

PRIVATE MORTGAGE INSURANCE:

Promoting Homeownership for Vermont Families

Mortgage insurance (MI) is typically required by mortgage lenders to approve homebuyers who have down payments less than 20% of the purchase price. For 68 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 for 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, 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. For example, it could take 27² years for a household earning the national median income of \$74,580³ to save 20%, plus closing costs, for a \$394,100⁴ home (national median sales price).

In Vermont, the median income is \$72,190⁵ and the median sales prices for a single-family home is \$399,150.⁶ Using this same analysis, it would take 28⁷ years 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.

\$91,805

(28 Years to Save)
20% Down Payment without
private MI, plus closing costs
(U.S. \$90,643)



\$31,932

(10 Years to Save)
5% Down Payment with private
MI, plus closing costs
(U.S. \$31,528)

Median household income: \$72,190 (U.S. \$74,580)
Median home price: \$399,150 (U.S. \$394,100)

LONGER WAIT TIME TO BUILD 20% DOWN PAYMENTS

35
YEARS

Firefighter
\$57,120

31
YEARS

Middle School Teacher
\$64,290

23
YEARS

Registered Nurse
\$86,070

17
YEARS

Veterinarian
\$119,100

38
YEARS

Black
(\$53,500)

1.5 times longer than White households

32
YEARS

Hispanic
(\$62,800)

1.2 times longer than White households

26
YEARS

White
(\$77,250)

18
YEARS

Asian
(\$109,400)

Dollar amounts by race/ethnicity⁹ and occupation¹⁰ represent median income.

Who is Borrowing in Vermont



AVG. Credit Score¹¹ (U.S. 715)

\$72,190

Median Household Income¹² (U.S. \$74,580)

\$399,150¹³

Median Home Price (U.S. \$394,100)¹⁴

Borrowers with Private MI in Vermont

~35%

Borrowers with
Incomes Less than
\$75,000¹⁵

987

Homeowners Helped
in 2023¹⁶
(U.S. ~800,000)

\$306,746

Avg. Loan Amount
Purchased/Refinanced
with private MI¹⁷
(U.S. \$346,817)

68%

First-Time
Homebuyers¹⁸
(U.S. 64%)

745

Average FICO Credit
Score¹⁹ (U.S. 749)

39 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 nearly 39 million families nationally the opportunity to purchase a home sooner for 67 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 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 losses²¹

48%

Insured market originations that private MI protected in 2023²²

\$1.6 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 for by the borrower monthly can be cancelled, leading to potential savings over the life of their loan. Private MI can be cancelled in two ways:²⁴

1 A borrower may request cancellation of private MI when he/she has established 20% equity in the home. Cancellation is 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, the servicer terminates private MI.

Tax Treatment of MI

For tax years 2007-2021, millions of homeowners claimed the federal tax deduction for borrower-paid MI premiums, allowing them to save more of their hard-earned dollars. USMI has consistently led a coalition of housing organizations to advocate for making the MI tax deduction permanent and expanding its eligibility. Data through tax year 2021 shows:²⁵

Vermont (2021)	\$2.6 Million Total MI deductions claimed by homeowners in 2021	1,690 Number of households that claimed the deduction in 2021	\$1,554 Average MI deduction amount in 2021	3.4 Million National average annual number of homeowners who claimed the MI deduction for 2007-2021
National (2007-2021)	\$64.7 Billion Total MI deductions claimed by homeowners for 2007-2021	44.5 Million Number of times the MI deduction was claimed for 2007-2021	\$1,454 Average MI deduction amount for 2007-2021	

¹ GSE Statutory Filings and MI Company Annual Reports.

² Calculated based on median household income in 2022 (latest data available from the U.S. Census Bureau); median sales price for a single-family home in 2023, according to National Association of REALTORS®; median savings rate in 2023, 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 2022 (latest data available from the U.S. Census Bureau); median sales price for a single-family home in 2023, according to Redfin Analysis of MLS Data for Single-Family Residences; median savings rate in 2023, 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-9) U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment & Wages (May 2023).

¹¹ Experian data from January to December 2023.

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 Company and GSE Aggregate Data.

²¹ GSE Statutory Filings and MI Company Annual Reports.

²² MI Company Annual Reports, VA Monthly Volume Reports, and FHA Single Family Market Share Reports.

²³ MI Company Annual Reports.

²⁴ Consumer Financial Protection Bureau.

²⁵ Internal Revenue Service.