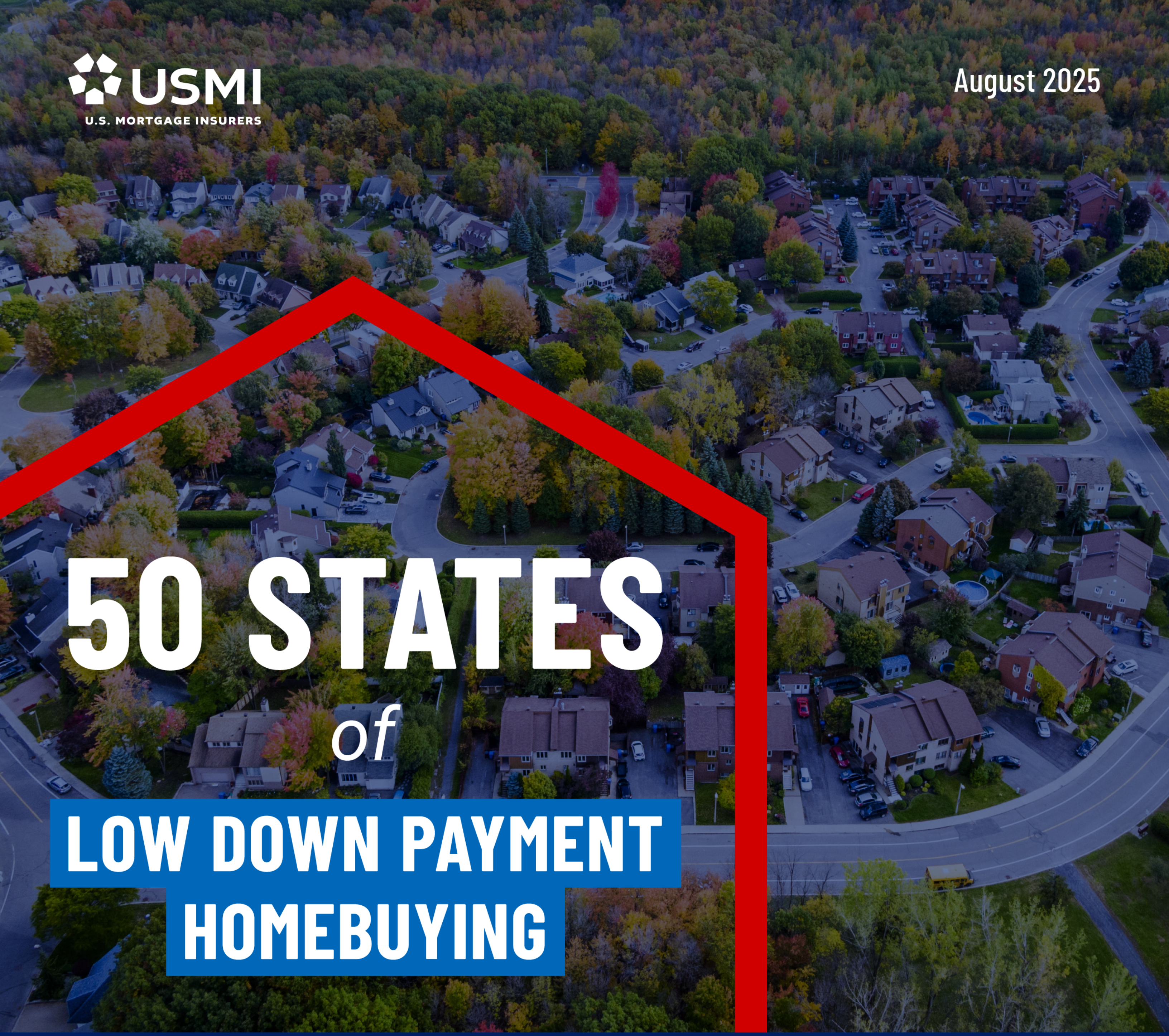

USMI
U.S. MORTGAGE INSURERS

August 2025

50 STATES of LOW DOWN PAYMENT HOMEBUYING

Private Mortgage Insurance Empowers Homebuyers While Safeguarding Taxpayers, Lenders, & the Mortgage Finance System

A State-by-State Report by U.S. Mortgage Insurers

About USMI

U.S. Mortgage Insurers (USMI) is dedicated to a housing finance system backed by private capital that enables access to affordable and sustainable low down payment mortgage financing for borrowers while protecting taxpayers and the federal government from mortgage credit risk.

Private mortgage insurance offers an affordable, effective, and time-tested way to make mortgage credit available to low down payment homebuyers without increasing risk in the housing finance system. USMI is ready to help build the future of homeownership. Learn more at usmi.org.

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Introduction

For nearly 70 years, private mortgage insurance (MI) has served as a key component of the United States housing finance system. Private MI has continuously provided stability for the housing finance system while making home financing for homebuyers without large cash down payments possible – it remains the leading option for borrowers who are ready to enter into homeownership but lack the resources for a 20% down payment.

Since 2018, USMI has released an annual report to look at how private MI helps bridge the down payment gap and analyze, at a state level, the borrowers who benefit from private MI. Low down payment mortgages, including conventional loans backed by private MI, have proven critical for millions of borrowers to sustainably buy a home sooner, secure financial stability, and build wealth.

Since 1957, private MI has helped nearly 40 million families become homeowners.[1] This year's report found that in 2024, at a time when home prices were high and interest rates remained at elevated levels, the private MI industry helped over 800,000 borrowers secure home financing with a low down payment.[2] As expected, nearly all activity (>96%) involved purchase loans.[3] In addition, in 2024, 65% of purchase loans with private MI went to first-time homebuyers,[4] and nearly 35% of homebuyers using private MI had annual incomes below $75,000, demonstrating that low down payment financing backed by private MI robustly supports working families and first-time buyers.[5]

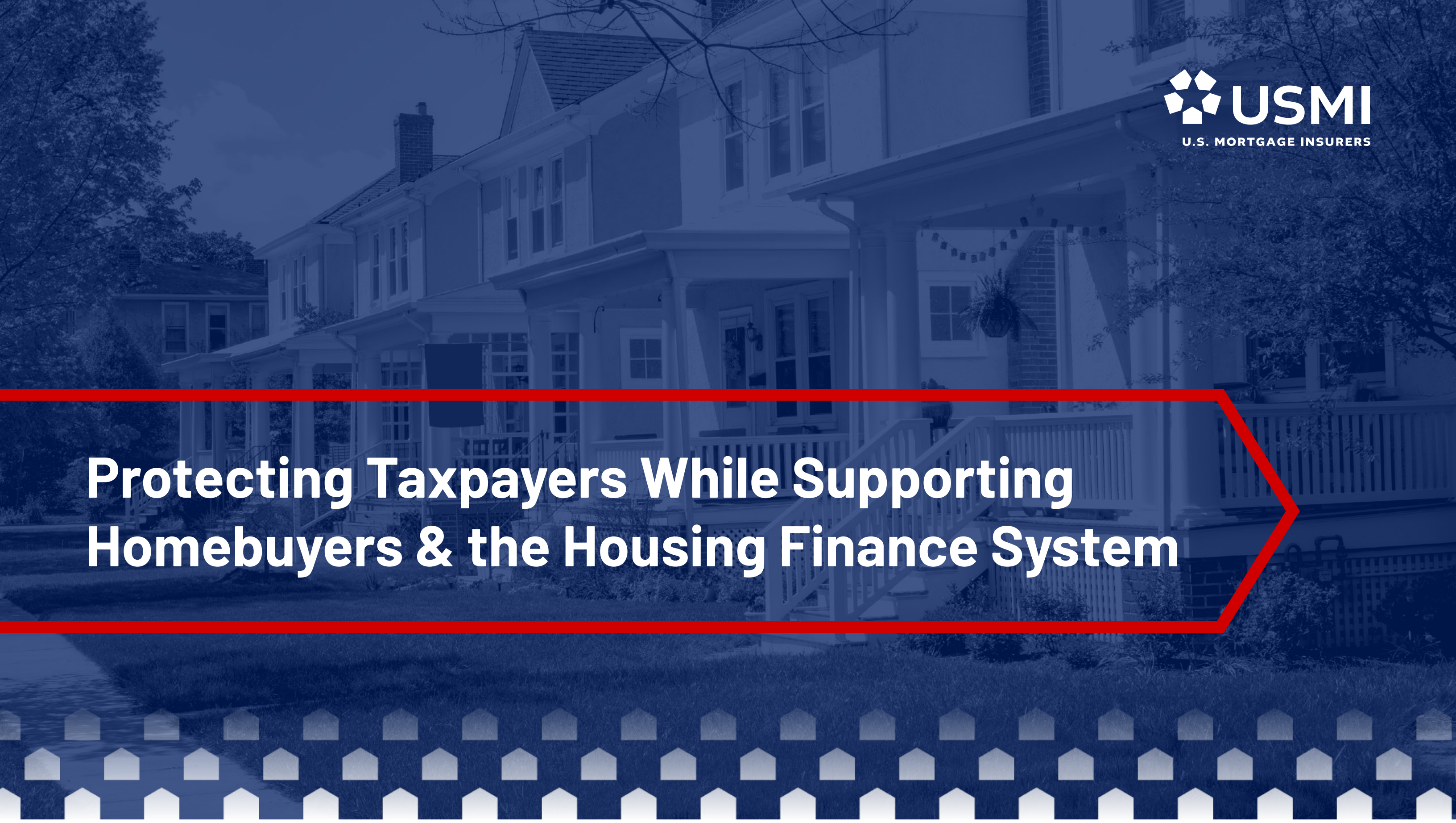
Further, private MI supported nearly $300 billion[6] in mortgage originations, allowing first-time buyers and working families who are not able to amass large down payments to access the conventional mortgage market. While many of the costs associated with homeownership have increased, public data confirm that the cost of private MI, as measured by the premium yield on portfolios of insurance in force (IIF), has declined by 25% in recent years – even while private mortgage insurers complied with increased capital requirements.[7] The lower cost of private MI is due in part to cost savings in the 2017 Tax Cuts & Jobs Act that were passed onto homebuyers as lower premiums, as well as the private MI industry's adoption of risk-based engines that deliver more granular data that allows for more precise evaluation of risk at the loan level.

In the years since the Great Financial Crisis, private mortgage insurers have also implemented enhancements to ensure the industry stays well positioned to withstand market downturns, as private MI acts as a first layer of protection against undue credit risk.

Private MI has proven to be a reliable method for shielding lenders, investors, and the government-sponsored enterprises (GSEs), as well as American taxpayers, from losses on mortgage credit risk. As of the end of 2024, the industry insured nearly $1.6 trillion in outstanding mortgages with active private MI coverage.[8] USMI members also held more than $9.3 billion of capital in excess of the GSEs' Private Mortgage Insurer Eligibility Requirements (PMIERs), representing a 165% sufficiency ratio.[9] This data underscores the industry's critical role as a strong, reliable first layer of protection against credit risk in the mortgage market, having paid $60 billion in claims since the 2008 financial crisis and housing market downturn.

The private MI industry continues to work collaboratively with policymakers, regulators, the GSEs, market participants, and consumer advocates to ensure safeguards remain in place to promote safety and soundness in the housing finance system while enabling access for low down payment homebuyers to become homeowners sooner.

**The information in this report is retrospective, relating to the housing market and private MI activity in 2024 only. Therefore, it should not be used to make projections for 2025 and beyond as it does not account for current home price appreciation rates, mortgage interest rates, other economic factors, and regulatory changes that impact the housing market.*



Protecting Taxpayers While Supporting Homebuyers & the Housing Finance System

In 2024, the private MI industry helped more than **800,000 low down payment borrowers**[10] representing **approximately $300 billion in mortgage originations**[11] — more than 96% of which were for new purchases.[12] This resulted in nearly **$1.6 trillion in outstanding mortgages with active private MI coverage** at the end of 2024, highlighting the industry's critical role of serving as the first layer of protection against credit risk in the conventional mortgage market.[13]

Particularly for first-time buyers and working families, private MI helps to overcome one of the greatest barriers to homeownership – the need for a large cash down payment. In the midst of a market challenged by constrained housing supply and high interest rates, the overall percentage of first-time homebuyers decreased significantly in 2024, dropping to 24% – down from 32% in 2023, according to the National Association of REALTORS® (NAR).[14] However, first-time buyers represented 65% of the loans backed by private MI in 2024, up a percentage point from 2023 and a 7% increase over the past five years.[15]

For nearly 70 years, the private MI industry has enabled homeownership for nearly 40 million families who lack sufficient funds for a 20% down payment.

While many prospective homebuyers mistakenly believe a 20% down payment is required to purchase a home, the average down payment for a first-time homebuyer is actually 9%, according to NAR.[16] Meanwhile, homebuyers can get approved with as little as 3% down when the mortgage is insured with private MI. While the cost of buying a house has increased in many markets over the last few years, driven by constrained housing supply and high interest rates, many homebuyers are still choosing to buy now to meet the needs of their families, and begin building equity and intergenerational wealth.

Helping creditworthy borrowers enter into homeownership is just one of the benefits of private MI – in the 17 years since the Great Financial Crisis, private MI companies have implemented enhancements to dramatically strengthen the mortgage finance system, providing prudent access to mortgage finance credit and safeguarding the housing market and broader financial system.

While increased capital requirements provide even greater confidence to market participants and policymakers, the cost of private MI, as measured by public data on in-force premium yields, has declined in recent years, in stark contrast to many other costs of homeownership. For a small, temporary monthly cost,[17] private MI allows homebuyers to purchase a home now rather than sit on the sidelines for years to save for a large down payment.

MARKET & REGULATORY ENHANCEMENTS POST-CRISIS	
Private MIs	In addition to higher capital and more robust operational standards through PMIERs and updates to the Master Policy, non-delegated underwriting has tripled in percentage since the Great Financial Crisis. Private MI's underwriting function aligns with the interests of borrowers, lenders, and investors. In addition, through private MI's Recission Relief Principles, lenders have certainty from day one regarding the clarity of private MI coverage. Quality control requirements ensure fraud prevention and data accuracy in mortgage underwriting.
PMIERs	PMIERs are the operational and capital requirements for private mortgage insurers to be approved to insure loans acquired by the GSEs. Most recently updated in 2024, the standards provide even greater confidence to market participants and policymakers. USMI members collectively hold more than $9.3 billion in excess of these requirements, representing a 165% sufficiency ratio.
MI Master Policy	The MI Master Policy was significantly revised in 2013 with input from the FHFA to clarify terms, streamline claim payments, and establish detailed conditions for rescission, improving reliability for lenders. A common Master Policy, promoting consistency in loss mitigation and foreclosure prevention efforts, was developed by USMI members in 2019 and took effect on March 1, 2020.
Rescission Relief Principles	First published in 2013 and revised in 2017 to align with the updated GSE Representations & Warranties (R&W) framework, the Rescission Relief Principles introduced automatic relief after 36 timely payments and early relief after 12 timely payments with a full file review. These principles have been well-received, enabling greater rescission relief and reinforcing the private MI industry's ongoing support for borrowers in challenging circumstances.
MI-CRT	MI Credit Risk Transfer (MI-CRT) structures enable private MI companies to enhance their ability to be more stable, long-term, active managers of risk. MI-CRT structures have developed and grown since 2015, transforming the business model from "Buy-and-Hold" into "Buy-and-Actively Manage."

"The Enterprises must be well-capitalized, with minimum capital requirements increased from 45 basis points pre-2008 to over 4% today. Credit risk transfer and mortgage insurance further augment the capital base, reducing taxpayer exposure."

– National Housing Conference[18]

In its 68-year history, the private MI industry has enabled nearly 40 million people to access affordable low down payment mortgages.[19] In 2024, 65% of purchase loans backed by private MI went to first-time homebuyers,[20] nearly 35% went to families with incomes below $75,000,[21] and the average loan amount with private MI was $362,632.[22]

Nearly **35%** of borrowers have incomes below **$75,000**

MI helped nearly **40 MILLION** families nationally become homeowners since 1957

The average loan amount (purchase and refinance) with MI is approximately **$362,000**

Source: GSE aggregate data

Approximately **65%** of purchasers are first-time homebuyers

Source: GSE aggregate data

Overcoming Barriers to Homeownership

For many Americans, the biggest hurdle to buying a home is the 20% down payment that many believe is required for mortgage approval. USMI's "2024 National Homeownership Market Survey"[23] found that, when asked what they believe is the largest challenge when buying a home, nearly 30% of respondents chose the inability to afford a down payment. The misconception of 20% down payments is still prevalent - only one-third of survey respondents were aware that it's possible to qualify for mortgage financing with 3%-5% down.

> **"When asked to specify what they believe is the largest challenge when buying a home, nearly 30% of respondents chose the inability to afford a down payment"**
>
> *– USMI's "2024 National Homeownership Market Survey"*

USMI's survey also showed that there was a 6% increase in the number of Americans who viewed homeownership as important since the initial survey in 2021. Respondents viewed homeownership as a path to stability, financial security, and creating intergenerational wealth – and for good reason. The most recent Federal Reserve Survey of Consumer Finances found that the median net worth of renters was $10,400, compared to nearly $400,000 for homeowners.[24] That being said, it can still be difficult for buyers to become homeowners, with high home prices, limited inventory of housing supply, and elevated mortgage interest rates that have not come down.

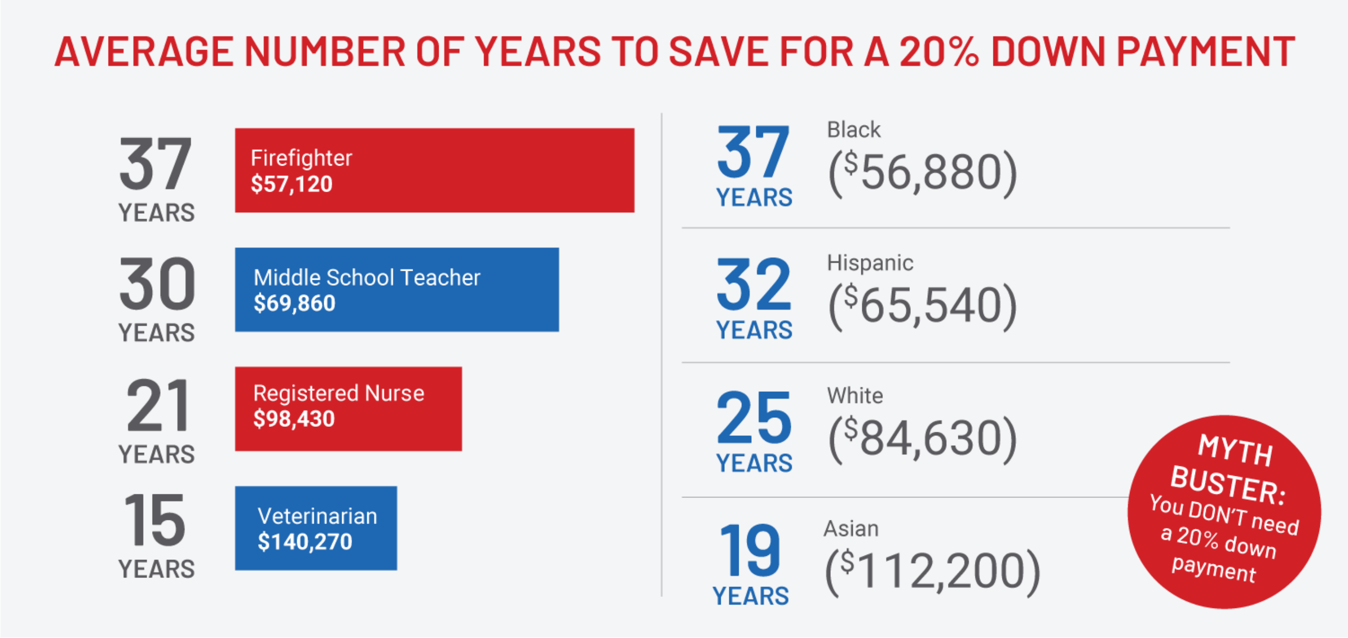
"Respondents believe that it has gotten harder to buy a home [over the last few years] because of higher home prices (81%) and higher interest rates (71%)"

– USMI's "2024 National Homeownership Market Survey"

According to Bankrate[25], the median home sales price has risen 20% in the past five years – around $70,000 – and the average American now needs a household income of nearly $117,000 to afford a home. It is critical for housing finance stakeholders to dispel the persistent myth that a large down payment is required to purchase a home and ensure that homebuyers are aware of the availability of low down payment mortgage options backed by private MI that have served millions of borrowers, including many first-time homebuyers and working class families. Private MI is an essential tool in accessing homeownership and achieving the American Dream sooner.

It could take 26 years for a household earning the national median income of $80,610 to save 20%, plus closing costs, for a $412,500 home, the median sales price for a single-family home in 2024. That's $94,875 in cash that the borrower would need to bring to the closing table.

The below graphic breaks down the number of years it would take people from various professions, races, and ethnicities to save 20% down plus closing costs.[26]

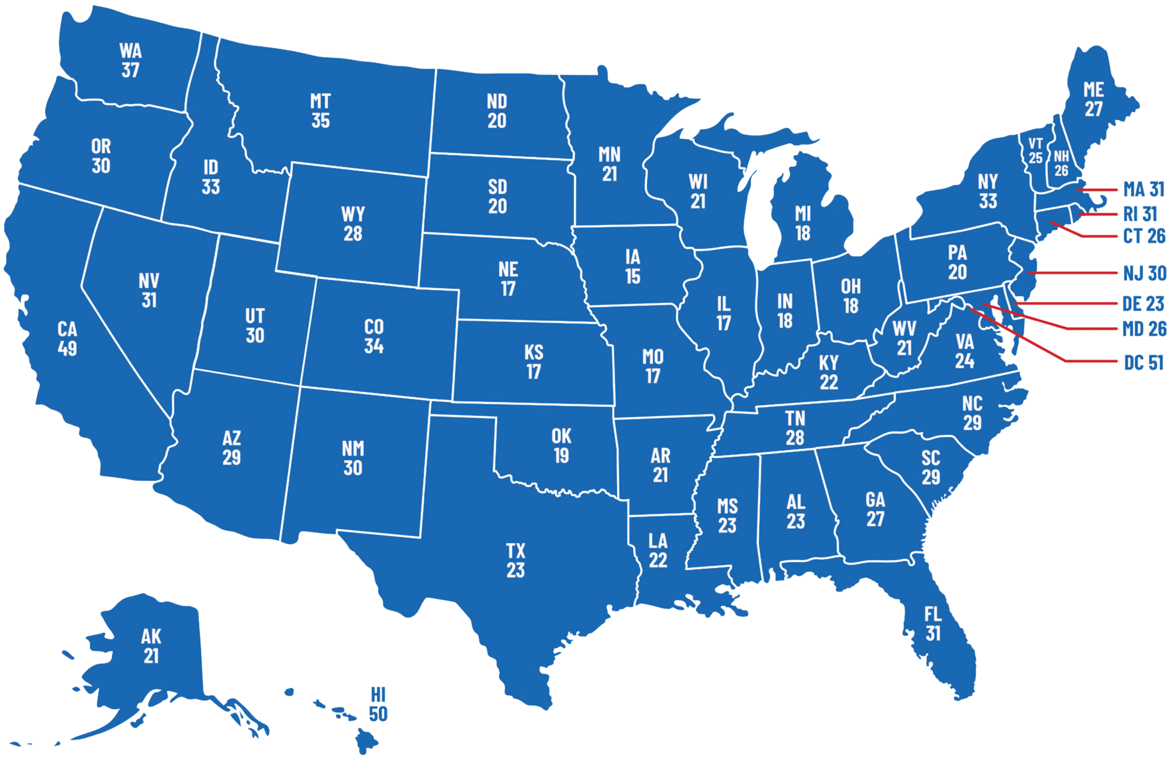


Dollar amounts by occupation, race, and ethnicity represent median income.

HOW MANY YEARS COULD IT TAKE TO SAVE 20% DOWN PLUS CLOSING COSTS?

A 20% down payment is a mythical requirement and unnecessarily delays homeownership for many families, resulting in missed opportunities to put down roots and begin building equity. Prospective homebuyers may feel like they are chasing a moving target as supply remains limited and home prices and interest rates remain elevated, while existing homeowners may be reluctant to move homes in the current environment.

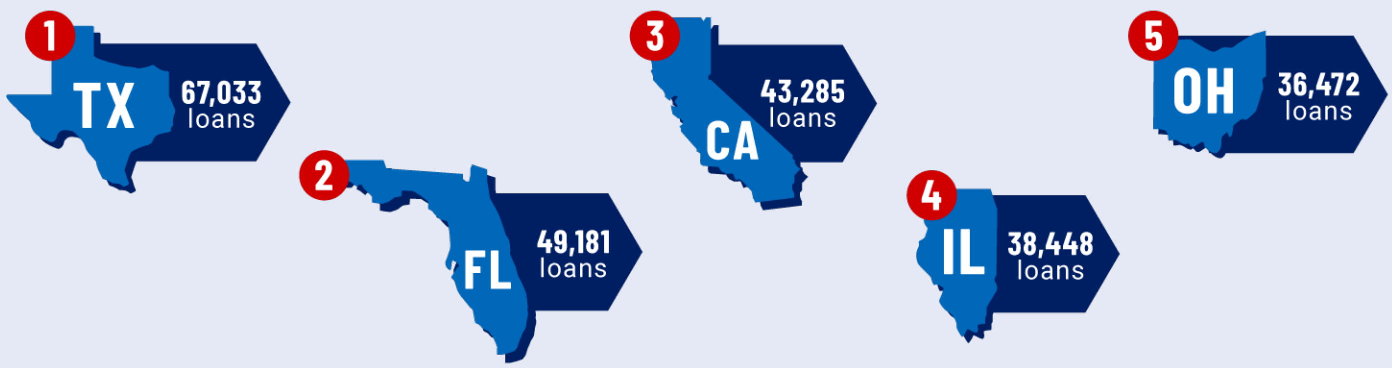
USMI analyzed how long it could take prospective homebuyers to save for a 20% cash down payment plus closing costs at the national and state levels based on the personal saving rate, median household incomes, and median home sales prices. The average number of years to save 20% varies depending on where you live; prospective homebuyers in Washington, DC would have the longest wait time at 51 years, followed by Hawaii at 50 years, California at 49 years, Washington State at 37 years, and Montana at 35 years. Prospective homebuyers in Iowa have the shortest wait time at 15 years. These calculations are based on the median sales price for single-family homes, determined by Redfin data gathered in 2024, median household income in 2023 data from the U.S. Census Bureau (latest available), and personal saving rate data gathered from the Federal Reserve in 2024.[27]



Top States for Private MI in 2024

By helping homebuyers qualify for mortgage financing with a down payment of as low as 3%, private MI has given nearly 40 million families across the U.S. the opportunity to purchase a home sooner.[28] Nationally, in 2024, private MI helped more than 800,000 borrowers purchase or refinance a mortgage.[29] More than 96% of loans with private MI were for new purchases last year, and of the total number of borrowers, 35% had annual incomes below $75,000.[30] Additionally, 65% of purchase loans with private MI went to first-time homebuyers.[31] The homebuyers that used private MI had an average FICO® credit score of 750 and, on average, secured a home loan for $362,632.[32] Texas has claimed the top spot for the state with the most homebuyers helped by private MI for every year since USMI began these reports in 2018.

TOP STATES FOR LOW DOWN PAYMENT LOANS BACKED BY PRIVATE MI IN 2024



The table below shows the number of homeowners helped with private MI nationally, across all 50 states plus Washington, DC, and includes details on the average credit score, home loan amount, and percentage of purchase loans that went to first-time buyers

NUMBER OF HOMEOWNERS HELPED BY PRIVATE MI ACROSS ALL 50 STATES AND DC IN 2024

(Table organizes states from highest to lowest in terms of the number of homeowners helped with private MI)

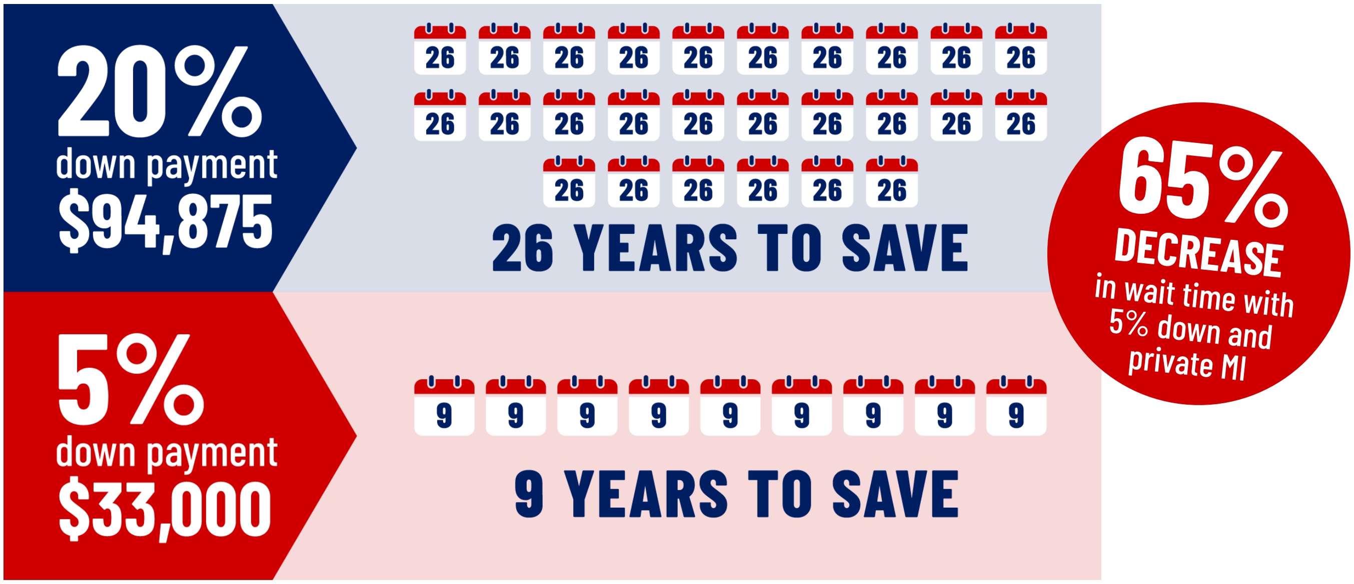
Rank	State	Homeowners Helped	% of First-Time Homebuyers	Average Loan Amount	Average FICO Score
	U.S.	*Over 800,000*	*65%*	$362,632	*750*
1	TX	67,033	61%	$376,753	750
2	FL	49,181	59%	$396,155	748
3	CA	43,285	72%	$569,817	756
4	IL	38,448	71%	$289,163	745
5	OH	36,472	68%	$252,713	745
6	MI	30,340	68%	$263,636	745
7	PA	29,930	69%	$298,822	749
8	NC	27,522	61%	$367,088	755
9	GA	24,784	63%	$379,453	751
10	IN	23,949	66%	$254,958	744
11	MN	21,786	69%	$319,557	750
12	NY	21,130	75%	$380,993	747
13	VA	19,473	62%	$423,991	756
14	AZ	18,982	58%	$431,138	755
15	MO	18,610	64%	$272,698	748
16	CO	17,220	63%	$483,020	759
17	WI	17,212	73%	$278,848	747
18	WA	17,163	66%	$509,548	757
19	MD	17,079	67%	$406,338	753
20	NJ	17,066	77%	$447,838	750
21	TN	15,871	56%	$370,104	754
22	SC	12,831	55%	$335,404	754
23	MA	11,830	76%	$487,337	749
24	UT	10,237	59%	$478,648	760
25	OR	9,558	63%	$460,038	761
26	KY	9,522	63%	$263,669	747
27	IA	9,509	67%	$226,306	742
28	AL	9,439	55%	$290,781	750
29	CT	8,684	76%	$349,270	746
30	NV	8,190	58%	$437,893	753
31	OK	8,025	55%	$266,466	750
32	KS	7,576	63%	$261,095	747
33	LA	6,581	56%	$275,874	748
34	AR	6,011	54%	$288,378	751
35	NE	5,798	68%	$261,978	748
36	ID	4,729	57%	$408,644	756
37	NM	3,847	59%	$330,547	751
38	NH	3,455	72%	$419,904	750
39	MS	3,263	53%	$267,589	748
40	DE	2,878	65%	$380,391	752
41	WV	2,714	59%	$240,933	743
42	ME	2,667	65%	$354,399	747
43	SD	2,097	66%	$281,348	752
44	RI	1,899	68%	$425,471	753
45	MT	1,753	58%	$393,071	756
46	ND	1,414	55%	$287,994	751
47	HI	1,324	71%	$659,749	752
48	DC	1,268	71%	$543,214	763
49	VT	1,160	71%	$324,880	745
50	WY	1,099	51%	$339,808	755
51	AK	1,095	51%	$380,539	753

PRIVATE MI HELPS BORROWERS AFFORD A HOME SOONER: SAVING FOR A 5% VS. 20% DOWN PAYMENT

Purchasing a home with a conventional loan backed by private MI provides an affordable and sustainable loan option and allows borrowers to qualify for a mortgage with as little as 3% down. A lower down payment dramatically decreases the number of years needed to save to purchase a home. Here USMI looks at the scenario of putting 5% down instead of 20%.

While it could take 26 years for a household earning the national median income of $80,610[33] to save 20% (plus closing costs) for a $412,500[34] home, the time decreases by 65% if the household purchases a home with 5% down.

Private MI not only helps borrowers overcome one of the greatest hurdles to homeownership, but also enables them to retain more of their savings, which can significantly help homeowners who may experience unexpected costs such as home repairs or temporary interruptions in income. In addition to these homebuyer benefits, private MI reduces risk in the mortgage market. Private MI acts as a second set of eyes, providing independent credit underwriting standards to ensure that borrowers receive mortgages that promote sustainable homeownership. Private MI's underwriting function aligns with the interests of borrowers, lenders, and investors.



Total cash required by the borrower at closing, which includes closing costs (an average 3% of median sales price for a single-family residence).

A STATE-BY-STATE LOOK AT 20% VS 5% DOWN

The number of years to save 5% for a loan backed by private MI dramatically decreases compared to saving for a 20% down payment, resulting in a 65% decrease in wait times across all states, on average.

(Table is ordered from highest to lowest in terms of the number of years it takes homeowners to save 20% down)

			20% Down Payment + Closing Costs		5% Down Payment + Closing Costs	
State	**Median Household Income**	**Median Sales Price for Single-Family Home**	**Years to Save**	**Total Cash Needed at Closing**	**Years to Save**	**Total Cash Needed at Closing**
US	*$80,610*	*$412,500*	*26*	*$94,875*	*9*	*$33,000*
DC	$111,000	$1,104,050	51	$253,932	18	$88,324
HI	$97,360	$957,550	50	$220,237	17	$76,604
CA	$89,870	$854,800	49	$196,604	17	$68,384
WA	$93,440	$667,300	37	$153,479	13	$53,384
MT	$79,220	$538,500	35	$123,855	12	$43,080
CO	$96,640	$648,600	34	$149,178	12	$51,888
ID	$73,910	$483,350	33	$111,171	12	$38,668
NY	$81,600	$532,150	33	$122,395	12	$42,572
FL	$72,200	$433,600	31	$99,728	11	$34,688
MA	$106,500	$641,000	31	$147,430	11	$51,280
NV	$81,310	$495,000	31	$113,850	11	$39,600
RI	$81,860	$490,950	31	$112,919	11	$39,276
NJ	$91,590	$542,300	30	$124,729	11	$43,384
NM	$60,980	$353,550	30	$81,317	10	$28,284
OR	$88,740	$525,000	30	$120,750	11	$42,000
UT	$101,200	$595,550	30	$136,977	10	$47,644
AZ	$82,660	$463,150	29	$106,525	10	$37,052
NC	$68,610	$389,300	29	$89,539	10	$31,144
SC	$69,100	$397,300	29	$91,379	10	$31,784
TN	$72,700	$396,750	28	$91,253	10	$31,740
WY	$77,200	$426,650	28	$98,130	10	$34,132
GA	$72,420	$386,400	27	$88,872	9	$30,912
ME	$75,740	$406,650	27	$93,530	10	$32,532
CT	$92,240	$468,150	26	$107,675	9	$37,452
MD	$102,000	$515,250	26	$118,508	9	$41,220
NH	$98,780	$504,900	26	$116,127	9	$40,392
VT	$85,190	$421,700	25	$96,991	9	$33,736
VA	$96,490	$462,050	24	$106,272	9	$36,964
AL	$60,660	$278,750	23	$64,113	8	$22,300
DE	$86,340	$390,700	23	$89,861	8	$31,256
MS	$55,060	$252,900	23	$58,167	8	$20,232
TX	$79,060	$349,700	23	$80,431	8	$27,976
KY	$61,980	$269,250	22	$61,928	8	$21,540
LA	$57,650	$246,500	22	$56,695	8	$19,720
AK	$98,190	$395,400	21	$90,942	7	$31,632
AR	$63,250	$257,250	21	$59,168	7	$20,580
MN	$90,340	$365,700	21	$84,111	7	$29,256
WV	$60,410	$246,700	21	$56,741	7	$19,736
WI	$79,690	$324,800	21	$74,704	7	$25,984
ND	$76,960	$295,850	20	$68,046	7	$23,668
PA	$79,820	$317,550	20	$73,037	7	$25,404
SD	$81,740	$326,750	20	$75,153	7	$26,140
OK	$67,330	$246,150	19	$56,615	6	$19,692
IN	$76,910	$264,300	18	$60,789	6	$21,144
MI	$76,960	$265,700	18	$61,111	6	$21,256
OH	$73,770	$255,200	18	$58,696	6	$20,416
IL	$87,820	$292,350	17	$67,241	6	$23,388
KS	$84,830	$284,550	17	$65,447	6	$22,764
MO	$78,290	$267,950	17	$61,629	6	$21,436
NE	$89,190	$292,000	17	$67,160	6	$23,360
IA	$80,860	$237,000	15	$54,510	5	$18,960

Helping Homebuyers Buy Homes

First-time homebuyers are already at a disadvantage compared to repeat buyers who typically have equity to put towards a purchase and often have higher incomes and savings. This disadvantage is further exacerbated by interest rates that have stayed high and home prices that increased by 4.5% between Q4 2023 and Q4 2024.[35] In fact, since before the pandemic (January 2020) through the end of 2024, home prices have risen over 50% nationally.[36]

A recent NerdWallet report shows that only “28% of Americans who began 2024 with the intention of buying were successful at the time of our survey (Nov. 15-19, 2024),” with high home prices keeping more respondents on the sidelines than anything else.[37] A recent NAR survey showed that buyers were delayed in homebuying by high rental costs, credit card debt, and student loans.[38]

> **Younger buyers continue to depend on savings for their down payment, while older buyers use proceeds from the sale of their previous residence.**
>
> *– National Association of REALTORS®, 2024 Profile of Home Buyers and Sellers*

Despite the challenges, many people successfully purchased homes and began building equity even when the market wasn’t perfect. According to NAR, millennials now make up 29% of home purchasers, which makes them the largest group of homebuyers by 3%.[39]

Saving for a down payment can be difficult. Per NAR, younger millennials (aged 26 to 34) made up 71% of first time homebuyers in 2024. That same age group answered that other than finding the right property, saving for a down payment (33%) was the most difficult step in the homebuying process.[40]

Even with limited housing supply coupled with elevated interest rates and home prices, low down payment mortgage options offer a pathway to achieve affordable and sustainable homeownership for first-time and low down payment homebuyers. USMI's 2024 data show that first-time homebuyers (65%) make up the majority of those securing conventional purchase loans backed by private MI.[41]

> **65% of borrowers who secured conventional purchase loans with private MI were first-time homebuyers.**
>
> *– GSE Aggregate Data*

Private MI is Short-Term, but Benefits are Long-Term

Private MI benefits homebuyers because it helps them qualify for conventional mortgage financing sooner, and for most, the cost is temporary. Unlike the MI premiums paid on the vast majority of loans insured by the Federal Housing Administration (FHA) and other government-backed programs, which typically cannot be cancelled, private MI paid monthly by the borrower can be cancelled once a certain amount of equity is attained, leading to lower monthly mortgage payments in the long term.

TWO WAYS TO REMOVE PRIVATE MI[42]

Option 1	Option 2
A borrower with a good payment history may request cancellation of private MI when they have established 20% equity in the home. Cancellation may be subject to certain conditions, such as loan seasoning requirements and proof of the property's value.	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 is required to terminate private MI.

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HOME LOAN OPTIONS WITH MI

Consumers should be fully informed of loan options with MI, including the benefits of private MI versus FHA-backed loans, before making one of the most significant purchases of their lives.

	Private MI on Conventional Loans	MI Premiums on FHA Loans
How it Works	Private MI satisfies GSE requirements for borrowers to purchase a home with a down payment as low as 3%. Private MI insures and protects lenders, GSEs, and taxpayers against credit losses. Private MI employs risk-based pricing to granularly assess, price, and manage risk in a highly competitive market.	FHA is a government-administered mortgage insurance program with an upfront premium and annual premium. The FHA requires a minimum 3.5% down payment.[43] FHA employs a flat pricing framework.
Consumer Impact	Private MI coverage and monthly premiums paid by a borrower automatically terminate when the mortgage's original loan-to-value (LTV) reaches 78%. A borrower can also initiate cancellation sooner at 80% LTV when certain conditions are met.	Unlike private MI, most FHA insurance premiums typically never cancel, and borrowers pay insurance premiums for the entire life of the loan. The 1.75% Upfront Mortgage Insurance Premium is typically financed into the mortgage loan amount, reducing the borrower's equity cushion.
Tax Treatment	Private MI premiums were treated as "mortgage interest" for 2007-2021 and will become tax deductible again for many borrowers starting in 2026.	FHA insurance premiums were treated as "mortgage interest" for 2007-2021 and will become tax deductible again for many borrowers starting in 2026.

Private MI Protects Taxpayers

Every dollar that a private MI company covers when a borrower defaults on their mortgage is a dollar that the GSEs and American taxpayers, who stand behind them, do not have to pay. With the GSEs in conservatorship and the government currently serving as their backstop, taxpayers face exposure to mortgage credit losses experienced by the GSEs. Traditionally, for loans with down payments less than 20% of the home value, private mortgage insurers—not taxpayers—cover the first losses in the event a borrower defaults.

41%

Portion of newly insured mortgages that private MI protected in 2024[44]

Nearly

$1.6 Trillion

Amount in mortgages outstanding with private MI protection, including more than $1.4 trillion of mortgages backed by the GSEs, at the end of 2024[45]

Nearly

$60 Billion

Amount the private MI industry covered in claims for losses since the 2008 financial crisis[46]

According to the Urban Institute, private MI is highly effective in reducing losses to the GSEs. An analysis finds that the presence of private MI in the market reduces the losses the GSEs experience on loans made with low down payments (LTV ratios above 80%) to the same levels as the losses they experience on loans with large down payments (LTV ratios below 80%). This shows that private MI is highly effective in reducing losses to the GSEs.[47]

The Urban Institute's analysis of data from 1999 to 2022 found that 24% of 30-year fixed rate, full-documentation, fully amortizing GSE loans had private MI. During this time, the average private MI coverage was 25.2%, lowering the effective LTV of these loans to the GSEs to less than 80%. Compared with GSE loans without private MI, GSE loans with private MI are slightly smaller, are more heavily purchase loans, have higher LTV ratios, have lower FICO scores, and have higher debt-to-income (DTI) ratios.[48]

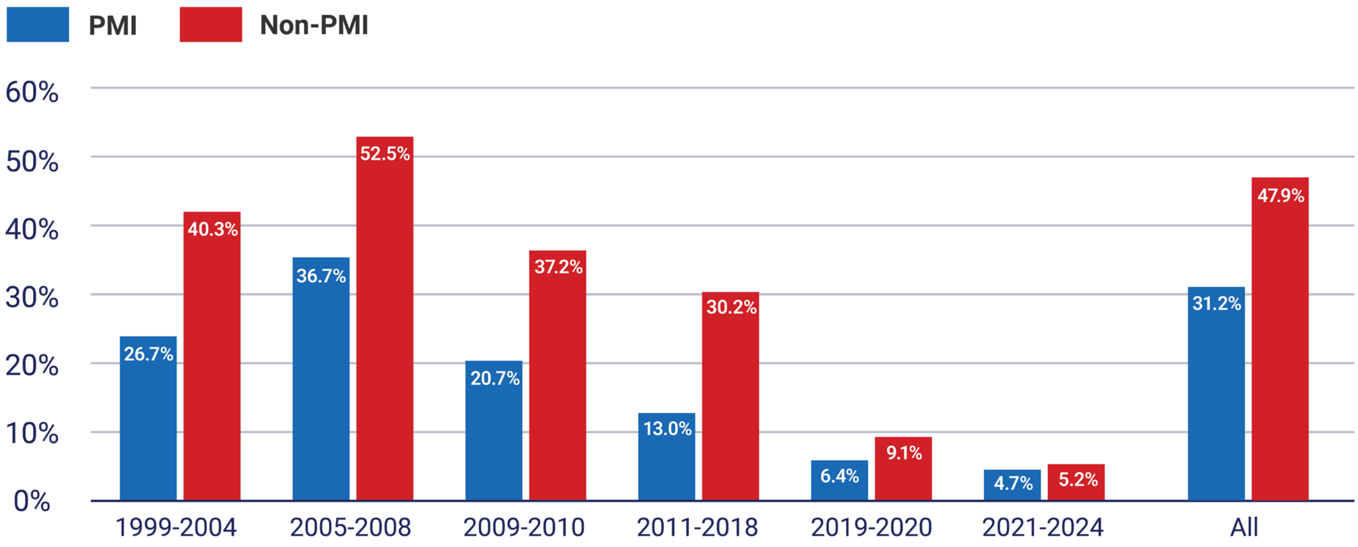
PRIVATE MI SIGNIFICANTLY LOWERS LOSS SEVERITIES AND REDUCES TAXPAYER RISK

The presence of private MI makes it easier for borrowers with limited down payments to access conventional mortgage credit, according to the Urban Institute.[49] This is the primary function of private MI: to help borrowers qualify for home financing.

From 1999-2024, the Urban Institute's analysis found that the loss severity of GSE loans without [private MI] was 47.9%, higher than the 31.2% severity for loans with private MI.[50]

Moreover, historical experience and data show that private MI is remarkably effective. The Urban Institute analysis shows that GSE loans with private MI consistently have lower loss severities than those without private MI. In fact, for more than 20 years, conventional loans with private MI have exhibited lower loss severity for each origination year. According to the Urban Institute, the loss severity of GSE loans without private MI for the 1999-2024 origination period was 47.9%, which was higher than the 31.2% severity for GSE loans with private MI during the same time period.[51]

LOSS SEVERITY FOR GSE LOANS WITH AND WITHOUT PMI



Note: GSE = government-sponsored enterprise; PMI = private mortgage insurance. GSE credit data include 30-year fixed-rate, full-documentation, fully amortizing mortgage loans only. Fannie Mae data include loans originated from Q1 1999 through Q4 2024; performance data for these loans are also available through Q4 2024. Freddie Mac data include loans originated from Q1 1999 to Q4 2024; performance data for these loans are available through Q4 2024.

This data, coupled with the nearly $60 billion in claims the private MI industry has paid since the GSEs entered conservatorship, underscores how private MI provides significant first-loss credit risk protection for the government and taxpayers. By design, private MI provides protection before the risk even reaches the GSEs' balance sheets. As the government explores ways to further enhance safety and soundness in the housing finance system while also ensuring Americans continue to have access to affordable mortgage credit, data shows that private MI has been an important solution across housing market cycles, and the industry has the capacity to play a broader and deeper role in the market going forward. Unlike most other forms of private capital in the housing finance system, private MI has been available during all economic cycles, including times of stress such as the COVID-19 pandemic.

PRIVATE MORTGAGE INSURERS ARE SOPHISTICATED MANAGERS OF RISK

The private MI industry has dramatically evolved over the last 17 years, and is a strong, resilient, and reliable component of America's low down payment mortgage market, serving as the first layer of protection against undue credit risk and supporting homebuyers, lenders, the GSEs, and taxpayers.

The private MI industry's ability to scale up for record volume during the pandemic demonstrated the industry's transformation since the 2008 financial crisis into sophisticated managers of mortgage credit risk. In total, private MI companies have transferred more than $80.7 billion in risk since 2015, giving additional capacity to the private MI industry to support new borrowers during all economic cycles.[52] This includes 75 Quota Share Reinsurance (QSR) and Excess of Loss (XOL) transactions, ceding $57.9 billion of risk to the traditional reinsurance market.[53] In that same time, private mortgage insurers have conducted 58 ILN transactions, transferring nearly $22.8 billion of risk.

MI-credit risk transfer (CRT) structures have developed and grown since 2015, transforming the business model from "Buy-and-Hold" into "Buy-and-Actively Manage."

> **"Mortgage insurers remain well positioned to maintain stability in the event that a less favorable economic environment materializes in 2025."**
>
> *– Fitch*[54]

The private MI industry transformed its business model through compliance with robust capital, risk, and operational standards in order to enhance its resiliency to withstand severe economic stress. The terms of private MI coverage, the regulatory framework governing the industry, its financial requirements and capital position, and its underwriting have all evolved, and the performance of the private MI industry through the COVID-19 pandemic underscores its role as a reliable source of strength and stability in the housing finance system.

The $9.3 billion of eligible assets in excess of PMIERs held by held by USMI members at the end of 2024 represented a 165% sufficiency ratio.[55]

USMI member companies collectively held more than $9.3 billion in excess of regulatory capital requirements

– MI Companies' 2024 Annual Reports

Also, private MI companies now utilize more granular and dynamic pricing models that allow them to better tailor solutions to the risk profile of an individual borrower. They have aligned their rescission relief principles with the GSEs' representations and warranties framework to provide increased certainty of coverage, and they have updated policy terms to maximize clarity around coverage and servicing. Overall, the private MI industry's core mission is to help families gain access to affordable mortgage credit and succeed as sustainable homeowners. The changes since 2008 have positioned the private MI industry to meet the rising demand for homeownership while serving as a source of strength and stability in the housing finance system.

In fact, there are no other GSE credit enhancement counterparties with capital and operational standards as robust as private mortgage insurers. These developments have helped private mortgage insurers further shield the GSEs and taxpayers from mortgage credit risk, while also expanding access to homeownership for millions of American families.

Tax Treatment of MI

From 2007 through 2021, millions of homeowners claimed the MI tax deduction, allowing them to save more of their hard-earned dollars.[56] Although this deduction had previously expired, in July 2025, a provision in the One Big Beautiful Bill Act reinstated and made permanent the deductibility of MI premiums beginning in tax year 2026. The return of the deduction stands to once again benefit taxpayers and provide working class homeowners with meaningful tax relief without increasing risk in the housing finance system. Previous bills, including the Tax Cuts & Jobs Act, also led to savings for homebuyers and the price of private MI going down, with the small cost of MI declining 25% since 2017, as measured by premium yields on portfolios of IIF.

DATA THROUGH TAX YEAR 2021 SHOWS:[57]

$64.7B	44.5M	3.4M	$1,454	$2,364
Total MI deductions claimed by homeowners	Number of times the MI deduction has been claimed	Average annual number of homeowners who claim the MI deduction	Average annual MI deduction amount per qualified taxpayer	Average annual MI deduction amount per qualified taxpayer in 2021

The table below breaks down at the state level the number of households that claimed the MI tax deduction and the total amount of deductions claimed in 2021, according to the latest data available from the Internal Revenue Service.[58]

NUMBER OF HOUSEHOLDS THAT CLAIMED THE MI TAX DEDUCTION IN 2021

(Table is organized in alphabetical order)

State	Households that Claimed Deduction	Total Amount of Deductions Claimed
U.S.	***1,277,180***	***$2,904,686,000***
AK	2,370	$6,350,000
AL	12,330	$23,110,000
AR	5,110	$9,209,000
AZ	26,810	$70,303,000
CA	171,820	$523,560,000
CO	34,480	$111,097,000
CT	21,950	$38,181,000
D.C.	3,450	$8,009,000
DE	6,230	$13,479,000
FL	86,640	$219,332,000
GA	63,600	$123,241,000
HI	4,930	$21,164,000
IA	6,310	$9,251,000
ID	5,970	$15,071,000
IL	55,600	$92,331,000
IN	13,610	$24,916,000
KS	5,740	$9,354,000
KY	10,490	$16,649,000
LA	12,530	$24,275,000
MA	30,560	$71,136,000
MD	71,630	$163,406,000
ME	3,960	$6,956,000
MI	26,310	$39,529,000
MN	27,030	$43,527,000
MO	14,440	$25,377,000

State	Households that Claimed Deduction	Total Amount of Deductions Claimed
MS	8,350	$16,265,000
MT	3,880	$7,498,000
NC	31,210	$62,169,000
ND	1,180	$2,499,000
NE	4,520	$7,008,000
NH	5,690	$11,558,000
NJ	52,270	$111,599,000
NM	6,010	$13,115,000
NV	15,760	$43,840,000
NY	60,540	$142,651,000
OH	25,220	$41,409,000
OK	8,240	$15,676,000
OR	26,060	$57,874,000
PA	39,960	$67,610,000
RI	7,270	$17,230,000
SC	17,870	$36,053,000
SD	1,010	$ 2,744,000
TN	14,040	$32,781,000
TX	105,770	$218,890,000
UT	18,170	$44,512,000
VA	47,410	$117,145,000
VT	1,690	$2,627,000
WA	30,840	$89,992,000
WI	16,630	$23,977,000
WV	2,130	$4,259,000
WY	1,090	$2,626,000

Conclusion

For 68 years, private MI has enabled creditworthy borrowers without large cash down payments to enter into homeownership while acting as a strong, resilient, and reliable check on mortgage credit risk throughout the financial system.

2024 data shows that private MI continues to help first-time homebuyers and working families put down roots and begin building intergenerational wealth, even with limited housing supply and elevated interest rates standing as barriers to homeownership. While affordability challenges persist, USMI members can continue helping homebuyers enter into homeownership sooner by backing loans with down payments as low as 3%. The small, temporary cost of monthly MI paid by borrowers has also declined in recent years, even as capital requirements continue to increase and become more robust.

Private MI also benefits the government and taxpayers because it stands in front of the GSEs, absorbing credit risk and default-related losses. When private mortgage insurers pay claims on mortgages backed by the GSEs, each dollar represents an amount the GSEs, and therefore taxpayers, do not have to pay.

Through its role as a second pair of eyes, private mortgage insurers support disciplined underwriting which serves as a check on fraud in the mortgage finance system, and ultimately, helps to ensure borrowers have access to affordable and sustainable credit—benefitting the GSEs, lenders, investors and, most importantly, families across the country.

Private MI companies use a wide range of capital sources – such as equity, debt, traditional reinsurance, and capital markets-based reinsurance – to effectively manage risk. They have also demonstrated versatility in collaborating with a diverse array of lenders, from major money center banks to small community banks, credit unions, and independent mortgage lenders all with the goal of helping more borrowers sustainably become homeowners. The industry has played a critical role in helping millions achieve affordable home financing, while also protecting lenders, the government, and taxpayers.

Endnotes

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