commented[21] on FHFA's Request for Input (RFI) on Fannie Mae and Freddie Mac's Single-Family Mortgage Pricing Framework (the GSE Pricing Framework); and applauded[22] FHFA and Director Sandra Thompson for improving data transparency through the New Uniform Appraisal Dataset (UAD) Appraisal-Level Public Use File (PUF).

In its 67-year history, the private MI industry has enabled nearly 39 million people to access affordable, low down payment mortgages.[23] In 2023, 64% of purchase loans backed by private MI went to first-time homebuyers,[24] nearly 35% went to borrowers with incomes below $75,000[25] and the average loan amount with private MI was $346,817.[26]

Nearly **35%** of borrowers have incomes below **$75,000**



MI has helped nearly **39 Million** families nationally become homeowners since 1957

The average loan amount (purchase and refinance) with MI is **$346,817**

Nearly **64%** of purchasers are first-time homebuyers

The private MI industry is a source of strength that reliably supports and serves as the first layer first layer of protection against mortgage credit risk through all market cycles. A November 2023 report from USMI titled "Private MI: A Source of Strength & Resiliency in the Housing Finance System" highlighted the capital, financial, operational, and quality control standards implemented by the industry since the 2008 financial crisis, including PMIERs, which were developed and are periodically updated by the GSEs and FHFA.[27] Since the 2015 revision to the standards, private MIs now hold 72% more capital than the required threshold. USMI member companies have maintained levels significantly over the PMIERs capital requirements, and collectively hold more than $11.4 billion in excess of these requirements, representing a 172% sufficiency ratio.[28] The Urban Institute's 2023 Mortgage Insurance Data at a Glance report noted that "the loss severity of GSE loans without [private MI] was 37.6%, higher than the 26.4% severity for loans with [private MI]."[29] The report also noted that "the reduced loss severity for the GSEs attributable to [private MI] holds across all origination years."

> **"MI coverage absorbs first losses and reduces the total loss exposure of the Enterprises [GSEs] because the approved insurance providers bear much of these losses in the event of default. Absent MI, the Enterprises would assume a far greater proportion of the losses associated with defaults on these loans."**
>
> - FHFA Director Sandra Thompson (May 2023)[30]

The private MI industry has also innovated to increase the distribution of credit risk through MI Credit Risk Transfer (MI-CRT) structures. Private MI companies have transferred more than $75.2 billion in risk on more than $3.5 trillion of insurance-in-force (IIF).[31] Further, after introducing mortgage insurance-linked-note (ILN) programs beginning in 2015, private MIs have conducted 56 ILN transactions, transferring nearly $22.3 billion of risk on more than $2.3 trillion of notional mortgages.[32] Private MI companies are sophisticated experts in pricing and actively managing mortgage credit risk, ensuring quality control, and acting as a "second pair of eyes" on risk, which further cements the stability private MI provides in the housing finance system.

"Private mortgage insurer eligibility requirement sufficiency across the sector is expected to remain robust, with the potential of a recessionary environment in 2023 generally adding to conservatism in capital management across the sector."
- Fitch analysts Christopher Grimes and Brian Schneider.

Dispelling the 20% Down Payment Myth

For many Americans, the biggest hurdle to buying a home is the 20% down payment that many believe is required for mortgage approval. USMI's "2021 National Homeownership Market Survey"[33] found that 16% of respondents consider the ability to afford a down payment one of the biggest homebuying challenges. In fact, data from the survey showed that 38% of respondents said that a lack of intergenerational wealth for a down payment was a significant barrier to minority homeownership.

> **"38% of respondents said lack of intergenerational wealth for a down payment is a significant barrier for increasing the number of minorities that own their own homes."**
> – USMI's "2021 National Homeownership Market Survey"

A central pillar of the American Dream for many families is homeownership and the associated stability, financial security, and path to creating intergenerational wealth. A Federal Reserve survey showed that in 2022, homeowners had a median net worth of $396,200, compared to $10,400 for non-homeowners.[34] According to NAR, the typical homebuyer in 2023 had an average household income of $107,000, up from $88,000 in 2022.[35] Elevated home prices, higher interest rates, and lack of housing supply hindered aspiring homeowners in the journey to homeownership. The average age of first-time homebuyers in 2023 was 35, down from a record high of 36 in 2022.[36]

“As competition in the market receded due to higher borrowing costs, first-time buyers had an opportunity to enter the market. Their share grew from a historic low of 26[%] to 32[%].”

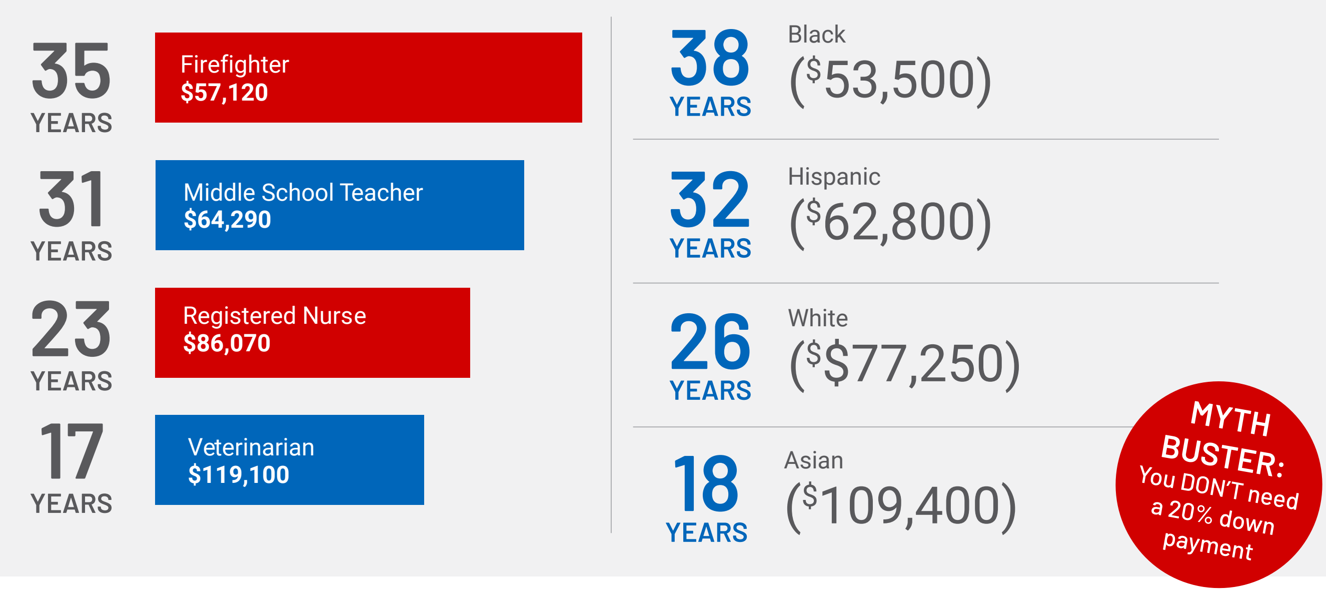
– National Association of REALTORS®

It is critical for housing finance stakeholders to dispel the persistent myth that a large down payment is required to purchase a home and ensure that the public is aware of the availability of low down payment mortgage options that have served millions of borrowers, including many first-time, minority, and LMI homebuyers. USMI’s “2021 National Homeownership Market Survey” found that 45% of respondents mistakenly believed that 20% or more is needed to qualify for a mortgage.[37] However, after MI was explained to them, 73% expressed strong support for access to mortgages with MI in both the conventional and government-backed markets. In fact, the 7% increase of first-time homebuyers using private MI since 2020 proves this point.[38] Private MI is an essential tool in accessing homeownership and achieving the American Dream.

It could take 27 years for a household earning the national median income of $74,580 to save 20%, plus closing costs, for a $394,100 home, the median sales price for a single-family home in 2023. That’s $90,643 in cash that the borrower would need to bring to the closing table.

The below graphic breaks down the number of years it would take people from various professions, races, and ethnicities to save 20% down plus closing costs.[39]

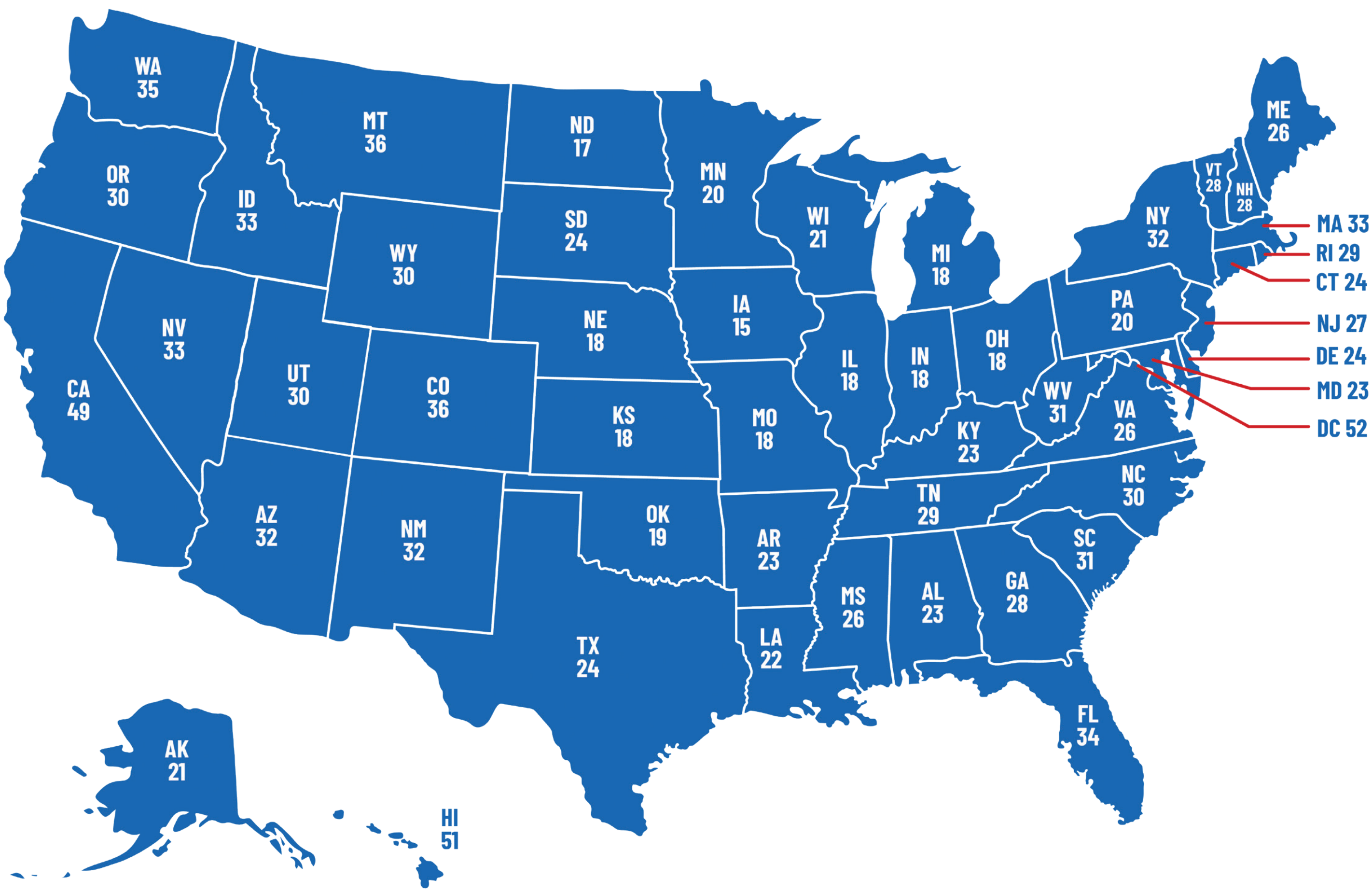
AVERAGE NUMBER OF YEARS TO SAVE FOR A 20% DOWN PAYMENT



Dollar amounts by occupation, race, and ethnicity represent median income.

HOW MANY YEARS WOULD IT TAKE TO SAVE 20% DOWN PLUS CLOSING COSTS?

The average number of years to save 20% varies depending on where you live and a 20% down payment unnecessarily delays homeownership for many families, resulting in missed opportunities to put down roots and build equity. Prospective homebuyers may feel like they are chasing a moving target as home prices and interest rates remain elevated, and housing supply is low. USMI looked at how long it could take prospective borrowers to save a full 20% down payment plus closing costs at the national and state levels based on the median savings rates, median household incomes, and median sales prices. Based on this analysis, prospective homebuyers in Washington, DC would have the longest wait time at 52 years, followed by Hawaii at 51 years, California at 49 years, Colorado and Montana at 36 years, and Washington State at 35 years. Prospective homebuyers in Iowa have the shortest wait time at 15 years. These calculations are based on the median sales price for single-family homes based on Redfin data gathered in 2023, median household income in 2022 based on data from the U.S. Census Bureau (latest available), and personal savings rate based on data gathered from the Federal Reserve in 2023.[40]

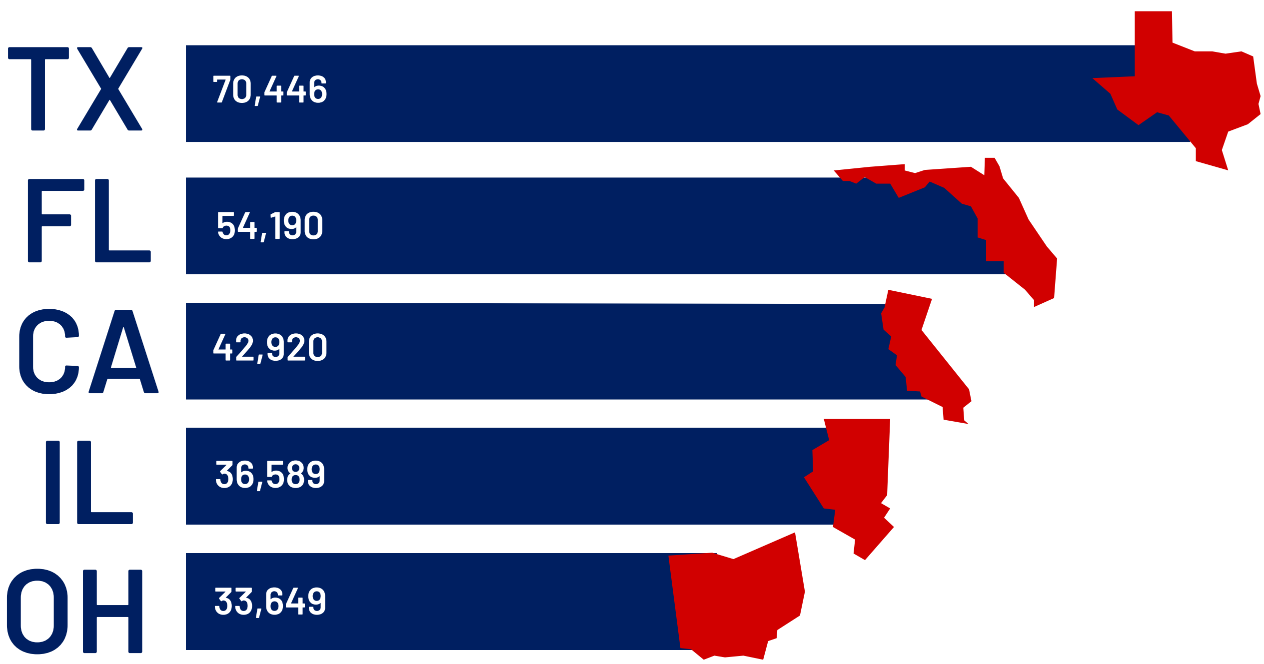


First-Time Buyers Continued to Use Private MI in 2023

By helping borrowers qualify for mortgage financing with a down payment of as low as 3%, private MI has given nearly 39 million families nationally the opportunity to purchase a home sooner or refinance and reap the benefits of lower interest rates.[41] In 2023, private MI helped nearly 800,000 borrowers purchase or refinance a mortgage.[42] More than 98% of loans with private MI were for new purchases in 2023. Of the total number of borrowers, nearly 35% had annual incomes below $75,000. Additionally, nearly 64% of purchase loans with private MI went to first-time homebuyers, a percentage that has increased by nearly 7 points year-over-year since 2019, up from 61% in 2022.[43]

These homebuyers had an average FICO® credit score of 749 and on average secured a home loan for $346,817.[44]

TOP STATES FOR LOW DOWN PAYMENT LOANS BACKED BY PRIVATE MI IN 2023



The table on the next page 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 amount, and percentage of purchase loans that went to first-time buyers.

NUMBER OF HOMEOWNERS HELPED BY PRIVATE MI ACROSS ALL 50 STATES AND DC IN 2023

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

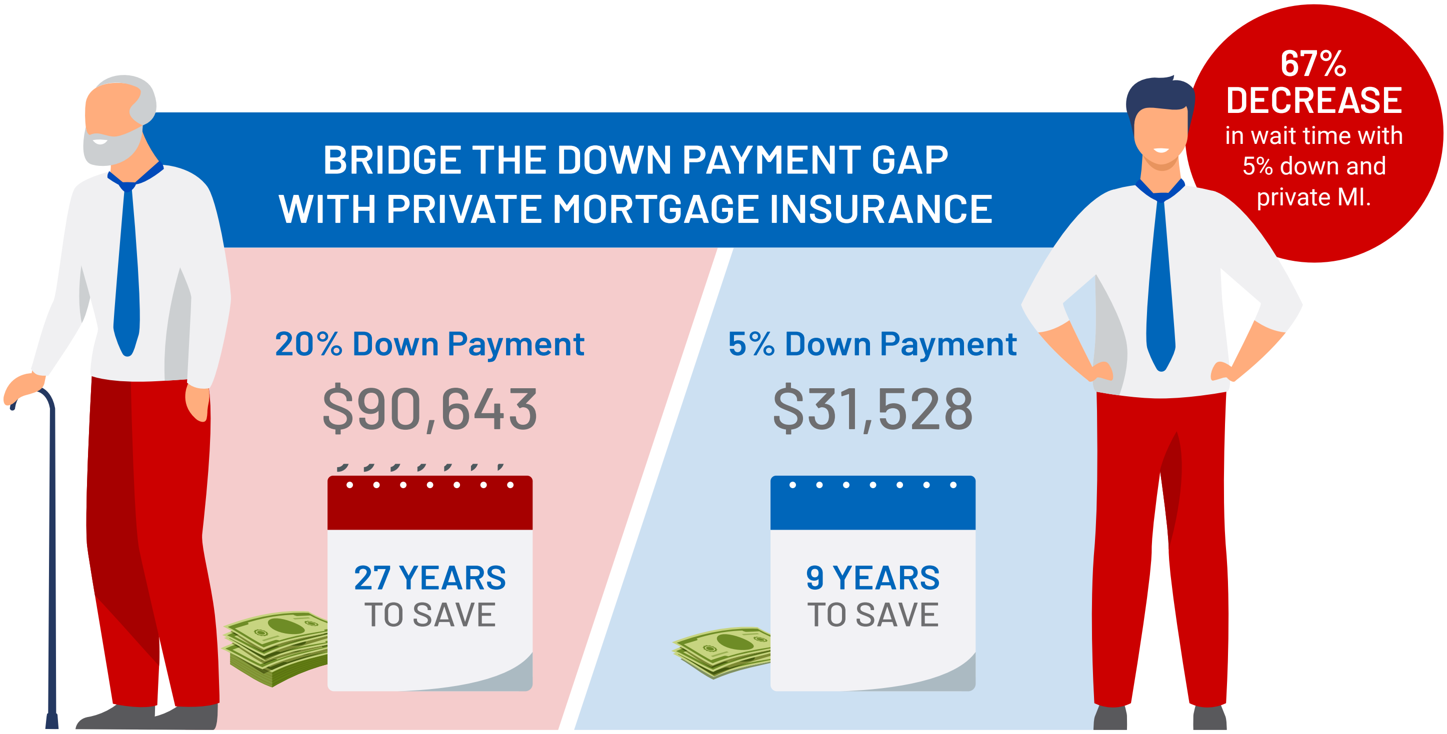
Rank	State	Homeowners Helped	% of First-Time Homebuyers	Average Loan Amount	Average FICO® Score
	U.S.	*Nearly 800,000*	*64%*	*$346,817*	*749*
1	TX	70,446	62%	$365,319	749
2	FL	54,190	58%	$377,593	748
3	CA	42,920	72%	$541,529	753
4	IL	36,589	71%	$265,728	744
5	OH	33,649	67%	$233,817	743
6	MI	28,987	67%	$246,641	743
7	PA	28,649	68%	$279,795	747
8	NC	27,012	60%	$351,098	753
9	GA	26,389	62%	$360,381	750
10	IN	21,983	64%	$243,848	742
11	MN	20,268	69%	$307,113	749
12	AZ	19,674	57%	$408,112	753
13	VA	19,335	62%	$395,449	754
14	NY	18,890	73%	$357,460	746
15	MO	17,481	62%	$256,599	747
16	CO	17,215	63%	$467,162	757
17	WA	17,039	66%	$489,304	754
18	MD	16,544	67%	$385,463	751
19	NJ	16,252	74%	$403,686	748
20	TN	15,742	55%	$350,928	753
21	WI	14,549	72%	$260,971	744
22	SC	13,006	54%	$318,775	751
23	MA	9,920	75%	$448,231	747
24	UT	9,670	59%	$452,366	755
25	AL	9,642	52%	$281,849	749
26	OR	9,194	63%	$438,745	758
27	IA	8,775	64%	$216,963	742
28	NV	8,217	60%	$407,036	751
29	KY	8,151	58%	$252,102	747
30	OK	7,942	53%	$258,997	748
31	CT	7,863	74%	$317,075	744
32	KS	7,313	62%	$248,187	745
33	LA	6,777	54%	$268,173	748
34	AR	5,592	53%	$271,055	750
35	NE	5,441	67%	$251,387	745
36	ID	4,644	59%	$389,093	751
37	NM	3,759	55%	$316,837	751
38	MS	3,257	50%	$263,363	747
39	NH	3,037	69%	$384,187	747
40	DE	2,645	61%	$354,774	749
41	WV	2,548	56%	$226,686	743
42	ME	2,294	65%	$318,908	745
43	SD	1,945	63%	$271,140	749
44	MT	1,781	58%	$374,469	752
45	RI	1,775	69%	$372,618	750
46	ND	1,360	55%	$270,007	752
47	DC	1,328	68%	$521,721	763
48	HI	1,219	69%	$610,180	748
49	AK	994	53%	$350,626	750
50	VT	987	68%	$306,746	745
51	WY	964	49%	$324,118	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% down and provides an affordable and sustainable loan option. A lower down payment dramatically decreases the number of years needed to save to transition from renting to homeownership. Here USMI looks at the scenario of putting 5% down instead of 20%, which better aligns with first-time homebuyers' average down payment of 8% in 2023.

While it could take 27 years for a household earning the national median income of $74,580[45] to save 20% (plus closing costs) for a $394,100[46] home, the time drops 67% if the household purchases a home with 5% down.

Private MI not only helps borrowers overcome one of the greatest hurdles to homeownership, but also enables them to retain more of their savings, which can significantly help borrowers who may experience unexpected costs such as home repairs or temporary interruptions in income. 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 that borrowers receive mortgages that promote sustainable homeownership. Private MI's 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% of median sales price for a single-family residence).

A STATE-BY-STATE LOOK AT 20% VS 5% DOWN

The number of years to save 5% for a loan backed by private MI dramatically decreases compared to saving for the traditional 20% down payment, resulting in a 67% 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% down)

			20% Down Payment		5% Down Payment	
State	**Median Household Income**	**Median Sales Price for Single-Family Home**	**Years to Save**	**Total Cash Needed at Closing**	**Years to Save**	**Total Cash Needed at Closing**
US	*$74,580*	*$394,100*	*27*	*$90,643*	*9*	*$31,528*
DC	$101,700	$1,030,200	52	$236,946	18	$82,416
HI	$91,010	$902,850	51	$207,656	18	$72,228
CA	$85,300	$812,100	49	$186,783	17	$64,968
CO	$89,930	$629,800	36	$144,854	12	$50,384
MT	$72,980	$510,950	36	$117,519	12	$40,876
WA	$89,430	$620,850	35	$142,796	12	$49,668
FL	$65,370	$428,550	34	$98,567	12	$34,284
ID	$72,580	$466,750	33	$107,353	11	$37,340
MA	$93,550	$609,150	33	$140,105	12	$48,732
NV	$72,330	$466,800	33	$107,364	11	$37,344
AZ	$73,450	$452,950	32	$104,179	11	$36,236
NM	$56,420	$348,300	32	$80,109	11	$27,864
NY	$75,910	$482,650	32	$111,010	11	$38,612
SC	$61,770	$379,750	31	$87,343	11	$30,380
WV	$52,460	$315,750	31	$72,623	11	$25,260
NC	$65,070	$376,800	30	$86,664	10	$30,144
OR	$86,780	$505,950	30	$116,369	10	$40,476
UT	$95,800	$565,950	30	$130,169	11	$45,276
WY	$73,090	$424,000	30	$97,520	10	$33,920
RI	$80,650	$457,400	29	$105,202	10	$36,592
TN	$65,380	$373,050	29	$85,802	10	$29,844
GA	$67,730	$372,300	28	$85,629	10	$29,784
NH	$84,970	$460,800	28	$105,984	10	$36,864
VT	$72,190	$399,150	28	$91,805	10	$31,932
NJ	$92,340	$491,500	27	$113,045	9	$39,320
ME	$75,160	$378,350	26	$87,021	9	$30,268
MS	$48,610	$243,750	26	$56,063	9	$19,500
VA	$85,170	$430,000	26	$98,900	9	$34,400
CT	$90,730	$433,700	24	$99,751	8	$34,696
DE	$80,750	$375,050	24	$86,262	8	$30,004
SD	$67,180	$315,400	24	$72,542	8	$25,232
TX	$74,640	$347,550	24	$79,937	8	$27,804
AL	$59,910	$270,350	23	$62,181	8	$21,628
AR	$53,980	$244,900	23	$56,327	8	$19,592
KY	$55,880	$249,700	23	$57,431	8	$19,976
MD	$108,200	$489,300	23	$112,539	8	$39,144
LA	$58,330	$247,100	22	$56,833	8	$19,768
AK	$89,740	$372,100	21	$85,583	7	$29,768
WI	$73,330	$297,550	21	$68,437	7	$23,804
MN	$90,390	$350,750	20	$80,673	7	$28,060
PA	$72,210	$289,150	20	$66,505	7	$23,132
OK	$63,440	$236,200	19	$54,326	7	$18,896
IL	$78,020	$271,800	18	$62,514	6	$21,744
IN	$70,030	$248,700	18	$57,201	6	$19,896
KS	$73,040	$262,800	18	$60,444	6	$21,024
MI	$68,990	$245,450	18	$56,454	6	$19,636
MO	$71,520	$253,550	18	$58,317	6	$20,284
NE	$78,360	$278,850	18	$64,136	6	$22,308
OH	$67,520	$237,100	18	$54,533	6	$18,968
ND	$78,720	$264,800	17	$60,904	6	$21,184
IA	$76,320	$226,500	15	$52,095	5	$18,120

Making Homeownership Possible Nationwide

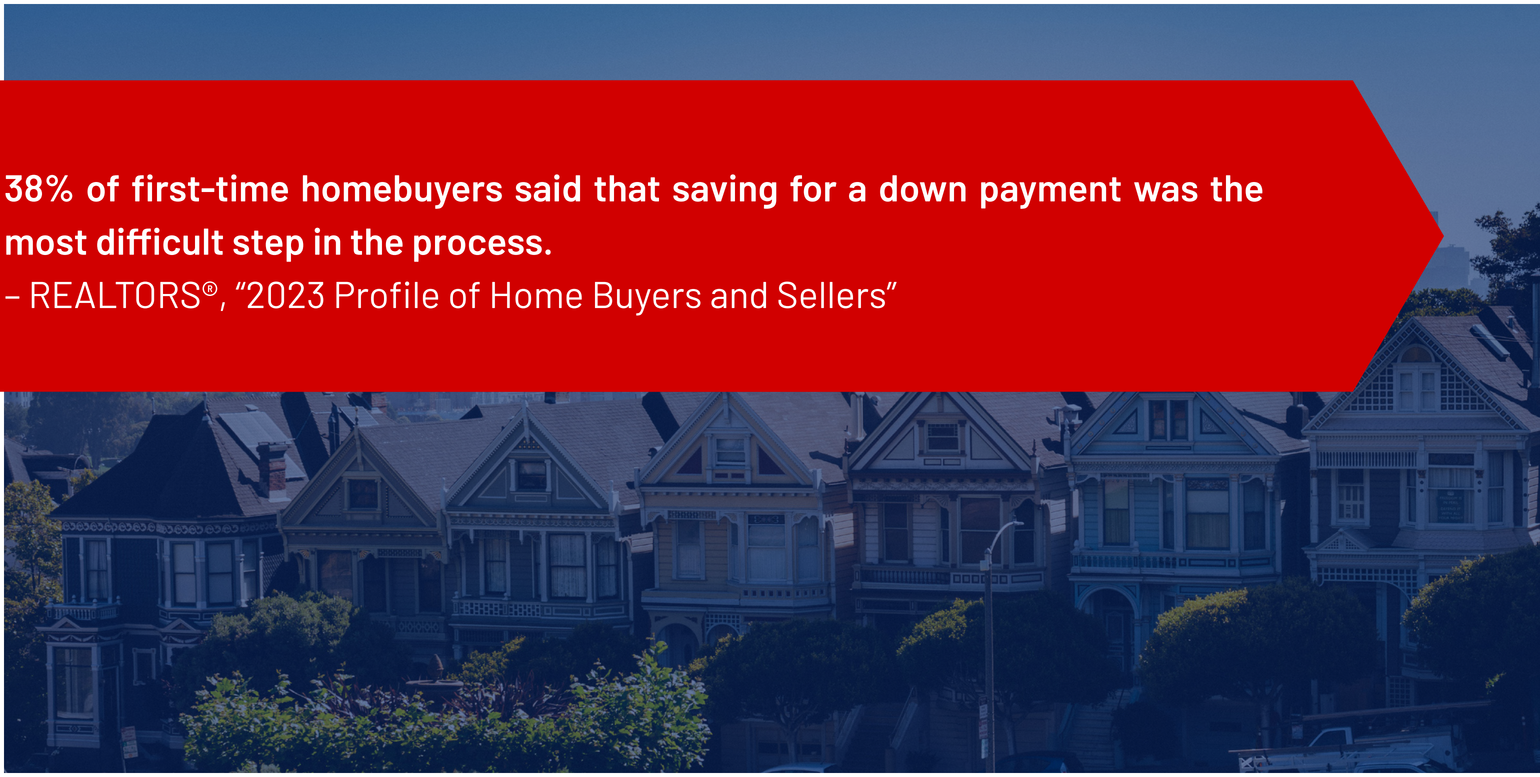
For those looking to purchase homes, especially first-time buyers, it can be a discouraging environment with interest rates and home prices staying high.

> **68% of Gen Z and Millennials say high mortgage interest rates "have affected their interest or their ability to buy a home."**
> – LendingTree Survey[47]

While high costs have kept many potential homeowners on the sideline, a NAR report showed that Millennials became the largest group of homebuyers in 2023, overtaking Baby Boomers.[48] A LendingTree survey showed that among Gen Z and Millennials, 25% cite home prices among the largest hurdles.[49] Additionally, 68% said high mortgage interest rates "have affected their interest or their ability to buy a home." It's becoming increasingly difficult to save for a large down payment, with increasing rent prices making it more difficult to save.

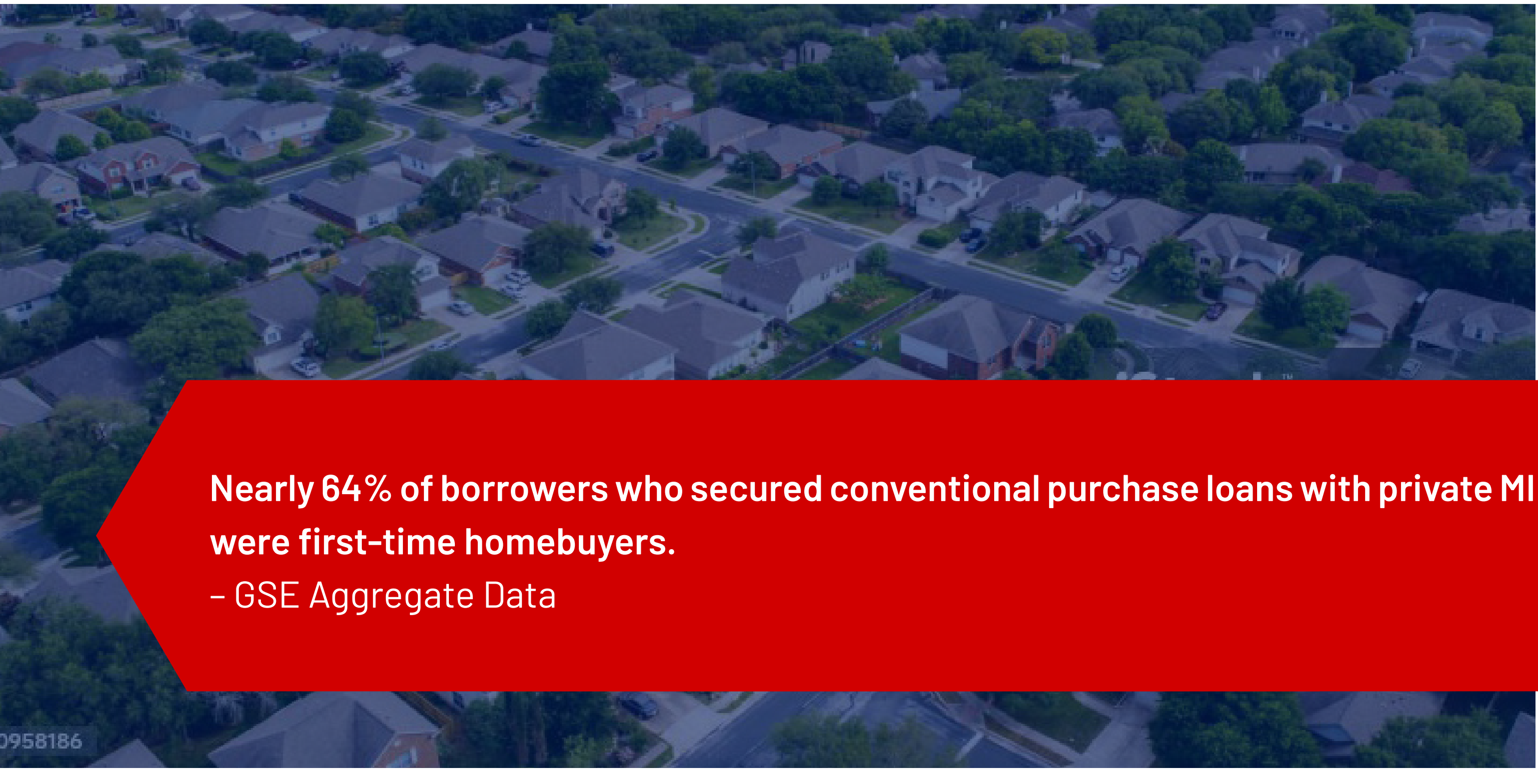
It's especially challenging for first-time homebuyers to save 20% for a down payment, more so when compared to repeat buyers who often have funds from prior home sales or existing equity, along with higher income levels.

According to NAR, the typical down payment for first-time homebuyers was 8%, while the typical down payment for repeat buyers was 19%. Additionally, the study found that 38% of first-time homebuyers said that saving for a down payment was the most difficult step in the process.[50]



38% of first-time homebuyers said that saving for a down payment was the most difficult step in the process.
– REALTORS®, "2023 Profile of Home Buyers and Sellers"

Regardless of the affordability challenges in today's market, low down payment mortgage options offer a pathway to achieve affordable and sustainable homeownership for first-time and low down payment homebuyers. USMI's 2023 data shows that first-time homebuyers (64%) make up a significant segment of those securing conventional purchase loans backed by private MI.[51]



Nearly 64% of borrowers who secured conventional purchase loans with private MI were first-time homebuyers.
– GSE Aggregate Data

FIRST-TIME HOMEBUYERS ARE MAKING SIGNIFICANT STRIDES

While looking at the growth of first-time homebuyers' share of the private MI market from 2022 to 2023, 44 states experienced year-over-year growth. Six states, detailed below, experienced year-over-year growth of 5% or more. Vermont led the nation with a nearly 9% increase of the first-time homebuyer share of the private MI market.

Location	2022	2023	1 Year Increase
Vermont	58.74%	67.67%	8.92%
North Dakota	48.50%	55.26%	6.76%
Montana	51.64%	58.10%	6.45%
Maine	58.83%	64.54%	5.71%
Wisconsin	66.70%	71.82%	5.12%
Ohio	62.03%	67.10%	5.08%

Observing this year-over-year increase in first-time buying with private MI, for the 2024 report USMI looked at pandemic-era 2020 through post-pandemic 2023 trends. In doing so, the data shows first-time homebuyers' share of the private MI market increased in all 50 states since the beginning of the pandemic in 2020. Forty-two states saw consistent year-over-year growth from 2020 to 2023, and 35 states saw an increase between 5% and 16% over the last four years. The following states saw the biggest increase in the first-time buyer share of the private MI market from 2020 to 2023.

Location	2020	2021	2022	2023	2020-2023 Increase
Vermont	51.70%	55.94%	58.74%	67.67%	15.97%
Delaware	46.87%	51.06%	56.45%	61.24%	14.38%
Maine	50.47%	55.42%	58.83%	64.54%	14.07%
South Dakota	51.44%	55.33%	60.08%	63.49%	12.05%
Missouri	50.87%	53.27%	57.81%	62.42%	11.55%
Alabama	41.53%	44.30%	47.73%	52.42%	10.88%

2024 REPORT FINDS GROWTH IN 3% DOWN PAYMENT SEGMENT OF THE MARKET

In the 97% loan-to-value (LTV) market, or 3% down payment market, homebuyers have also been making strides to access homeownership with private MI. Thirteen states saw a market share increase of over 5% in 2023 compared to 2022. Michigan, Indiana, North Dakota, Missouri, and Ohio led the nation in terms of growth in the 3% down payment share of the private MI market.

Location	2022	2023	1 Year Increase
Michigan	19.05%	26.86%	7.81%
Indiana	19.32%	26.96%	7.63%
North Dakota	13.29%	20.59%	7.30%
Missouri	19.05%	26.31%	7.26%
Ohio	19.42%	26.55%	7.13%
Alabama	14.30%	20.07%	5.77%
Kansas	19.75%	25.43%	5.69%
Oklahoma	13.99%	19.63%	5.64%
Illinois	15.19%	20.78%	5.59%
Maine	12.43%	17.96%	5.53%
Wisconsin	18.63%	24.12%	5.49%
Louisiana	12.50%	17.54%	5.04%
Nebraska	21.95%	26.94%	4.99%

During the 2020-2023 period, 40 states saw a consistent year-over-year increase in the 3% down payment segment's share of the market, with 13 states experiencing gains of at least 10% compared to the prior year. Missouri and Michigan led the nation in this segment with 13% growth in the 3% down payment segment between 2020 and 2023. In addition, 18 more states saw an increase of over 5% over that same period of time.

Location	2020	2021	2022	2023	2020-2023 Difference
Missouri	13.03%	16.05%	19.05%	26.31%	13.28%
Michigan	13.62%	16.22%	19.05%	26.86%	13.24%
Indiana	14.70%	17.35%	19.32%	26.96%	12.26%
Iowa	13.85%	16.28%	21.26%	25.78%	11.93%
Ohio	14.89%	17.13%	19.42%	26.55%	11.66%
Maryland	14.66%	18.38%	22.06%	26.29%	11.63%
Kansas	14.21%	16.47%	19.75%	25.43%	11.22%
Nebraska	16.10%	19.68%	21.95%	26.94%	10.84%
Illinois	9.98%	12.64%	15.19%	20.78%	10.80%
Wisconsin	13.54%	15.61%	18.63%	24.12%	10.58%
Oklahoma	9.10%	11.21%	13.99%	19.63%	10.53%
Alabama	9.72%	12.46%	14.30%	20.07%	10.35%
North Dakota	10.43%	11.21%	13.29%	20.59%	10.16%

WHAT IS THIS DATA TELLING US?

This data indicates that despite housing market challenges - from high interest rates to low supply of affordable homes - first-time homebuyers were resilient and able to access homeownership using low down payment mortgages with private MI. Nationally, the first-time homebuyer share of the private MI market consistently increased year-over-year since 2020, from 58% to 64%.

The 97% LTV segment's share of the private MI market consistently grew year-over-year from 11.41% in 2020 to 18.12% in 2023, reaching pre-pandemic levels (18.14%). This represents a nearly 4% growth since last year, and nearly 7% since 2020.

Private MI has proven to be an important tool for first-time and LMI homebuyers across the country by allowing them to access the American Dream of homeownership in an affordable yet prudent and sustainable way.

Lastly, the Urban Institute's 2023 report on the role of MI in the mortgage market examined the industry's history since 1957 of providing risk protection for low down payment loans, and the positive role private MI has played for homebuyers and the mortgage finance system overall.[52] The report notes that private MI is vital to ensure access to the conventional market for LMI and first-time homebuyers. The report notes that "[t]otal loss severity for the 1994 to 2022 origination period of GSE loans without [private] MI was 11.2[%] higher than the loss severity for loans with [private] MI." Additionally, the report also mentions that "[i]n recent years, conventional loans with [private] MI had lower average FICO® credit scores, higher DTI [debt-to-income] ratios, and higher LTV ratios than conventional loans without [private] MI."

Bottomline: 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

TWO WAYS TO REMOVE PRIVATE MI[53]

Private MI benefits homebuyers because it helps them qualify for conventional mortgage financing sooner, and for many, the cost is temporary. Unlike the MI premiums paid on the vast majority of loans insured by the Federal Housing Administration (FHA) and other government-backed programs, which typically cannot be cancelled, private MI paid monthly by the borrower can be cancelled once a certain amount of equity is attained, leading to lower monthly mortgage payments in the long term.

Option 1	Option 2
A borrower with a good payment history may request cancellation of private MI when they have established 20% equity in the home. Cancellation may be subject to certain conditions, such as loan seasoning requirements and proof of the property's value.	When the principal balance of the mortgage is scheduled to reach 78% of the home's original value, and the borrower is current on payments, the servicer is required to terminate private MI.

HOME LOAN OPTIONS WITH MI

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

	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%. Private MI insures and protects lenders, GSEs, and taxpayers against credit losses.	FHA is a government-administered mortgage insurance program. The FHA requires a minimum 3.5% down payment.
Consumer Impact	Private MI coverage and premiums paid by a borrower automatically terminate when the mortgage's original LTV reaches 78%. A borrower can also initiate cancellation sooner at 80% LTV. If a borrower experiences financial hardships, private MI companies have strong financial incentives to help borrowers avoid foreclosure, often through loan modifications.	Unlike private MI, most FHA insurance premiums typically never cancel, and borrowers 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% of the loan that is typically financed into the mortgage loan amount.

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 and taxpayers, who stand behind them, 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% of the home value, private mortgage insurers—not taxpayers—cover the first losses in the event a borrower defaults, up to certain coverage limits.

48%

Portion of newly insured mortgages that private MI protected in 2023[54]

Nearly $1.6 Trillion

Amount in mortgages outstanding with private MI protection, including more than $1.4 trillion of mortgages backed by the GSEs, at the end of 2023[55]

Nearly $60 Billion

Amount the private MI industry covered in claims for losses since the 2008 financial crisis[56]

According to the Urban Institute, private MI is highly effective in reducing losses to the GSEs. An analysis finds that the presence of private MI reduces the losses the GSEs experience on loans made with low down payments (LTV ratios above 80%) to the same levels as the losses they experience on loans with large down payments (LTV ratios below 80%). This shows that private MI is highly effective in reducing losses to the GSEs.[57]

The Urban Institute's analysis of data from 1999 to 2022 found that 24% of 30-year fixed rate, full-documentation, fully amortizing GSE loans had private MI. During this time, the average private MI coverage was 25.2%, lowering the effective LTV of these loans to the GSEs to less than 80%. Compared with GSE loans without private MI, GSE loans with private MI are slightly smaller, are more heavily purchase loans, have higher LTV ratios, have lower FICO® scores, and have higher DTI ratios.[58]

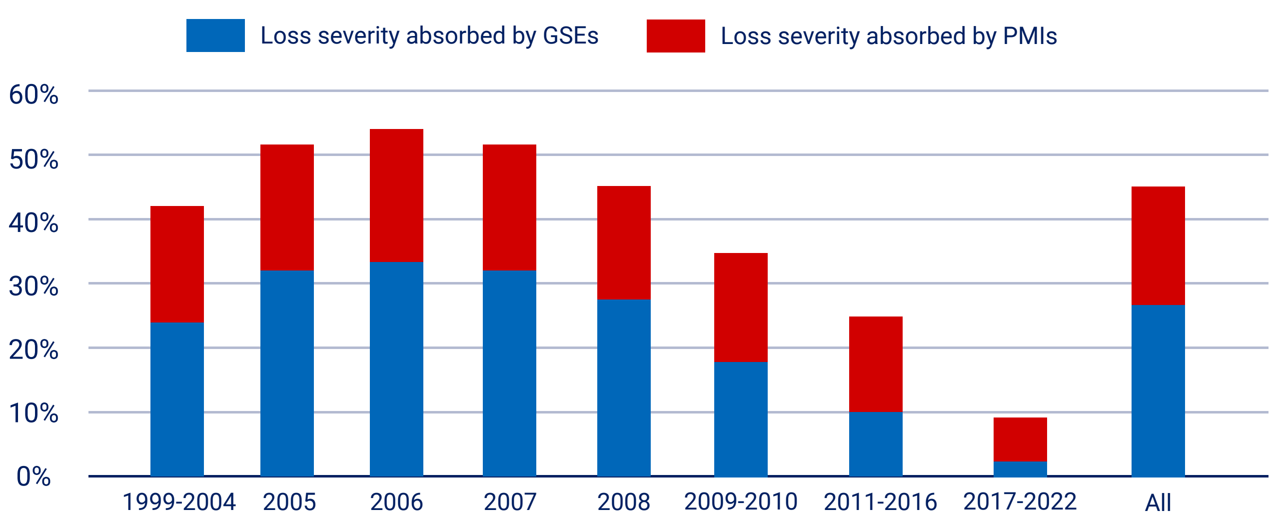
PRIVATE MI SIGNIFICANTLY LOWERS LOSS SEVERITIES AND REDUCES TAXPAYER RISK

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

> **From 1999-2022, the Urban Institute's analysis found that the loss severity of GSE loans without [private MI] was 37.6%, higher than the 26.4% severity for loans with private MI.[59]**

Moreover, historical experience and data show that 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 for each origination year. According to the Urban Institute, the loss severity of GSE loans without private MI for the 1999-2022 origination period was 37.6%, which was higher than the 26.4% severity for GSE loans with private MI during the same time period.[60]

REDUCTION IN GSE LOSS SEVERITY BECAUSE OF PRIVATE MI



Note: *GSE = government-sponsored enterprise; PMI = private mortgage insurance. GSE credit data include 30-year fixed-rate, full-documentation, fully amortizing mortgage loans only. Fannie Mae data include loans originated from Q1 1999 through Q4 2022; performance data for these loans are also available through Q4 2022. Freddie Mac data include loans originated from Q1 1999 to Q3 2022; performance data for these loans are available through Q4 2022.*

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 credit risk protection for the government and taxpayers. By design, private 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 and the industry has the capacity to play a broader and deeper role in the market going forward. Unlike most other forms of private capital in the housing finance system, private MI has been available during all economic cycles, including times of stress such as the COVID-19 pandemic.

EVOLUTION INTO SOPHISTICATED MANAGERS OF RISK

The private MI industry has dramatically evolved over the last 16 years, and today stands as a strong, resilient, and reliable component of America's low down payment mortgage market, serving as the first layer of protection against undue credit risk and supporting homebuyers, lenders, the GSEs, and taxpayers.

The private MI industry's ability to scale up for record volume during the pandemic demonstrated the industry's transformation since the 2008 financial crisis into sophisticated managers of mortgage credit risk. Since 2015, private MIs have executed 55 Quota Share Reinsurance (QSR) and Excess of Loss (XOL) transactions, ceding $53 billion of risk to the traditional reinsurance market.[61] In total, private MI companies have transferred more than $75.2 billion in risk on more than $3.5 trillion of insurance-in-force (IIF) since 2015, giving additional capacity to the private MI industry to support new borrowers.[62] In that same time, private MIs have conducted 56 ILN transactions, transferring nearly $22.3 billion of risk on more than $2.3 trillion of notional mortgages.

> **"The private MI industry's comprehensive CRT strategy [...] not only positions the industry well in the current economic environment but also ensures it will continue to operate through future economic stress cycles, making private MIs strong and stable counterparties to the GSEs and investors."**
>
> – USMI's "Private MI: A Source of Strength & Resiliency in the Housing Finance System" Report

The private MI industry transformed its business model through compliance with capital, risk, and operational standards in order to enhance its resiliency to withstand severe economic stress. The terms of private MI coverage, the regulatory framework governing the industry, its financial requirements and capital position, and its underwriting standards have all evolved, and the performance of the private MI industry through the COVID-19 pandemic underscores its role as a reliable source of strength and stability in the housing finance system.

As mentioned previously, the private MI industry held more than $11.4 billion of eligible assets in excess of PMIERs capital standards, which represented a 172% sufficiency ratio, at the end of 2023.[63]

Private MI companies collectively hold more than $11.4 billion in excess of regulatory capital requirements.
– MI Companies' 2023 Annual Reports

Also, private MI companies now utilize more granular and dynamic pricing models that allow them to better tailor solutions to the risk profile of an individual borrower. They have aligned their recission relief principles with the GSE representations and warranties framework to provide increased certainty of coverage, and they have updated policy terms to maximize clarity around coverage and servicing. Overall, the MI industry's core mission is to help families gain access to affordable mortgage credit and succeed as sustainable homeowners. All of the changes since 2008 have positioned the MI industry to meet the rising demand for homeownership while serving as a source of strength, stability, and support in the housing finance system.

In fact, there are no other GSE credit enhancement counterparties with capital and operational standards as robust as private mortgage insurers. These developments have helped private mortgage insurers further shield the GSEs and taxpayers from mortgage credit risk, while also expanding access to affordable mortgage financing for millions of American families.

Tax Treatment of MI

From 2007 through 2021, millions of homeowners claimed the MI tax deduction, allowing them to save more of their hard-earned dollars.[64] The tax deduction for borrower-paid MI premiums has long enjoyed bipartisan, industry, and consumer advocate support, but the deduction expired in 2021. USMI has consistently advocated for restoring the MI premium tax deduction, making it permanent, and expanding its eligibility.[65]

DATA THROUGH TAX YEAR 2021 SHOWS:[66]

$64.7 Billion
Total MI deductions claimed by homeowners

44.5 Million
Number of times the MI deduction has been claimed

3.4 Million
Average annual number of homeowners who claim the MI deduction

$1,454
Average annual MI deduction amount per qualified taxpayer

As affordability remains a persistent barrier to homeownership across the country, particularly for first-time homebuyers, the need for Congress to act is even more urgent today than when the deduction was first enacted. Low down payment mortgages, including conventional loans with private MI, have proven critical for millions of LMI, first-time, and minority borrowers to sustainably buy a home sooner, secure financial stability, and build intergenerational wealth.

The table on the next page breaks down at the state level the number of households that claimed the MI tax deduction and the total amount of deductions claimed in 2021, according to the latest data available from the Internal Revenue Service.[67]

NUMBER OF HOUSEHOLDS THAT CLAIMED THE MI TAX DEDUCTION IN 2021

(Table is organized in alphabetical order)

State	Number of Households that Claimed MI Deduction	Total Amount of Deductions Claimed
US	*1,277,180*	*$2,904,686,000*
AK	2,370	$6,350,000
AL	12,330	$23,110,000
AR	5,110	$9,209,000
AZ	26,810	$70,303,000
CA	171,820	$523,560,000
CO	34,480	$111,097,000
CT	21,950	$38,181,000
DC	3,450	$8,009,000
DE	6,230	$13,479,000
FL	86,640	$219,332,000
GA	63,600	$123,241,000
HI	4,930	$21,164,000
IA	6,310	$9,251,000
ID	5,970	$15,071,000
IL	55,600	$92,331,000
IN	13,610	$24,916,000
KS	5,740	$9,354,000
KY	10,490	$16,649,000
LA	12,530	$24,275,000
MA	30,560	$71,136,000
MD	71,630	$163,406,000
ME	3,960	$6,956,000
MI	26,310	$39,529,000
MN	27,030	$43,527,000
MO	14,440	$25,377,000

State	Number of Households that Claimed MI Deduction	Total Amount of Deductions Claimed
MS	8,350	$16,265,000
MT	3,880	$7,498,000
NC	31,210	$62,169,000
ND	1,180	$2,499,000
NE	4,520	$7,008,000
NH	5,690	$11,558,000
NJ	52,270	$111,599,000
NM	6,010	$13,115,000
NV	15,760	$43,840,000
NY	60,540	$142,651,000
OH	25,220	$41,409,000
OK	8,240	$15,676,000
OR	26,060	$57,874,000
PA	39,960	$67,610,000
RI	7,270	$17,320,000
SC	17,870	$36,053,000
SD	1,010	$2,744,000
TN	14,040	$32,781,000
TX	105,770	$218,890,000
UT	18,170	$44,512,000
VA	47,410	$117,145,000
VT	1,690	$2,627,000
WA	30,840	$89,992,000
WI	16,630	$23,977,000
WV	2,130	$4,259,000
WY	1,090	$2,626,000

Conclusion

For 67 years, private MI has consistently helped first-time, minority, and LMI borrowers achieve the American Dream of buying a home.

Recent data has shown how the first-time buyer share of the private MI market increased year-over-year since at least the beginning of the pandemic in 2020. This means that despite the recent housing market challenges, first-time, LMI, and minority homebuyers continue to make significant strides to access the American Dream, and they are turning to private MI as the number one tool to help them achieve homeownership.

Additionally, private MI reduces credit risk and allows lenders to prudently approve borrowers for low down payment mortgages.

Private MI also benefits the government and taxpayers because it stands in front of the GSEs, absorbing credit risk and default-related losses. When private MIs 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 pair of eyes with independent credit underwriting standards, private mortgage insurers support disciplined underwriting in the mortgage finance system, and ultimately help ensure borrowers have access to affordable and sustainable credit—benefitting the GSEs, lenders, investors and, most importantly, families across the country.

Private MI has played a critical role in helping millions achieve affordable home financing, while also protecting lenders, the government, and taxpayers. As a result, the industry has the capacity to play a broader and deeper role in the housing system of tomorrow.

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