U.S. MORTGAGE INSURERS

PRIVATE MORTGAGE INSURANCE:

Promoting Homeownership for Connecticut 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 65 years, private MI has been an important component in the U.S. housing finance system, helping creditworthy borrowers in Connecticut and across the country to access home financing while protecting lenders and taxpayers.

By design private MI is a proven, reliable method in 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**[1] in claims since the 2008 financial crisis and housing market downturn, claims the government and taxpayers did not have to provide.

Down Payment is the #1 Impediment to Homeownership

That typical 20% threshold is out of reach for many families. For example, it could take 14 years for a household earning the national median income of $67,521[2] to save 20%, plus closing costs, for a $353,400[3] home (national median sales price).

In Connecticut, the median income is $79,043[4] and the median sales prices for a single family home is $377,050[5]. Using this same analysis, it would take 13 years for a state resident to save 20%, plus closing costs (3% of the total sales price on average)[6].

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.

$86,722
(13 Years to Save)
20% Down Payment without private MI, plus closing costs
(U.S. $81,282)

Median household income: $79,043 (U.S. $67,521)
Median home price: $377,050 (U.S. $353,400)

$30,164
(5 Years to Save)
5% Down Payment with private MI, plus closing costs
(U.S. $28,272)

LONGER WAIT TIME TO BUILD 20% DOWN PAYMENTS

Years	Occupation	Median income
19 YEARS	Firefighter	$50,700
16 YEARS	Middle School Teacher	$61,320
12 YEARS	Registered Nurse	$77,600
10 YEARS	Veterinarian	$100,370

Years	Race/ethnicity	Median income
21 YEARS	Black	($46,600)
17 YEARS	Hispanic	($55,321)
14 YEARS	White	($71,321)
10 YEARS	Asian	($94,718)

Dollar amounts by race[7] and ethnicity and occupation[8] represent median income.

Who is Borrowing in Connecticut

738
AVG. Credit Score[9] (U.S. 711)

$79,043
Median Household Income[10] (U.S. $67,521)

$377,050[11]
Median Home Price (U.S. $353,400)[12]

Borrowers with Private MI in Connecticut

>40% Borrowers with Incomes Less than $75,000[13]

19,149 Homeowners Helped in 2021[14] (U.S. <2 million)

$288,309 Avg. Loan Amount Purchased/Refinanced with private MI[15] (U.S. $310,275)

69% First-Time Homebuyers[16] (U.S. 60%)

744 Average Credit Score[17] (U.S. 746)

37+ 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 more than 37 million families nationally the opportunity to purchase a home sooner for 65 years. [18]

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[19]

43%
Insured market that private MI protected in 2021[20]

$1.4 Trillion
Amount in mortgages currently outstanding with private MI protection[21]

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:[22]

1. A borrower may request cancellation of private MI when he/she has established 20% equity in the home. In other words, the borrower has paid down the mortgage balance to 80% of the home's original or newly appraised price.

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.

[1] GSE Statutory Filings and MI Company Annual Reports
[2] U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8)
[3] National Association of REALTORS®
[4] U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8)
[5] Redfin Analysis of MLS Data for Single-Family Residents
[6] Zillow
[7] U.S. Census Bureau, Historical Income Tables (Table H-6)
[8] U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment & Wages (May 2021)
[9] ValuePenguin powered by LendingTree, FICO® Average score of homebuyers with a 30-year fixed-rate loan for all 2020 October 2019
[10] U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8)
[11] Redfin Analysis of MLS Data for Single-Family Residents
[12] National Association of REALTORS®
[13] USMI Member Companies
[14] GSE Aggregate Data
[15] GSE Aggregate Data
[16] GSE Aggregate Data
[17] GSE Aggregate Data
[18] USMI Member Companies and GSE Aggregate Data
[19] GSE Statutory Filings and MI Company Annual Reports
[20] Inside Mortgage Finance
[21] GSE SEC Filings
[22] Consumer Financial Protection Bureau