

# PRIVATE MORTGAGE INSURANCE: Promoting Homeownership for Vermont Families

Private mortgage insurance (MI) is typically required by mortgage lenders to approve homebuyers who have down payments less than 20% of the purchase price. For 67 years, private MI has been an important component in the U.S. housing finance system, helping borrowers in Vermont and across the country to access home financing while protecting lenders and taxpayers.

By design, private MI is a proven, reliable method for shielding the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, as well as American taxpayers, from losses on mortgage credit risk. Private MI companies paid nearly **\$60 billion**<sup>1</sup> in claims since the 2008 financial crisis and housing market downturn, absorbing losses that the government and taxpayers would have otherwise incurred.

## Down Payment is One of the Biggest Hurdles to Homeownership

A 20% down payment is out of reach for many families and could sideline them from homeownership for years. For example, it could take 27<sup>2</sup> years for a household earning the national median income of \$74,580<sup>3</sup> to save 20%, plus closing costs, for a \$394,100<sup>4</sup> home (national median sales price).

In Vermont, the median income is \$72,190<sup>5</sup> and the median sales prices for a single-family home is \$399,150.<sup>6</sup> Using this same analysis, it would take 28<sup>7</sup> years for a state resident to save 20%, plus closing costs (3% of the total sales price on average).<sup>8</sup>

## PRIVATE MI HELPS BORROWERS AFFORD A HOME SOONER

Private MI not only helps borrowers overcome the biggest hurdle to homeownership but acts as a second set of eyes with independent credit underwriting standards. It aligns the interests of borrowers, lenders, and investors.

**\$91,805**

(28 Years to Save)  
20% Down Payment without private MI, plus closing costs  
(U.S. \$90,643)



Median household income: \$72,190 (U.S. \$74,580)  
Median home price: \$399,150 (U.S. \$394,100)

**\$31,932**

(10 Years to Save)  
5% Down Payment with private MI, plus closing costs  
(U.S. \$31,528)

## LONGER WAIT TIME TO BUILD 20% DOWN PAYMENTS

**35**  
YEARS

Firefighter  
\$57,120

**31**  
YEARS

Middle School Teacher  
\$64,290

**23**  
YEARS

Registered Nurse  
\$86,070

**17**  
YEARS

Veterinarian  
\$119,100

**38**  
YEARS

Black  
(\$53,500)

1.5 times longer than White households

**32**  
YEARS

Hispanic  
(\$62,800)

1.2 times longer than White households

**26**  
YEARS

White  
(\$77,250)

**18**  
YEARS

Asian  
(\$109,400)

Dollar amounts by race/ethnicity<sup>9</sup> and occupation<sup>10</sup> represent median income.

## Who is Borrowing in Vermont



AVG. Credit Score<sup>11</sup> (U.S. 715)



Median Household Income<sup>12</sup> (U.S. \$74,580)



Median Home Price (U.S. \$394,100)<sup>14</sup>

## Borrowers with Private MI in Vermont

**~35%** Borrowers with Incomes Less than \$75,000<sup>15</sup>

**987** Homeowners Helped in 2023<sup>16</sup> (U.S. ~800,000)

**\$306,746** Avg. Loan Amount Purchased/Refinanced with private MI<sup>17</sup> (U.S. \$346,817)

**68%** First-Time Homebuyers<sup>18</sup> (U.S. 64%)

**745** Average FICO Credit Score<sup>19</sup> (U.S. 749)

# 39 MILLION

## Private MI Helps Borrowers Bridge the Down Payment Gap

By helping borrowers qualify for a mortgage with a down payment as low as 3%, private MI has given nearly 39 million families nationally the opportunity to purchase a home sooner for 67 years.<sup>20</sup>

### Private MI Protects Taxpayers

Private MI is a first level of credit protection against the risk of loss on a mortgage in the event a borrower is not able to repay the loan and there is not sufficient equity in the home to cover the amount owed. With the GSEs in conservatorship and the government effectively guaranteeing the GSEs, taxpayers face direct exposure to mortgage credit losses experienced by the GSEs. Traditionally, for loans with down payments under 20% of the home value, private MI – not taxpayers – covers the first losses if there is a default, up to certain coverage limits.

## \$60 Billion

Amount private MI industry covered in claims for losses<sup>21</sup>

## 48%

Insured market originations that private MI protected in 2023<sup>22</sup>

## \$1.6 Trillion

Amount in mortgages currently outstanding with private MI protection<sup>23</sup>

### Private MI is Temporary

Unlike FHA and other government mortgage insurance, which typically cannot be cancelled, private MI paid for by the borrower can be cancelled, leading to potential savings over the life of their loan. Private MI can be cancelled in two ways:<sup>24</sup>

**1** A borrower may request cancellation of private MI when he/she has established 20% equity in the home. Cancellation is subject to certain conditions, such as seasoning requirements and proof of the property's value

**2** 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 terminates private MI.

### Tax Treatment of MI

For tax years 2007-2021, millions of homeowners claimed the federal tax deduction for borrower-paid MI premiums, allowing them to save more of their hard-earned dollars. USMI has consistently led a coalition of housing organizations to advocate for making the MI tax deduction permanent and expanding its eligibility. Data through tax year 2021 shows:<sup>25</sup>

## \$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

<sup>1</sup> GSE Statutory Filings and MI Company Annual Reports.

<sup>2</sup> Calculated based on median household income in 2022 (latest data available from the U.S. Census Bureau); median sales price for a single-family home in 2023, according to National Association of REALTORS®; median savings rate in 2023, according to data from the Federal Reserve.

<sup>3</sup> U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8).

<sup>4</sup> National Association of REALTORS®.

<sup>5</sup> U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8).

<sup>6</sup> Redfin Analysis of MLS Data for Single-Family Residences.

<sup>7</sup> Calculated based on median household income in 2022 (latest data available from the U.S. Census Bureau); median sales price for a single-family home in 2023, according to Redfin Analysis of MLS Data for Single-Family Residences; median savings rate in 2023, according to data from the Federal Reserve.

<sup>8</sup> Zillow.

<sup>9</sup> U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8).

<sup>10</sup> U.S. Census Bureau, Historical Income Tables (Table H-9) U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment & Wages (May 2023).

<sup>11</sup> Experian data from January to December 2023.

<sup>12</sup> U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8).

<sup>13</sup> Redfin Analysis of MLS Data for Single-Family Residences.

<sup>14</sup> National Association of REALTORS®.

<sup>15</sup> HMDA Data.

<sup>16</sup> GSE Aggregate Data.

<sup>17</sup> GSE Aggregate Data.

<sup>18</sup> GSE Aggregate Data.

<sup>19</sup> GSE Aggregate Data.

<sup>20</sup> USMI Member Company and GSE Aggregate Data.

<sup>21</sup> GSE Statutory Filings and MI Company Annual Reports.

<sup>22</sup> MI Company Annual Reports, VA Monthly Volume Reports, and FHA Single Family Market Share Reports.

<sup>23</sup> MI Company Annual Reports.

<sup>24</sup> Consumer Financial Protection Bureau.

<sup>25</sup> Internal Revenue Service.