When It Comes To Protecting Taxpayers, There's No Comparison
Private Mortgage Insurance (MI) vs. FHA

Issue	Private MI	FHA
Who Bears the Risk In a Default	Private capital assumes the credit risk in a first loss position.	The FHA assumes 100 percent of the risk so given the under capitalization of the MMI fund, taxpayers are at risk if there are not sufficient funds available for FHA to pay its claims.
Taxpayer Impact	Covered approximately $44 billion in losses on loans sold to the GSE's since they entered conservatorship, losses that otherwise would have been shouldered by taxpayers.	The FHA insurance fund required $1.7 billion from U.S. taxpayers due to a capital shortfall. Even after this bailout, and with additional funds from one-time litigation settlements and enforcement actions, the fund is *still* undercapitalized.
How Price is Determined	More granular, risk based rates based on robust actuarial analysis and a real cost of capital, requiring state level filings.	Flat pricing structure based on limited actuarial modelling with little approval oversight.
Underwriting Incentives	Covers first losses down to a stated coverage percentage. The potential for some lender/investor loss in severe cases creates strong incentive for prudent underwriting and strong servicing.	Covers 100 percent of losses if a loan defaults, which may provide less incentive to ensure that loans are underwritten and serviced in prudent and sustainable manner.
Capital, Leverage, and Oversight Requirements	Required to be at a minimum capital ratio of 4 percent. All MIs are reporting risk to capital ratios less than 18:1. Even higher capital standards will be required under final GSEs Private Mortgage Insurer Eligibility Requirements (PMIERs).	Required to be at a minimum capital ratio of 2 percent, which equates to a 50:1 risk to capital ratio. FHA insurance fund is at a 0.41 percent capital ratio, well below the two percent statutory minimum. FHA insurance fund has been below 2 percent since 2009, is not expected to reach 2 percent until 2017 at earliest, and will not reach more prudent 4.5 percent level suggested by analysts until the mid-2020s.
Coverage	For most premium plans, by federal law, coverage (and premiums) cancels when the loan LTV reaches approximately 78 percent.	Stays in place for the life of a loan. Therefore, it is essential that FHA charge borrowers premiums throughout the life of each loan. FHA loans are also assumable (meaning a new borrower can assume the mortgage loan and the FHA insurance stays in place), which makes life of loan coverage necessary.