USMI
U.S. Mortgage Insurers

Private Mortgage Insurance (MI) and FHA

	Private MI	FHA
Who Bears the Risk	• 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.
Impact on Taxpayers	• Since the GSEs entered conservatorship, MI has covered approximately $50 billion in losses on loans sold to the GSEs, 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.
Capital/ Claims-Paying Resource Requirements	• MIs operate under new Private Mortgage Insurer Eligibility Requirements (PMIERs), risk sensitive capital standards established by FHFA • Under the new risk sensitive requirements, most MIs have current asset requirement over 7% • Liquid assets (does not include future premiums) • Minimum 5.6% of risk in force.	• Minimum 2% of risk in force (includes future premiums), and currently 2.07%.
Stress Testing	• PMIERs requirements are risk sensitive and calibrated to ensure MIs are able to pay claims even in the face of a stress modeled on the Fed's comprehensive capital adverse scenario.	• Capital requirement is not risk sensitive, and potential losses are not calculated under stress scenarios.
Cancelability	• Coverage and premiums cancel when the mortgage loan to value reaches approximately 78 percent.	• Coverage 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.