

# PRIVATE MORTGAGE INSURANCE:

## Promoting Homeownership for Massachusetts Families

Mortgage insurance (MI) is typically required to approve homebuyers who have down payments less than 20% of the purchase price. For 68 years, private MI has been an important and durable component in the U.S. housing finance system, helping borrowers in Massachusetts and across the country to access home financing while protecting lenders and taxpayers.

By design, private MI is a proven, reliable method for shielding lenders, investors, 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**<sup>1</sup> 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 26 years<sup>2</sup> for a household earning the national median household income of \$80,610<sup>3</sup> to save 20%, plus closing costs, for a \$412,500<sup>4</sup> home (national median sales price).

In Massachusetts, the median household income is \$106,500<sup>5</sup> and the median sales prices for a single-family home is \$641,000.<sup>6</sup> Using this same analysis, it would take 30 years<sup>7</sup> for a state resident to save 20%, plus closing costs (3% of the total sales price on average).<sup>8</sup>

### 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.

**\$147,430**

(30 Years to Save)  
20% Down Payment without private MI, plus closing costs  
(U.S. \$94,875)



Median household income: \$106,500 (U.S. \$80,610)  
Median home price: \$641,000 (U.S. \$412,500)

**\$51,280**

(10 Years to Save)  
5% Down Payment with private MI, plus closing costs  
(U.S. \$33,000)

### LONGER WAIT TIME TO BUILD 20% DOWN PAYMENTS

**37**  
YEARS

Firefighter  
\$57,120

**30**  
YEARS

Middle School Teacher  
\$69,86

**21**  
YEARS

Registered Nurse  
\$98,43

**15**  
YEARS

Veterinarian  
\$140,27

**37**  
YEARS

Black  
(\$56,880)

**32**  
YEARS

Hispanic  
(\$65,540)

**25**  
YEARS

White  
(\$84,630)

**19**  
YEARS

Asian  
(\$112,200)

Dollar amounts by race/ethnicity<sup>9</sup> and occupation<sup>10</sup> represent median income.

### Who is Borrowing in Massachusetts



Avg. Credit Score<sup>11</sup> (U.S. 715)



Median Household Income<sup>12</sup> (U.S. \$80,610)



Median Home Price<sup>13</sup> (U.S. \$412,500)<sup>14</sup>

### Borrowers with Private MI in Massachusetts

**~35%** Borrowers with Incomes Less than \$75,000<sup>15</sup>

**11,830** Homeowners Helped in 2024<sup>16</sup> (U.S. 800,000+)

**\$487,337** Avg. Loan Amount Purchased/Refinanced with private MI<sup>17</sup> (U.S. \$362,632)

**76%** First-Time Homebuyers<sup>18</sup> (U.S. 65%)

**749** Average FICO Credit Score<sup>19</sup> (U.S. 715)

# 40 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 40 million families nationally the opportunity to purchase a home sooner for 68 years.<sup>20</sup>

### 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 the private MI industry covered in claims for losses since the 2008 financial crisis<sup>21</sup>

## \$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<sup>23</sup>

## 41%

Portion of newly insured mortgages that private MI protected in 2024<sup>22</sup>

### 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:<sup>24</sup>

**1** A borrower may request cancellation of private MI when they have 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 is required to terminate private MI.

### Tax Treatment of MI

President Trump recently signed the One Big Beautiful Bill Act into law, reinstating and making permanent the mortgage insurance premium tax deduction. This deduction, which was previously claimed more than 44 million times between 2007 and 2021, will help make homeownership more affordable without increasing risk in the housing finance system. Data through tax year 2021 shows:<sup>25</sup>

|                                |                                                                                  |                                                                                   |                                                             |                                                                                                               |
|--------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Massachusetts</b><br>(2021) | <b>\$71.1 Million</b><br>Total MI deductions claimed by homeowners in 2021       | <b>30,560</b><br>Number of households that claimed the deduction in 2021          | <b>\$2,328</b><br>Average MI deduction amount in 2021       | <b>3.4 Million</b><br>National average annual number of homeowners who claimed the MI deduction for 2007-2021 |
| <b>National</b><br>(2007-2021) | <b>\$64.7 Billion</b><br>Total MI deductions claimed by homeowners for 2007-2021 | <b>44.5 Million</b><br>Number of times the MI deduction was claimed for 2007-2021 | <b>\$1,454</b><br>Average MI deduction amount for 2007-2021 |                                                                                                               |

<sup>1</sup> GSE Statutory Filings and MI Company Annual Reports.

<sup>2</sup> Calculated based on median household income in 2023 (latest data available from the U.S. Census Bureau); median sales price for a single-family home in 2024, according to National Association of REALTORS®; median savings rate in 2024, according to data from the Federal Reserve.

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

<sup>4</sup> National Association of REALTORS®.

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

<sup>6</sup> Redfin Analysis of MLS Data for Single-Family Residences.

<sup>7</sup> Calculated based on median household income in 2023 (latest data available from the U.S. Census Bureau); median sales price for a single-family home in 2024, according to Redfin Analysis of MLS Data for Single-Family Residences; median savings rate in 2024, according to data from the Federal Reserve.

<sup>8</sup> Zillow.

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

<sup>10</sup> U.S. Census Bureau, Historical Income Tables (Table H-9); U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment & Wages (May 2024).

<sup>11</sup> Experian data from January to December 2024.

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

<sup>13</sup> Redfin Analysis of MLS Data for Single-Family Residences.

<sup>14</sup> National Association of REALTORS®.

<sup>15</sup> HMDA Data.

<sup>16</sup> GSE Aggregate Data.

<sup>17</sup> GSE Aggregate Data.

<sup>18</sup> GSE Aggregate Data.

<sup>19</sup> GSE Aggregate Data.

<sup>20</sup> USMI Member Company and GSE Aggregate Data.

<sup>21</sup> GSE Statutory Filings and MI Company Annual Reports.

<sup>22</sup> MI Company Annual Reports, VA Monthly Volume Reports, and FHA Single-Family Market Share Reports.

<sup>23</sup> MI Company Annual Reports.

<sup>24</sup> Consumer Financial Protection Bureau.

<sup>25</sup> Internal Revenue Service.