



PrivateMI

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P E R S P E C T I V E

PrivateMI Helps Renter Find Great Deal in Great Neighborhood

After renting in a rural town, Lauren Ratchford was able to purchase a home in her dream neighborhood and also save money because of a low down payment and private mortgage insurance (PrivateMI).

Lauren, a 25-year-old looking for a job in social work, had never considered buying a home because she didn't believe she had enough money for a down payment. But when a rental deal for an apartment in West Hartford, Connecticut fell through, Lauren reconsidered her options about purchasing a home.

Lauren quickly found a second floor unit in a 1930s "Pre-War" building that featured high ceilings and beautiful hardwood floors. Because condo units in buildings like this are difficult to find, Lauren knew she had to act fast, even though she had not saved nearly enough for a 20 percent down payment needed for most traditional mortgages.

"The entire process of deciding to buy, finding the condo, and

purchasing happened in three months. It was very quick," explained Lauren.

Luckily, Lauren's broker suggested she use PrivateMI to purchase the home with only a 5 percent down payment, which permitted her to buy a home sooner and for less money down than would have been possible otherwise.

In the end, Lauren's monthly mortgage payment, including the cost of PrivateMI, is less than she would have paid for rent on a similar unit.

Before moving to West Hartford, Lauren lived about 20 minutes away in a rural part of Connecticut. She had a long commute to work and had to drive some distance for most activities.

Lauren had grown accustomed to an urban lifestyle of constant activity



Lauren Ratchford has enjoyed decorating her new home.

and cultural diversity while attending college in Washington, DC. In contrast, the neighborhood where she had been renting was isolated and anything but active.

Additionally, Lauren's complex, where she lived with a roommate, was not well-maintained and lacked a sense of community. However, in her West Hartford condo, Lauren lives near the center of town, where there is always something to do.

"I can step out of my apartment and walk down the street to a restaurant,

a coffee shop or a store," she said.

Lauren had always dreamed of living in a "Pre-War" building, and her West Hartford home includes large windows, a back porch and beautiful brick fireplace, which is one of the home's best features.

Lauren is thrilled she was able to paint her walls and change the light fixtures in her condo, two luxuries she was denied while renting.

"I painted everything," she said. "I never (story continues on page 3)

Private Mortgage Insurance Strategy Blossoms with Low Rates — By Peter G. Miller

Have mortgage interest rates hit bottom?

It's a question which can't be answered because we don't know where rates will be in a few weeks. Or tomorrow. Or next year. That said, it's worth mentioning that we have seen some interesting rate activity during the past few months.

- In mid-October, Freddie Mac reported that interest levels for 30-year financing reached 5.98 percent, the lowest rate in three decades.
- In March, the 11th District Cost-of-Funds Index hit 2.653 percent – the lowest rate since the index has been tracked, a period of more than 20 years. This index is widely used for adjustable-rate mortgages (ARMs), with the result that many ARM borrowers have seen stunningly low monthly payments while new borrowers have

been looking at ARM start rates below 5 percent.

- In September, the one-year London Interbank Offered Rate stood at 1.813 percent – the lowest level seen in years. This index is also used with ARM mortgages.

Even if the market is not at its absolute bottom, rates today are surely attractive when compared to interest levels seen during the past 30 years. Because the cost of capital is low, now is a time to buy with as little down as possible and to refinance for the largest possible amount. In effect, it's a great time to talk about private mortgage insurance (PrivateMI).

While life or health insurance can be seen as a ghoulish bet of sorts – if you get ill or die you "win" – PrivateMI is

really a financial planning tool. It allows you to borrow more – and enjoy what you borrow.

To understand how PrivateMI works, consider lender needs. You want cash and lenders want to loan you money, but lenders also want to reduce risk. So before they hand over a dollar, lenders check your credit, have the home appraised, and take other steps to reduce their exposure.

One of these "other steps" is (story continues on page 4)

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Rapid Growth in Hispanic Home Buyers Is Reshaping the Mortgage Finance Industry

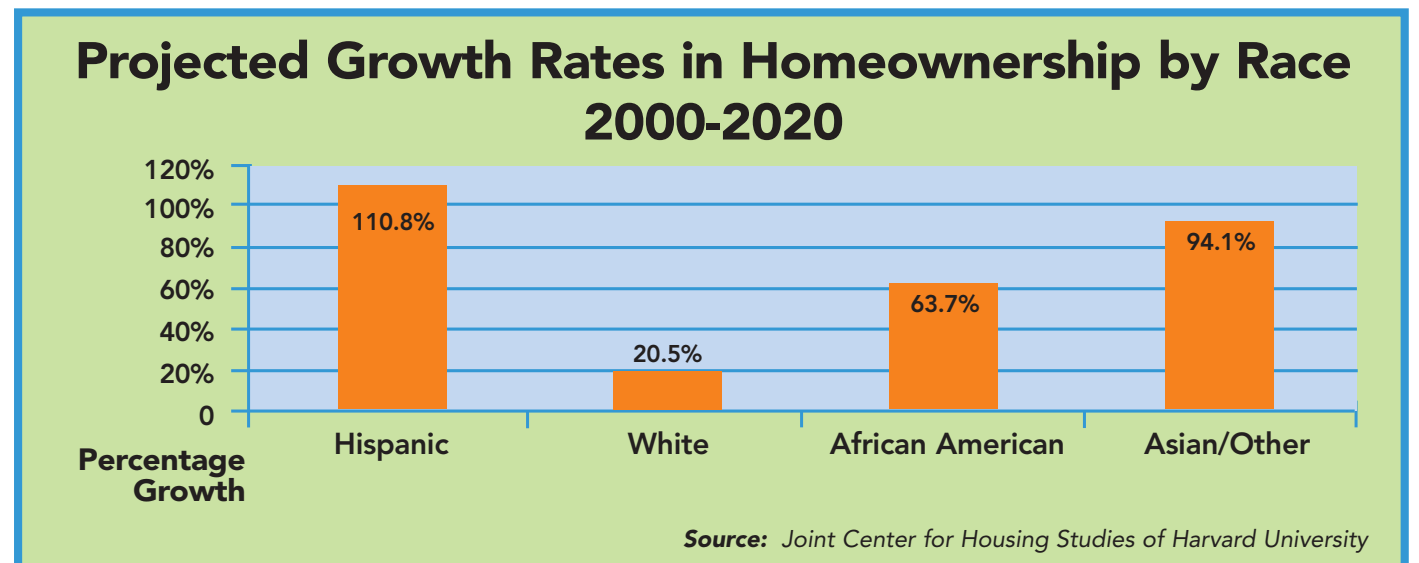
The rising purchasing power of Hispanic families is reshaping the mortgage finance industry, and private mortgage insurance (PrivateMI) companies are working to reduce a 20-point gap in homeownership rates by expanding homeownership for this increasingly important sector of the market.

According to the Selig Center for Economic Growth, Hispanic purchasing power has grown by 118 percent since 1990 and is estimated to be over \$452 billion.

"The impact of the emerging Hispanic home-buying market segment has reshaped the mortgage finance industry as we know it," said Steve Smith, President of PMI Mortgage Insurance Co. (PMI) in a speech to the National Association of Hispanic Real Estate Professionals. "According to the Joint Center for Housing Studies at Harvard, from 1994 to 1999, loans to white home buyers grew by 42 percent as compared to a 98 percent growth rate for African American home buyers and a 125 percent growth rate in loans to Hispanic home buyers."

Private mortgage insurance, which allows people to buy a home for as little as 3 percent down and even less for some buyers, can serve as a foundation that will enable many minority and immigrant families to purchase their first home. Currently, homeownership rates for Hispanics are 47.3 percent compared to the overall U.S. rate of 67.8 percent, according to the U.S. Census.

"Mortgage insurance plays a vital role



in making the dream of homeownership come true by removing a key barrier to homeownership," Smith said. "By providing our lender partners with protection against default for high loan-to-value mortgages, we make it possible for them to provide affordable financing with low down payments."

The number of owner-occupied households is projected to rise by an average of 1.1 million annually over the next two decades. Much of that growth will be fueled by the impact of immigrants from Latin America and Asia who arrived in the 1980s and 1990s. Currently, more than one of every 10 U.S. residents is an immigrant.

PrivateMI companies and their industry trade group, the Mortgage Insurance Companies of America (MICA), are reaching out to serve this growing population. For example, MICA has created www.PrivateMI.com/enEspanol, a Spanish-language version of its Web site.

"With home buyers of all backgrounds seeking more information from the Internet, translating the information on our consumer Web site into Spanish is just common sense," said Suzanne C. Hutchinson, Executive Vice President of MICA.

"Giving people the home buying information they need, in the language they understand, will make the decision to buy a home that much easier," Hutchinson added. "As more Hispanics learn about the benefits of PrivateMI, the sooner they are likely to become homeowners."

"Regardless of the country of origin, immigrant families have a common aspiration – to own a home of their own," Smith said. "And until we have enough successful Hispanic American homeowners to close the homeownership gap with the overall population, we all have a great deal of work to do." 🏠

PrivateMI companies and MICA promote Hispanic homeownership through partnerships, publications and programs.

- Milwaukee-based **Mortgage Guaranty Insurance Corp.** (MGIC) is taking part in a \$10 million program in Racine, Wisconsin that is designed to increase homeownership among low- and moderate-income families in neighborhoods that have a large number of Hispanic residents. MGIC also offers "Tele-Education" courses on the home-buying process and a Home Buyer's Guide in Spanish on their Web site, www.mgic.com.
- **GE Mortgage Insurance** of Raleigh, North Carolina, and **PMI**, which is based in Walnut Creek, California, are educating Hispanics about the dangers of predatory lending and how to protect themselves. Predatory lenders can take advantage of uninformed home buyers or homeowners by charging them unnecessary costs and/or excessive interest rates.
- **United Guaranty Corp.** (UGC) of Greensboro, North Carolina, has created a training course for lenders who speak fluent Spanish. Emerging Markets Education Loan Origination University (EMELOU) – Focus Latino helps loan officers address special issues faced by Hispanic home buyers. UGC also has produced a Spanish-language version of its *Road to Home Ownership* educational booklet for home buyers.
- **Republic Mortgage Insurance Co.** (RMIC), based in Winston-Salem, North Carolina, has developed Spanish versions of its pre-homeownership training materials, and has given classes in Spanish in several markets. In addition, RMIC has adapted its popular "Chuck Taylor" program for the Hispanic community. "Chuck Taylor" is a fictional character who teaches students money management fundamentals, including homeownership, at the junior high level.
- **GE Mortgage Insurance** has launched a Spanish-language version of its educational www.GEhomebuyerresources.com Web site. The two versions were named "Web site of the Month" in October by the National Housing Conference.
- The study guides and workbooks for Philadelphia-based **Radian Guaranty Inc.'s** Homeownership Counseling Center include Spanish versions to help potential homeowners better understand the home-buying process and homeownership.
- Roger Haughton, Chairman and CEO of **PMI**, has been appointed to the Board of Directors for the National Council of La Raza (NCLR). NCLR is the largest constituency-based national Hispanic organization, serving all Hispanic nationality groups in all regions of the country. PMI has also made a \$1 million donation to help establish a permanent endowment fund for the organization's "Empowering an American Community" campaign.
- **MICA** has produced a Spanish-language version of its consumer guide to PrivateMI.

PrivateMI Issue Focus

With delinquency and foreclosure rates going up, what is your company doing to help people resolve financial issues and keep their home?



PMI Mortgage Insurance Co.

"We have found both pre- and post-purchase borrower counseling are instrumental in helping to make people successful homeowners.

"PMI provides home buyers with the knowledge and tools to manage their finances through an effective counseling program that we offer with our lenders. The program is free of charge to home buyers and it has a post-purchase component that gives homeowners the framework to resolve difficult financial situations they may encounter after they are in their home.

"Our objective is to give homeowners the means and ability to stay in their homes and remain on the path to achieving the American dream of homeownership."

– Steve Smith, President and Chief Operating Officer



Republic Mortgage Insurance Co.

"At RMIC we have developed several options for loan servicers to use to aid borrowers with financial issues. Our Delegated Loss Mitigation Program gives servicers the authority to implement solutions without generating duplicate, excessive paperwork and waiting for approval from RMIC. If using a Loan Modification or Repayment Plan to adjust the interest rate or payment schedule is best for the borrower, the servicer can implement it more quickly to save time, during which additional interest and expenses could accumulate.

"If it's obvious that the borrower can no longer afford the house, the servicer can begin working with the borrower to

sell the property and avoid a foreclosure. Under the program the servicer can approve a sale quickly and without several sets of paperwork and levels of approval. By selling the property in this way, the borrower is able to avoid foreclosure and the long term negative credit implications that can create.

"RMIC produced the first educational piece in the industry on this topic, 'Foreclosure Alternatives.' The information it contains is also covered as part of classroom instruction RMIC provides for servicers in our Loss Mitigation seminars. Our focus is to help servicers understand the full range of options they have for assisting borrowers and mitigating losses."

– Michele Nuckles, Claims Team Lead



GE Mortgage Insurance

GE Mortgage Insurance

"GE Mortgage Insurance has an expedited process for working out repayment plans or similar type programs for borrowers who are behind in their payments. Our system uses the latest technology and the Internet to provide automated approval on workout solutions for families that have had trouble making their payments.

"Helping people stay in their homes is a priority for GE Mortgage Insurance."

– Marquita Webb, National Loan Workout Center Manager



Mortgage Guaranty Insurance Corp.

"MGIC insures mortgage loans because we want to help people fulfill the dream of owning a home. However our mission does not stop once families move in. In fact, it has

actually just begun. A major part of helping families obtain their homes is also helping them maintain their homes.

"Every day, our team of specialists works with homeowners facing foreclosure. We work with the homeowners and their lenders to explore ways to keep borrowers in their homes – or if that is not possible – to help them avoid foreclosure.

"Our active role in loss mitigation points to the fact that our interests are aligned with the borrowers' interests. If they succeed at homeownership, we succeed. If they fail, we pay a claim. We are keenly interested in their long-term success and, as such, work diligently to help borrowers succeed at homeownership."

– Kathy Valenti, Manager - Claims Administration



Triad Guaranty Insurance Corp.

"Homeownership is part of the American dream. After a family or individual purchases a home, Triad believes that it should work proactively with the borrower if financial issues arise that potentially put homeownership in jeopardy. Every effort is made to keep borrowers in their homes.

"Triad targets defaults early in the delinquency to ascertain the reason for the default. Early intervention allows for a greater number of options to be explored. Lines of communication are established with all parties. A careful analysis of the borrower's financials are reviewed and discussed directly with the borrower. A number of options are discussed and reviewed including possible referral to a credit-counseling agency;

review of special forbearance plans and repayment plans; suggested refinance modification and partial claims; extended repayment plans and/or loan modifications.

"Frequent borrower contact keeps the borrower focused and allows Triad to provide recommendations and timelines that educate the borrower on the process of loan workout or loss mitigation and avoid the potential of foreclosure. The above steps increase the likelihood that a financially sound solution can be achieved that lets the borrower remain in the house, which is Triad's primary goal throughout."

– Shirley Gaddy, Senior Vice President, Operations



United Guaranty Corp.

"United Guaranty Corp. is committed to helping families buy – and keep – their homes.

"The process of helping homeowners avoid foreclosure begins with our team of workout specialists, who contact homeowners before foreclosure to determine whether they can assist them in working out an alternative to foreclosure.

"Homeowners have a number of alternatives, including forbearance, modifying loan terms, capitalization of all or part of the arrears and re-amortizing the loan, and cash advance loans from UGC to help borrowers cover arrears.

"Close communication with both the homeowner and the loan servicer is critical to successfully avoiding foreclosure. Once we know the homeowner wants to keep the property, we then work with the lender, who must approve our solution to bring the borrower up-to-date with the loan payments."

– Jack Padgett, Vice President of Loss Mitigation

...Great Neighborhood

(continued from page 1)

thought I'd have such a brightly painted apartment, but it works well."

And after splitting rent with a room-

mate in the apartment, Lauren now is able to live alone, giving her some much-needed independence.

Lauren believes the best thing

about owning a home is that it is an investment. In fact, Lauren's condo has already doubled in value since she purchased it in March 2001.

"When you rent, it is like throwing money away," Lauren said. "This is going toward something." 🏠

...Strategy Blossoms with Low Rates

(continued from page 1)

a refusal to lend money equal to the value of the property. Instead, lenders will traditionally provide an amount equal to 80 percent of the sale price or the appraised value, whichever is less. Buy a home for \$300,000 and lenders will readily put up \$240,000 – if you will supply \$60,000, closing costs, and meet all other criteria.

“...now is a time to buy with as little down as possible and to refinance for the largest-possible amount. In effect, it’s a great time to talk about private mortgage insurance.”

— Peter G. Miller

Most people, of course, don’t happen to have \$60,000 in cash or anywhere near such a sum. The result is that to finance a home, borrowers need a loan that represents more of the acquisition cost, something they can get with a guarantee to repay the loan by a financially strong outside party. That’s where PrivateMI comes in.

Private mortgage insurance does not provide cash to close a loan. Instead, PrivateMI companies promise that if the loan fails, they will step in and make good on certain losses. Between the value of the property and the PrivateMI guarantee, lenders have little risk and can make loans with 5 percent down or less. And instead of putting up cash they don’t have or don’t

want to spend, borrowers instead pay a monthly insurance premium based on such factors as the amount borrowed, the type of loan (fixed-rate or ARM), and the amount down.

But at this point someone will ask: Why use private mortgage insurance? Why not get two loans, say one for 80 percent of the purchase

price and a second mortgage for 15 percent? That way you can borrow just as much, it is argued, and not pay insurance premiums.

A few reasons:

1. The interest rate for the second mortgage will be considerably higher than the first loan. What you do not pay in mortgage insurance premiums you may well pay in higher loan costs.
2. If the property increases in value it will be tough if not impossible to get a home equity loan because there are already two mortgages on the property.
3. That second loan is likely to have a short term, far less than 30 years. That means if you stay in your property you will have to pay off or refinance the second loan.

Let’s look at the third item with an eye toward the future.

We are now at a time with relatively low interest levels. But what will happen in five or ten years? Will interest rates be higher or lower than today? They surely can’t go much lower because there’s not much distance

before reaching zero. Alternatively, rates can certainly go higher, which means you may have to replace today’s short-term loans with something more expensive.

But whether rates rise or not, will you qualify for refinancing? Think of all those great jobs during the past five years in such fields as air travel, cable, and Internet development. Think about those fields today. What if rates rise, your income doesn’t, and the time comes when you must refinance?

We are now at a moment when rates are surely attractive, a good time to consider buying and refinancing – and a good time also to prepare for a possible future when rates and economic conditions may not be so wondrous. If you need to borrow, long-term mortgages with fixed rates and little down may well be one of the best financial options available today. 🏠

*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. He first wrote this article for **Realty Times** (<http://www.realtytimes.com>). Reprinted with permission.*

NEWS IN BRIEF

United Guaranty Corp. – Two new board games introduced by United Guaranty Corp. (UGC) are designed to teach principles of mortgage financing to beginning loan originators, underwriters, and loan processors.

“Deception Detection,” which familiarizes players with fraud detection, and “The Big Score,” designed to teach participants about consumer credit, can be used alone or in conjunction with UGC’s training seminars for mortgage professionals.

“When people are having a good time and there’s a spontaneous trading of ideas and information, they will learn more and retain the information longer,” said Chris Hagan, Assistant Vice President for UGC’s Partnerships for Training & Development Department. “The games seemed like a logical way to create this type of atmosphere.”

The games were designed for professionals new to the industry, but can be used as a refresher for those more familiar with mortgage financing.

“We hope these are the first in a series

of educational games UGC can provide to help teach the principles of mortgage financing,” Hagan said.

PMI Mortgage Insurance Co. – Fairbanks Capital Corp., a privately held company owned by affiliates of PMI Mortgage Insurance Co. (PMI), and Consumer Credit Counseling Service of San Francisco (CCCS) have partnered to provide financial counseling to homeowners who are delinquent on their loan payments.

“Because Fairbanks frequently handles loans that have a higher risk of default or a history of delinquency, we wanted to find an innovative way to not only get these loans on track, but to provide a real benefit to our homeowners,” said Tom Basmajian, Chairman and CEO of Fairbanks.

As part of the agreement, PMI will provide a two-year \$100,000 grant to CCCS to help launch the program, which will provide homeowners with a financial assessment, debt and income analysis, and budgeting and payment plans.

“PMI’s core business objective is expansion of homeownership oppor-

tunity,” said Brad Shuster, Executive Vice President for Corporate Development at PMI. “An important corollary to that objective is keeping families in their homes once they have them, and that’s what this Fairbanks CCCS agreement is all about.”

PMI was also named as a Cornerstone Partner in Habitat for Humanity International’s “More Than Houses: Rebuilding Our Communities” capital campaign, which will raise \$500 million to build 100,000 Habitat homes by the end of 2005.

“PMI is committed to creating homeownership opportunities that put families into a home of their own,” said W. Roger Haughton, PMI Chairman and CEO. “Our work with Habitat for Humanity International’s ‘More Than Houses’ will help further this goal.”

Triad Guaranty Insurance Corp. – Founded by Darryl W. Thompson in August of 1987, Triad Guaranty Insurance Corp. recently celebrated its 15th anniversary.

“We’re delighted to celebrate 15 years in the mortgage insurance

industry and look forward to serving our lender partners for many years to come,” commented Thompson, President and CEO. “Triad has always taken a pro-lender approach to its business – an approach that has served us well through our existence.

“The outlook for Triad points to recurrent growth and success as we continually adapt our core business model to the changing nature of the mortgage insurance industry,” Thompson said. “We expect to build on our success by developing more products and services that offer a competitive edge to our lender partners.” 🏠



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