



PrivateMI

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P E R S P E C T I V E

PrivateMI Makes the Dream of a Better Life Come True

After immigrating to America from Guadalajara, Mexico, Javier and Rose Padilla found themselves squeezed into a second-floor apartment so tiny they had to share a bedroom with their toddler, Ruby.



The Padilla family with their new baby Xavier in Vallejo, California.

"It was very small and the neighbors were complaining when Ruby was running or jumping," the couple said. With another child on the way, the Padillas dreamed of buying a home that had more space for their growing family. "We wanted to move to improve our quality of living," the Padillas said. "We wanted for our kids a better place to live, more space, and a back yard where they can play and run..."

But like many aspiring homeowners, the Padillas felt they would never be able to save up enough money to buy a house. "We only had a small saving, plus our tax return," they said. "That was all the money we had."

"We never thought that we could own a house, because it was like a dream that could never come true," the Padillas said.

But the Padilla family's dream did come true, thanks to private mortgage insurance (PrivateMI) that enabled them to buy a house with a smaller down payment than typically required by many lenders.

With PrivateMI from PMI Mortgage Insurance Co. of San Francisco, the Padillas were able to buy a house

with less money down than they thought they would need. Instead of waiting for years to save enough money for the 20 percent down payment required for many loans,

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Outreach Campaign Targets Consumers, Policymakers and the Media

The private mortgage insurance industry has launched a multi-year, nationwide outreach campaign to educate the public, policymakers, and the media about the benefits of private mortgage insurance, known as PrivateMI.

"Most Americans are not aware of the role PrivateMI plays in helping expand our housing market – by allowing them to buy their homes

sooner, for less money down," said Frank P. Filippis, Chairman and CEO of Radian Guaranty Inc. and President of MICA. "Our goal is to let people know that with PrivateMI, even Americans of modest means can afford to buy their own homes."

The campaign features print, radio, and on-line ads that explain that PrivateMI has



helped more than 20 million American families buy homes over the last 43 years. The ads have appeared in publications such as Newsweek, Time, The Wall Street Journal and the on-line media outlet Hotline. The ads emphasize that PrivateMI helps home buyers purchase homes sooner than they otherwise would.

The industry has also made dramatic improvements to its web site,

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WELCOME

Suzanne C. Hutchinson, Executive Vice President, The Mortgage Insurance Companies of America

Welcome to the inaugural issue of PrivateMI Perspective, the newsletter for the private mortgage insurance industry!

For the last 43 years, we've helped millions of Americans buy homes sooner, for less money down. Many are low- and moderate-income families. PrivateMI has helped prospective home buyers overcome the greatest barrier to homeownership — accumulating the 20 percent down payment.

Our industry created privately-insured low down payment mortgages back in the 50's. Today, we're working harder than ever to get Americans into homes sooner, so they can start enjoying them and building up equity immediately. PrivateMI companies are

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PrivateMI enabled the couple to buy their first house after only seven months of checking out their options and looking at homes.

The Padillas love their new home. Not only is it within two blocks of Ruby's school, it is clean and roomy enough to accommodate newborn Xavier, Javier's mom Maria del Refugio, and the family's dog Buggy.

Still, like many new homeowners, they have plans to make it even nicer.

"The back yard needs a little work, but it has plenty of space for the kids and the dog to enjoy their freedom; they can play and run around the house," the couple said.

Helping families such as the Padillas is one of the goals of making homeownership a reality for more families, said W. Roger Houghton, CEO of PMI Mortgage

Insurance Company and a past president of the Mortgage Insurance Companies of America.

"The key to expanding homeownership is to focus on those people who today are having difficulty

buying a home,"


Haughton said in recent testimony to a U.S. Senate subcommittee. "These groups include minorities, immigrants,

low-income people and families living in rural and inner-city areas. One-third of the first-time home buyers in the coming decade will be immigrants and minorities."

As immigrants, the Padillas feel a special pride in achieving the American dream of homeownership in their new country. But they also appreciate how much owning a home contributes to their quality of life and their family's financial well-being.

"My family, including my Mom, can now live in a peaceful home without wasting money paying rent."

"Living in this house means: happiness, peace, freedom and blessing," Rosa and Javier said. "My

family, including my Mom, can now live in a peaceful home without wasting money paying rent." 

Campaign Targets Consumers

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www.privatemi.com, which is geared to consumers. It includes five different calculators to help consumers make informed decisions about home financing. The various calculators help consumers determine how much sooner they can buy a home using PrivateMI, discover how much more home they can buy with PrivateMI, compare PrivateMI with other financing options, calculate when they can cancel PrivateMI, and assess how PrivateMI can help them grow their wealth. A second Web site — www.micanews.com — has been set up for policymakers and reporters. This site has press releases and other materials of particular interest to legislators and the media.

As part of its outreach campaign, top officials from the industry have been meeting with business and consumer reporters to help explain how PrivateMI has helped make housing more affordable and accessible to all segments of the population.

WELCOME (continued from page 1)

also partnering with nonprofits and community groups across the country to make housing more affordable and accessible to all segments of our population.

But despite the 20 million Americans we've helped buy homes, many Americans are either unaware or confused about PrivateMI. So we've dramatically improved our web site, www.privatemi.com, to help

prospective home buyers understand their options for financing their homes, and launched a new site, www.micanews.com, geared to policymakers and the media.

We hope this newsletter will be another step in increasing the level of understanding about what PrivateMI has done and is doing to help Americans buy homes "Today, Not Someday."

Innovative Program Helps Low-to-Moderate-Income Families Buy Homes

Imagine buying a home for as little as 1 percent down and the promise of a \$1,000 cash reward, simply for paying your mortgage on time and attending financial counseling sessions.

For 100 low-to-moderate-income families in Milwaukee, that scenario will become a reality under an innovative pilot program called The HomeBuyers Capital Access Program, or BuyCAP. The program was developed jointly by the Mortgage Guaranty Insurance Corporation (MGIC), a PrivateMI company in Milwaukee, and the Local Initiatives Support Corporation (LISC), a national housing nonprofit.

BuyCAP targets families who might never qualify for a home on their own. It reduces the income and credit requirements needed to qualify for mortgage loans and the out-of-pocket cash required at closing. In exchange, participants must complete 18 months of counseling after buying the home. The initiative calls for awarding \$6 million in mortgages to help up to 100 families buy a home and establish stronger credit records.

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Rent Versus Buy: Which Is Better For You? Peter G. Miller

Almost two of every three residences in the U.S. is owner-occupied and with good reason: in terms of money, taxes, and lifestyle the housing of choice is the home you own.

Real estate is a localized commodity, which means that prices can both rise and fall, yet it's fair to say that over time homeownership has been a good financial option for most home buyers. For instance, a recent report by Harvard's Joint Center for Housing Studies shows that between 1995 and 1998 the value of American homes grew by \$1.6 trillion — an increase of 20.5 percent.

But if you're a renter today is ownership your next step? Here are a few questions to consider:

If you buy, how long do you expect to live in your home?

Real estate should be seen as a long-term purchase. Buying for just a few years is generally not recommended.

What's happening in your community?

More jobs and growing populations typically mean more housing demand, rising prices, and also rising rents.

How much cash is required?

The days of needing 20 percent of the sale price to buy a home are long gone. With private mortgage insurance (PrivateMI), homes can be purchased with 3 to 5 percent down.

What about other costs?

You need down payment money for real estate, and you often need additional dollars for closing, reserves, moving and other expenses. Alternatively, some loan programs allow you to finance certain closing costs and it may be possible to have the seller pay some of your settlement expenses.

What's your tax status?

As an owner-occupant you'll find that mortgage interest and property taxes can be deducted from state and federal income taxes — generally, the more you earn, the bigger your deduction. In addition, many first-time buyers are able to switch from a standard deduction to itemized deductions and obtain even larger write-offs.

How do monthly costs compare?

Don't just look at rent versus mortgage costs — instead, consider your housing expenses after tax benefits and monthly mortgage loan reductions.

How's your credit?

Good credit can help you get better loans and lower rates. Build good credit now by paying bills on time, saving, and reducing debt.

What are your lifestyle preferences?

Homeownership routinely means having more control over your daily life — from that favorite appliance you pick for the kitchen to a special color for the bedroom walls.

Where can you find out more?

Buying real estate requires time, teamwork, and information. For the best results be sure to work with a real estate broker, loan officer, qualified tax specialist, and other professionals. Also, check newspapers, magazines, and the Internet to track the latest news and trends. 🏠

*Peter G. Miller is the author of the best-selling guide, *The Common-Sense Mortgage*, and created one of the first Internet areas for real estate.*

The Lowdown on Canceling Private Mortgage Insurance (PrivateMI)

Can I Cancel PrivateMI?

Yes. The ability to cancel is one of the best features of PrivateMI. But if you opt for a piggyback loan with a second mortgage covering part of the down payment instead of PrivateMI, payments on the second loan cannot be canceled.

When Can I Cancel?

PrivateMI is generally cancelable once you build up enough equity in your home, but each lender imposes its own cancellation requirements within the parameters set by Federal law.

Federal law requires that for most insured loans made on or after July 29, 1999, you may initiate cancellation by writing your lender when your mortgage is 80 percent of the original value of your home. In most cases, the lender will respond to your request if you are up to date on mortgage payments, have no other loans on the house, and satisfy your lender that the property value has not declined.

For loans made before July 29, 1999, each lender sets its own cancellation requirements. You need to contact your lender to find out what is required of you. The PrivateMI company does not decide when PrivateMI can be cancelled.

What If I Don't Initiate Cancellation?

Once your mortgage has reached 78 percent of the home's original value, PrivateMI ends automatically by law for most loans made on or after July

29, 1999, provided you are current in your mortgage payments and not considered to have a high-risk mortgage. For high-risk mortgages, the lender will automatically cancel PrivateMI at the mid-point of the loan — at 15 years on a 30 year loan, for example.

Will Someone Notify Me When I'm Eligible to Cancel My PrivateMI?

Yes. No matter when your loan was made, Federal law requires the lender to tell the borrower at closing and annually thereafter when the mortgage will hit the 78 percent mark. Also, www.privatemi.com has a calculator that can help you determine when you will reach 78 percent.

What If Housing Prices Go Up Significantly In My Area - Does That Mean I Can Cancel?

Not necessarily. You need to find out from your lender what the requirements for cancellation are.

I've Heard About a Law on Canceling PrivateMI. What's In It?

The Homeowners Protection Act of 1998 makes cancellation easier for consumers to understand. It requires that the lender tell the homeowner at closing and annually thereafter about his right to request cancellation of PrivateMI, and explain how to cancel. Also, in most cases, the lender must automatically cancel PrivateMI when the loan reaches 78 percent of the home's purchase price, so long as mortgage payments are up to date. 🏠

Industry Internet Innovations Benefit Consumers

As the Internet's presence and influence in everyday life continues to expand, MICA's member companies are integrating on-line technology into their standard business practices.

The changes have enabled our members' lender customers to provide more timely information and service to consumers. New on-line services simplify the mortgage loan process, boost access to mortgage insurance products, and speed up approvals.

Just a few years ago, obtaining a low down payment home mortgage required extensive paperwork, and could take up to a month.

Fast forward to today. Because of the Internet, a consumer now can apply and be approved for a home mortgage loan and PrivateMI in a matter of hours, not weeks.

The PrivateMI industry and its lender partners have harnessed the Internet's power to eliminate much of the paper that used to dominate the process. Applications and credit checks can be conducted on-line in a matter of minutes instead of days.

As a result, consumers can get into a home "easier, faster, and cheaper" than before, said Kevin Davis, Manager of Customer Technology at Republic Mortgage Insurance Company (RMIC) of Winston-Salem, North Carolina.

"Today because of technology, we can evaluate borrowers' credit worthiness more rapidly," said Doug Rossbach, Senior Vice President of eCommerce for Radian Guaranty Inc. of Philadelphia, Pennsylvania.

Reflecting the public-at-large, would-be homebuyers represent a mixture of lifestyles and job categories. The broader use of technology helps all of them achieve the dream of homeownership sooner.

"We now have not just the traditional nuclear family, but single parents, immigrants, self-employed and seasonal workers, and first-time home buyers with no established



MICA has launched a new web site, www.privatemi.com, which is geared to consumers.

credit backgrounds and different spending patterns," Rossbach said.

To help them buy homes sooner, with less money down, PrivateMI companies have developed products like the high loan-to-value ratio loans, which require a very small down payment.

"Technology has also helped us be more flexible in what documents we

require to prove income and credit history," Rossbach explained. Instead of requiring a bank statement or an employment history, for example, PrivateMI companies can use new technology to look at a consumer's payment history instead. 🏠

Innovative Program (continued from page 2)

MGIC became involved in the new program because it considers helping more people buy homes to be part of its mission. "If we can expand homeownership for 100 people today, they will raise families who will also have a higher probability of becoming homeowners," said Joe Birbaum, MGIC's Vice President for Credit Policy and Affordable Housing. "It is not only economically correct but socially right."

A key element of the program is the \$1,000 cash reward to borrowers who make timely mortgage payments for 18 months and who complete a post-purchase education program. "Our goal with

"If we can expand homeownership for 100 people today, they will raise families who will also have a higher probability of becoming homeowners. It is not only economically correct but socially right."

BuyCAP is to reach renters who could be successful long-term home buyers with just a little financial assistance, a slight expansion of underwriting guidelines, and a little coaching along the way," said Robert Schwarz, Director of LISC-Milwaukee. For the families in this program, \$1,000 cash could equal nearly two mortgage payments on

their new homes, creating a powerful incentive to make payments on time and to attend the counseling sessions.

"We believe we can change behavior patterns and convert renters who have chronically struggled with credit into fiscally responsible homeowners," explained Gordon Steinbach, MGIC's Executive Vice

President for Credit Policy. Indeed, Leo Ries, Program Director of LISC-Milwaukee, believes MGIC's participation in the program has been critical to getting it off the ground. "Individually, very few banks would do this sort of thing on their own," he says. "Because MGIC has relationships with so many banks and other institutions, their participation gives the effort a seal of approval," he observes.

The program covers one- and two-family residences in targeted Milwaukee neighborhoods. If successful, the BuyCAP program could be expanded in Milwaukee and across the nation. 🏠