USMI
U.S. MORTGAGE INSURERS

PRIVATE MORTGAGE INSURANCE:
Promoting Homeownership for Montana Families

Private mortgage insurance (MI) is typically required by mortgage lenders to approve homebuyers with down payments that are less than 20% of the purchase price. For 66 years, private MI has been an important component in the U.S. housing finance system, helping borrowers in Montana and across the country to access home financing while protecting lenders and taxpayers.

By design, private MI is a proven, reliable method of 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 have paid nearly **$60 billion**[1] 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. According the National Association of REALTORS®, the average down payment for first-time homebuyers is 6-7%. For example, it could take 35 years[2] for a household earning the national median income of $70,784[3] to save 20%, plus closing costs, for a $392,800[4] home (national median sales price).

In Montana, the median income is $64,999[5] and the median sales prices for a single-family home is $501,800.[6] Using this same analysis, it would take 49 years[7] for a state resident to save 20%, plus closing costs (3% of the total sales price on average).[8]

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.

$115,414
(49 Years to Save)
20% Down Payment without private MI, plus closing costs
(U.S. $90,344)

Median household income: $64,999 (U.S. $70,784)
Median home price: $501,800 (U.S. $392,800)

$40,144
(17 Years to Save)
5% Down Payment with private MI, plus closing costs
(U.S. $31,424)

LONGER WAIT TIME TO BUILD 20% DOWN PAYMENTS

Years	Occupation	Median income
49 YEARS	Firefighter	$51,680
41 YEARS	Middle School Teacher	$61,810
31 YEARS	Registered Nurse	$81,220
24 YEARS	Veterinarian	$103,260

Years	Race/ethnicity	Median income
51 YEARS	Black	($48,815)
43 YEARS	Hispanic	($57,981)
34 YEARS	White	($74,262)
25 YEARS	Asian	($101,056)

Dollar amounts by race[9] and ethnicity and occupation[10] represent median income.

Who is Borrowing in Montana

731
AVG. Credit Score[11] (U.S. 714)

$64,999
Median Household Income[12] (U.S. $70,784)

$501,800[13]
Median Home Price (U.S. $392,800)[14]

Borrowers with Private MI in Montana

35% Borrowers with Incomes Less than $75,000[15]

2,685 Homeowners Helped in 2022[16] (U.S. >1 million)

$354,230 Avg. Loan Amount Purchased/Refincanced with private MI[17] (U.S. $341,716)

52% First-Time Homebuyers[18] (U.S. 62%)

748 Average Credit Score[19] (U.S. 746)

38+ 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 38 million families nationally the opportunity to purchase a home sooner for 66 years.[20]

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 purchase price, private MI — not taxpayers — covers the first losses if there is a default, up to certain coverage limits.

$60+ Billion

Amount private MI industry has paid in claims since 2008[21]

48%

Percentage of new loans with insurance protected by private MI in 2022[22]

$1.5 Trillion

Amount in mortgages currently outstanding with private MI protection[23]

Private MI is Temporary

Unlike FHA and other government mortgage insurance, which typically cannot be cancelled, private MI paid by the borrower can be cancelled, leading to potential savings over the life of the loan. Private MI can be removed in two ways:[24]

1. A borrower may request cancellation of private MI when 20% equity in the home is established. Cancellation may be 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, servicers are required to terminate private MI.

Tax Treatment of MI

From 2007 to 2021, millions of homeowners claimed the federal tax deduction for borrower-paid MI premiums for private MI and government insurance and guarantee programs, allowing them to save more of their hard-earned dollars. While the deduction ended in 2021, Congress is considering legislation to make it permanent. USMI has consistently led a coalition of housing organizations for restoring the MI tax deduction, making it permanent, and expanding its eligibility. Data through tax year 2020 shows:[25]

$61.6 Billion

Total MI deductions claimed by homeowners

43.2 Million

Number of times the MI deduction has been claimed

3.3 Million

Average annual number of homeowners who claim the MI deduction

$1,427

Average annual MI deduction amount per qualified taxpayer

1 GSE Statutory Filings and MI Company Annual Reports

2 Calculated based on median household income in 2021 (latest data available from the U.S. Census Bureau); median sales price for a single-family home in 2022, according to National Association of REALTORS®; median savings rate in 2022, according to data from the Federal Reserve.

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

4 National Association of REALTORS®

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

6 Redfin Analysis of MLS Data for Single-Family Residences

7 Calculated based on median household income in 2021 (latest data available from the U.S. Census Bureau); median sales price for a single-family home in 2022, according to Redfin Analysis of MLS Data for Single-Family Residences; median savings rate in 2022, according to data from the Federal Reserve.

8 Zillow

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

10 U.S. Census Bureau, Historical Income Tables (Table H-6) 8 U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment & Wages (May 2022)

11 Experian data from January to September 2022

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

13 Redfin Analysis of MLS Data for Single-Family Residences

14 National Association of REALTORS®

15 HMDA data

16 GSE Aggregate Data

17 GSE Aggregate Data

18 GSE Aggregate Data

19 GSE Aggregate Data

20 USMI Member Companies and GSE Aggregate Data

21 GSE Statutory Filings and MI Company Annual Reports

22 Inside Mortgage Finance

23 MI Company SEC Filings

23 Consumer Financial Protection Bureau

25 Internal Revenue Service