

PRIVATE MORTGAGE INSURANCE: Promoting Homeownership for Vermont 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 Vermont 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 to the National Association of REALTORS®, the average down payment for first-time homebuyers is 6-7%. For example, it could take 35 years² for a household earning the national median income of \$70,784³ to save 20%, plus closing costs, for a \$392,800⁴ home (national median sales price).

In Vermont, the median income is \$76,079⁵ and the median sales prices for a single-family home is \$371,200⁶. Using this same analysis, it would take 31 years⁷ 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.

\$85,376

(31 Years to Save)

20% Down Payment without private MI, plus closing costs
(U.S. \$90,344)



Median household income: \$76,079 (U.S. \$70,784)
Median home price: \$371,200 (U.S. \$392,800)

\$29,696

(11 Years to Save)

5% Down Payment with private MI, plus closing costs
(U.S. \$31,424)

LONGER WAIT TIME TO BUILD 20% DOWN PAYMENTS

49
YEARS

Firefighter
\$51,680

41
YEARS

Middle School Teacher
\$61,810

31
YEARS

Registered Nurse
\$81,220

24
YEARS

Veterinarian
\$103,260

51
YEARS

Black
(\$48,815)

43
YEARS

Hispanic
(\$57,981)

34
YEARS

White
(\$74,262)

25
YEARS

Asian
(\$101,056)

Dollar amounts by race⁹ and ethnicity and occupation¹⁰ represent median income.

Who is Borrowing in Vermont



AVG. Credit Score¹¹ (U.S. 714)



Median Household Income¹² (U.S. \$70,784)



Median Home Price (U.S. \$392,800)¹⁴

Borrowers with Private MI in Vermont

35% Borrowers with Incomes Less than \$75,000¹⁵

1,171 Homeowners Helped in 2022¹⁶ (U.S. >1 million)

\$301,114 Avg. Loan Amount Purchased/Refinanced with private MI¹⁷ (U.S. \$341,716)

59% First-Time Homebuyers¹⁸ (U.S. 62%)

748 Average Credit Score¹⁹ (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 2008²¹

48%

Percentage of new loans with insurance protected by private MI in 2022²²

\$1.5 Trillion

Amount in mortgages currently outstanding with private MI protection²³

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

⁴ National Association of REALTORS®

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.

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)

¹⁵ HMDA data

²³ MI Company SEC Filings

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.

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

⁸ Zillow

¹¹ Experian data from January to September 2022

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

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

²⁴ Consumer Financial Protection Bureau

²⁵ Internal Revenue Service

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

⁹ 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®