



PrivateMI

A PUBLICATION OF THE MORTGAGE INSURANCE COMPANIES OF AMERICA • WINTER 2004

P E R S P E C T I V E

With Private Mortgage Insurance, Young Couple Able To Raise Family in Ideal Neighborhood

When they decided to buy a home, Eric and Caryn Kopay had excellent credit ratings but did not have enough cash for the 20 percent down payment traditionally required by mortgage lenders. Luckily, their real estate agent suggested they use private mortgage insurance, which made it possible for them to buy their new home with just 12 percent down.

"If it wasn't for private mortgage insurance, we either would have waited to buy or we would have bought a cheaper, perhaps less desirable, home," Eric explained.

Before they were married, Eric and Caryn both lived with their parents, but knew they wanted to buy a home of their own once they married.

"My philosophy was to buy rather than rent," Eric said. "I knew it was important for us to get some equity, which would make us some money in the long run."

Eric and Caryn, with the help of a real estate professional, found their

dream house in a family community in Pittsburgh, Pennsylvania, where they have settled and grown their family, which now includes Justin, 2, and Katie, 3 months.

The Kopays' neighborhood is home to hundreds of other couples, many with young children of their own. The development has parks and sidewalks where the kids can gather and play and is a short distance from good schools, shopping malls and the airport. Additionally, the Kopays live close to their parents, making it easy for the extended family to get together frequently.

The Kopays' home is one level and has three bedrooms and 1.5 bath-

rooms. The couple had looked at larger homes, but Caryn, a

dance instructor, felt that the smaller space would be better suited for raising a family.

"Our house is fairly small, but I like that I can cook in the kitchen while keeping an eye on my children playing in the family room," she explained.

The Kopays' house sits atop a hill, and the back deck provides a scenic view of pine trees and hills beyond their backyard. Their property is



The Kopays bought the home they wanted using PrivateMI.

fenced in so that the children and the family dog, Shabba, can safely run around and play. It is also an area the couple enjoys using for large family gatherings and entertaining friends.

"It was really the backyard and our beautiful view that sold this house to me," Eric said. "When you are looking to buy, they say that location is everything. That was certainly true for us."

(story continues on page 3)

Supporters of Mortgage Insurance Deductibility Legislation Will Push for Congressional Adoption This Year

Supporters will continue to push for congressional passage of legislation that would permit many families to deduct mortgage insurance premiums from their income tax returns.

The Mortgage Insurance Fairness Act, which would allow a tax deduction for mortgage insurance payments made by individuals and families who earn less than \$100,000 a year, was introduced by Sen. Gordon Smith, R-Oregon, and Sen. Blanche Lincoln, D-Arkansas. A companion bill in the House of Representatives is sponsored by Rep. Paul Ryan, R-Wisconsin, and Rep. William Jefferson, D-Louisiana. The legislation was included by the Senate in the tax cut bill last spring, but was not in the final version.

"This legislation would increase homeownership by providing an important deduction for low- and moderate-income families, and we are hopeful that it will be included in future tax legislation," said Suzanne

C. Hutchinson, Executive Vice President of the Mortgage Insurance Companies of America (MICA).

The proposed legislation would provide an average annual \$200 tax savings for as many as 12 million families and a one-time tax savings of \$700 for borrowers with VA loans.

The tax break would be especially beneficial to many who have typically been unable to purchase homes – young people, low-income individuals and members of minority groups. In 2001, nationwide, mortgage insurance covered more than half of mortgage purchase loans made to African American and Hispanic borrowers and 54 percent of the loans to borrowers with incomes below the median income for their area.

Over the past two decades, private mortgage insurance and government insurance and guaranty programs such as Federal Housing Administration and Veterans Affairs loans have helped boost homeownership by making it more affordable for more families to buy homes. These programs help first-time, low- and moderate-income and veteran borrowers afford a home by allowing them to make a down payment (story continues on page 4)

What's Inside

- 2 MICA Members Team with State Housing Agencies
- 3 Issue Focus: Outlook for 2004
- 4 PMI Foundation Working To Bridge Hispanic Housing Gap

MICA Members Team with State Housing Agencies, Bringing Benefits of Homeownership to Local Residents

Member companies of the Mortgage Insurance Companies of America (MICA) are partnering with state housing agencies to help local residents build personal wealth and equity through homeownership.

"MICA members are working at the state and local levels to get more Americans into homes, helping individuals and families increase their personal wealth, strengthen the economy and build communities," said Suzanne C. Hutchinson, MICA's Executive Vice President.

Mortgage Guaranty Insurance Corporation (MGIC) of Milwaukee, Wisconsin, is a national leader in providing pool insurance to state and local housing finance agencies. Currently, MGIC provides pool insurance to the Illinois Housing Development Authority, Oregon Housing and Community Services Department, MassHousing, New Jersey Housing and Mortgage Finance Agency and the Wisconsin Housing and Economic Development Authority.

Pool insurance protects state housing finance agencies (HFAs) against default-related losses and preserves positive credit ratings, which help HFAs raise funds through tax-exempt mortgage revenue bonds (MRB).

Since MRB funds are tax-exempt, HFAs are able to offer first mortgages to residents at below-market interest rates.

In addition, Triad Guaranty Insurance Corporation, located in Winston-Salem, North Carolina, is working with the South Carolina State Housing Finance and Development Authority on a program to extend homeownership opportunities to those living in rural and underserved parts of the state.

The program, called the "Public-Private Broker Partnership Initiative," provides low- to moderate-income families and individuals with fixed-rate loans through the South Carolina State Housing and Development Authority's statewide first-time home buyer program.

"We're looking forward to providing our mortgage insurance services as part of this initiative," stated Darryl W. Thompson, Triad President and Chief Executive Officer. "Families living in rural and underserved areas of South Carolina will now have a better opportunity to pursue the American dream of homeownership."

Another example of such state involvement is GE Mortgage Insurance, headquartered in Raleigh, North Carolina, which has partnered with the California Housing Finance Agency (CalHFA) to increase homeownership among the state's low- to moderate-income residents. As part of the partnership, GE will insure a portion of CalHFA's new and existing mortgage insurance business. The company will also perform administrative services related to insuring the loans.

"This agreement with GE will maximize our use of capital through insurance, allowing us to provide more homeownership opportunities for Californians," said Theresa Parker, CalHFA's Executive

Director. "It will also provide us access to state of the art technology and operations as a result of GE's leadership position in this area, resulting in both cost and productivity savings."

MGIC has also agreed to insure mortgages under the Mississippi

United Guaranty Corporation is also working with state housing agencies to create affordable housing opportunities for local residents.

In 2003, the Greensboro, North Carolina-based company joined with the Colorado Housing and Finance Authority and the Colorado

"MICA members are working at the state and local levels to get more Americans into homes, helping individuals and families increase their personal wealth, strengthen the economy and build communities."

— Suzanne C. Hutchinson, Executive Vice President of MICA

Corporation's Get on Track (GOT) program, which enables people with impaired credit to purchase a home.

As part of the program, qualifying families identify a home they would like to own, and the Mississippi Home Corporation (MHC) purchases it on their behalf. The family then rents the home from MHC and takes steps to improve their credit during a 39-month lease term. Before the lease ends, lessees will have improved their credit to the point where they are ready and able to become the sole owner of the home.

"We are excited to have MGIC as a partner under the Get on Track Lease-Purchase Program," said Francisco Lara, Assistant Vice President of Single Family Programs at MHC. "Having MGIC as a team player in this affordable housing initiative will allow Get on Track participants to obtain the required private mortgage insurance at a competitive rate, despite impaired credit history, or lack of credit."

MGIC has agreed to not only insure the loans, but will also waive the premium adjustment typically applied when the mortgager is not a property occupant, reducing GOT mortgage costs by \$140 per \$100,000 of debt.

Consumer Credit Counseling Service to offer the Mortgage Rewards Program for potential homeowners with poor credit. Under the program, qualified graduates of a debt management course can obtain a mortgage with below-market interest rates and low down payments if they demonstrate on-time payment of debts.

Also in 2003, the Wisconsin Housing and Economic Development Authority selected United Guaranty to provide primary mortgage insurance and pool insurance for its single-family housing programs. The organization provides financing and information to Wisconsin residents and communities in support of affordable housing, small business and agribusiness.

In addition to these projects, United Guaranty Corporation provides primary and pool insurance for the Illinois Housing Development Authority and the New Hampshire Housing Finance Authority.

By partnering with these state housing agencies, MICA members continue to exhibit their commitment to expanding opportunities for all those interested in owning a home. 🏠

10 States with Highest Homeownership Rates

1. Minnesota (77.3%)
1. South Carolina (77.3%)
3. West Virginia (77%)
4. Michigan (76%)
5. Delaware (75.6%)
6. Indiana (75%)
7. Mississippi (74.8%)
8. Missouri (74.6%)
9. Virginia (74.3%)
10. Pennsylvania (74%)

10 States with Lowest Homeownership Rates

1. District of Columbia (44.1%)
2. New York (55%)
3. Hawaii (57.4%)
4. California (58%)
5. Rhode Island (59.6%)
6. Massachusetts (62.7%)
7. Texas (63.8%)
8. Nevada (65.5%)
9. Arizona (65.9%)
10. Oregon (66.2%)

The homeownership rate for the United States is 67.9%.

Source: U.S. Census

PrivateMI Issue Focus

What is your outlook for housing in 2004? Will markets stay strong?



Republic Mortgage Insurance Company

"By any measure, the housing industry experienced a tremendous year in 2003. Spurred by the lowest interest rates in forty years, many new home buyers entered the market and as a result, homeownership levels have reached an all-time high. From a mortgage origination standpoint, due to heavy refinance activity, 2003 will be a record year with originations surpassing the \$3 trillion mark by year's end. Although interest rates are expected to rise in 2004, they are still expected to remain low from a historical perspective. However the anticipated slowdown in refinance activity has put current mortgage origination estimates for 2004 in the \$1.5 to \$1.75 trillion range. While well below last year's record pace, originations at this level would still be the fourth highest in industry history.

"After several years of stellar growth, some housing analysts are predicting rising interest rates in 2004 will cause home prices to crash. While we do expect home price growth to slow next year compared to its high rate over the last few years, we do not expect a nationwide price collapse. Rather, home prices should return to more moderate and sustainable appreciation rates.

"Although current forecasts indicate housing activity will slow in 2004, it should still be a good year. Relatively low interest rates combined with an improving economy and labor market will allow many new households to become homeowners."

– Daniel Green, Staff Economist



PMI Mortgage Insurance Co.

"PMI Mortgage Insurance Co. believes that the housing markets for 2004 will remain strong. In terms of house price increases, the company sees a movement towards a long-term trend where price appreciation is the consequence of varying demographic shifts and rising income due to labor productivity.

"However, PMI projects that mortgage originations will sharply decline as interest rates rise in response to improving economic conditions. Within this rising interest rate environment, interest-rate refinancing will slow, while the cash-out share of refinancing may increase as segments of the population will act to consolidate loans to pay off consumer credit debt.

"PMI's Mortgage Analytics department produces a seasonal Risk Index that the company uses to project the outlook for housing and to assess and manage risk levels in its own mortgage insurance portfolio. The Risk Index is a statistical model based on certain measures of economic activity and conditions that PMI believes is predictive of the likelihood of home price declines over the next two years. Factors used to derive the PMI Risk Index include the House Price Index from the Office of Federal Housing Enterprise Oversight and labor market statistics from the Bureau of Labor Statistics.

"The PMI Risk Index released by PMI Mortgage Insurance Co. in autumn 2003 trended slightly higher, continuing to indicate a moderate likelihood of a near-term decline in home prices. As of autumn 2003, the average PMI Risk Index value of the 50 largest

metropolitan statistical areas (MSA) was 162, implying the group of 50 MSAs has on average a 16.2% probability of experiencing a home price decline within the next two years."

– Marco Van Akkeren, Economist, Director of Mortgage Analytics



United Guaranty Corporation

"The expectation is that mortgage interest rates may rise by 1 percent to 1.5 percent, but not much more. A greater rate increase would indicate a stronger than expected economic expansion with some possible signs of inflation, both being positive developments for home price stability.

"If interest rates increase by the expected amount, the industry should move from a refinance mortgage market to a purchase mortgage market. Under this scenario, home price appreciation in many communities will likely slow, although continued influx of new immigrants and population growth in the southern half of the United States and a few other (mostly coastal metropolitan) areas will keep the 2004 housing sector and home purchases robust in those areas.

"Although a few parts of the country in which local industries have been hard hit by international competition from low-labor-cost countries or where home price appreciation has outstripped personal income growth over recent years may see stagnation or modest declines in real estate prices, these areas will be isolated and should not affect overall delinquency figures."

– Dan Walker, Senior Vice President and Chief Risk Officer



Mortgage Guaranty Insurance Corporation

"The outlook for housing in 2004 remains positive as the purchase market environment continues to thrive at record levels. Our nation's homeownership rates should continue to trend upward over the next several years, with the growth coming predominately from low- to moderate-income borrowers.

"Housing markets will slow from the torrid levels of the past few years, but still remain strong nationally. Already we are witnessing the slowing of real estate markets as home prices appreciated 5.5 percent year over year for the 12 months ending June 30, 2003, and 3.1 percent annualized based on the quarterly rate increase.

"Demographics will continue to play a strong role in growing the housing market as minorities and immigrants lead the movement into homeownership. [Thirty-five million people will become Americans this decade with immigrants contributing to 50 percent of the growth.] New household formations will approximate 15 million, up from 11.4 million in the 90's, and minorities will make up 2/3 of these new formations. As a result, first-time home buyers will dominate the marketplace.

"In the short-term, mortgage originations in 2004 should slow to approximately \$1.7 trillion. The slowdown will be entirely in the refinance area, as purchase originations continue at record levels. So, all in all, 2004 will again be a strong year for originations by historical standards, but will pale in comparison to the past two years."

– Curt S. Culver, President and Chief Executive Officer

...Raise Family in Ideal Neighborhood

(continued from page 1)

Eric, who is an Account Manager at Office Depot, said he looks forward to remodeling the almost 30-year-old home. He has already painted the exterior and put in a new front door and hopes to install new win-

dows and eventually update the kitchen. But overall, Eric and Caryn say their "starter" home has been perfect for raising their family.

"It may be small," Eric said, "but it is our own to start building memories in." 🏠

"If it wasn't for private mortgage insurance, we either would have waited to buy or we would have bought a cheaper, perhaps less desirable, home."

– Eric Kopay

PMI Foundation Part of New Partnership Working To Bridge Hispanic Housing Gap

A new two-year program to increase homeownership among Hispanics in 11 states throughout the country has been launched by the PMI Foundation, the Congressional Hispanic Caucus Institute, housing advocates and other industry leaders.

The National Housing Initiative (NHI) is focused on bridging what advocates call the "Hispanic homeownership divide."

Despite significant growth in Hispanic homeownership over the last ten years, less than half (47%) of Hispanics in the United States own their homes – 21 percentage points lower than the general population – according to the Congressional Hispanic Caucus Institute (CHCI). The U.S. Census Bureau predicts that minorities will account for almost two-thirds of the growth in new homeowners between now and 2010.

The National Housing Initiative will focus on addressing barriers to homeownership in 63 congressional districts in 11 states where Hispanics make up at least a quarter of the

districts' population. The target states are California, Texas, New York, Colorado, Florida, New Mexico, Arizona, New Jersey, Nevada, Illinois and Washington as well as the Commonwealth of Puerto Rico.

As a "Trusted Friend" sponsor of the program, the PMI Foundation has pledged \$100,000 to help the NHI bridge the Hispanic homeownership divide over the next two years. The PMI Foundation is a private nonprofit organization established by PMI Mortgage Insurance Co., which is based in Walnut Creek, California.

"Even after record-setting years for homeownership, fewer than half of minorities in America own their homes. There is an up-and-coming realization that our industry can – and must – do more to serve all

American families that desire to own a home of their own," said W. Roger Haughton, PMI's Chairman and CEO.

Just as private mortgage insurance helps individual homeowners get started and into a home sooner for less money down, PMI's sponsorship of the NHI project will fund programs such as credit counseling, financial education workshops, brokering down payment assistance opportunities, linking of potential homeowners to viable lenders and home buyer counseling. The NHI also plans a national



W. Roger Haughton presents PMI's contribution to the National Housing Initiative.

housing conference in Washington, DC in 2004.

"PMI's sponsorship of the Congressional Hispanic Caucus Institute and its National Housing Initiative is very significant because our support will assist those families that have not yet grabbed a rung on the housing ladder," said Haughton. 🏠

...Congressional Adoption This Year

(continued from page 1)
of as little as 3 percent or less for qualified borrowers.

However, the inability of borrowers to deduct the cost of these payments on their federal income tax returns remains a barrier to homeownership in the housing finance system.

A broad group of consumer, taxpayer, civic and labor organizations support the legislation, including the National Urban League, National Taxpayers Union, National League of Cities, Mortgage Bankers Association, National Association of Real Estate Brokers, MICA, Consumer Federation of America, Citizens Against Government Waste and labor unions such as the International Brotherhood of Teamsters, Service Employees International Union, National Education Association, American Federation of Teachers and Fraternal Order of Police.

For example, Hector M. Flores, National President of the League of United Latin American Citizens (LULAC), strongly supported the legislation in a column published in the *Dallas Morning News* and *La Opinión*.

"The Mortgage Insurance Fairness Act would assist more Americans in becoming homeowners by providing families making less than \$100,000 a year with a tax deduction for private and government mortgage insurance premiums," Flores wrote. "Tax deductibility for mortgage financing has been a major reason the United States enjoys the highest rate of homeownership in the world. But too many Americans, especially those in minority communities, haven't been able to share in this aspect of the American dream."

In another development, an economic white paper shows that the proposed legislation would create between 150,000 and 250,000 new jobs and would give a boost to home buying. The study by John Tuccillo, a noted housing economist, found that many of the new jobs would be created in the housing sector if Congress passed the legislation.

Rep. Ryan said the study would provide impetus to the legislation.

"This new information gives added momentum in Congress to our legislation," Ryan said in a state-

ment. "The analysis shows how our mortgage insurance bill will both boost homeownership and create new jobs in America. Many of our colleagues have endorsed this key legislation, and I hope that even more will sign on to help open doors to first-time and low-income homeowners and spark job growth throughout this country. The current mortgage interest tax deduction is largely a middle- and upper-income tax benefit. We want to extend this tax benefit to lower income first-time home buyers."

The study was conducted for The Financial Services Roundtable, which supports the legislation as a bipartisan effort to strengthen homeownership opportunities among many borrowers who cannot obtain mortgage credit in the conventional market.

"The financial services industry appreciates the impact that this legislation will have in creating new jobs and new homeowners," said Steve Bartlett, President and CEO of The Financial Services Roundtable. "These new home buyers add stability and security to their individual financial well-being as well as to our nation's economy."

The findings of the study – and the legislation – also were endorsed by the United Brotherhood of Carpenters and Joiners of America.

"Nothing is more important to our membership than home buying," said Chris Heinz, Political and Legislative Director of the United Brotherhood of Carpenters and Joiners of America. "It creates and secures jobs. This piece of legislation promises to create thousands of new jobs for our members. This legislation will help stimulate our economy and reinforce the stable home buying market we have enjoyed in recent years." 🏠



Mortgage Insurance
Companies of America

MORTGAGE INSURANCE COMPANIES OF AMERICA

1425 K Street, NW, Suite 210
Washington, DC 20005
ph: 202.393.5566 fx: 202.393.5557
www.PrivateMI.com
[for consumers]
www.micanews.com
[for news media]