



PrivateMI

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P E R S P E C T I V E

Omontes Feather a New Nest with the Help of PrivateMI

Nancy and Frank Omonte were renting an apartment in Bridgeport, Connecticut when a visit to Florida changed their lives. They fell in love with the warm weather and sunshine and resolved to relocate.

Frank, who grew up in Peru, moved to Connecticut as a teenager and always hated the cold weather. Nancy, a Connecticut native, had tired of their one-bedroom rental, but found the homes they could afford were too small and run-down.

Florida appeared to be the answer to their dreams. They not only loved the climate, but also believed they would get more house for their money. They quickly discovered a wonderful three-bedroom home they wanted to buy in Naples, a community on the water. Then, Frank found a job as a membership director with the YMCA. As everything fell into place, the move seemed as if it was meant to be.

One problem threatened to thwart their plans. The house was too expensive for them to be able to

put 20 percent of the purchase price as a down payment. It was Frank's idea to use private mortgage insurance (PrivateMI), which would allow them to put down a smaller amount and still buy the house they wanted.

Nancy agreed. "It was a good deal to put down less. We just couldn't have afforded this great house that we wanted if we had had to put 20 percent down," she said.

PrivateMI was arranged through their lender, helping the couple buy the house, furnish it and fix it up. "If we hadn't had PrivateMI, we would have had bare rooms and walls," Nancy said. "We wouldn't have been able to get a new bedroom set or a recliner, or paint the house. We would have had to put all the money towards a down payment instead."



Frank and Nancy Omonte enjoy their new Naples, Florida home, thanks to PrivateMI.

Nancy and Frank have adjusted quickly to their new surroundings. The Florida house is more spacious than their old cramped apartment, and they appreciate the peace and quiet of a single-family home. "In the apartment, I didn't like that you could hear everything that went on in the rest of the building – kids going bang, bang, bang, or a neighbor's party," Nancy remembers.

They are also relieved to have their own garage and driveway, which is much better than in Connecticut, where they had only one reserved parking spot for two cars. "Parking was a big deal. When you went home, you never knew if you'd find a spot, and if you didn't, you'd have

to park a much longer distance from the house," Nancy said. "It got to be a real pain."

Both the Omontes feel their development has a lot to offer single adults and families. Would they ever move back to Connecticut? Nancy admits it was hard to be so far away from her family at first. Frank also misses the relatives he left behind. But they both agree they'd never go back.

"Whenever I start having any doubts, I see a beautiful sunset from my home's private porch. Then I remember our deck overlooking the parking lot back in Bridgeport, and those doubts just evaporate," she said. 🏠

PrivateMI Companies: Working to Help People Buy and Keep Their Homes

When Virginia Brunson's husband Bob died last year, she felt unprepared to assume her new financial responsibilities. "Bob did everything. I didn't even know how to balance my checkbook," she explains.

Virginia quickly realized that without her husband's income, she might lose her home. The Brunsons, who lived in Jefferson Hill, Pennsylvania, had relied heavily on Bob's income to pay the mortgage and other household expenses. After his death, Virginia, now approaching retirement age, had to foot all the bills herself while raising her 10-year-old grandson and caring for her 83-year-old mother-in-law.

Luckily, the "Second Chance" program run by Housing Opportunities,

Inc. (HOI), a Pennsylvania-based nonprofit group, enabled Virginia to stay in her home and become financially self-sufficient. The program aids homeowners who face a permanent reduction of income caused by events beyond their control, such as a layoff, divorce or serious illness. Second Chance works with them to reduce their monthly mortgage to an amount they are able to pay. "Without HOI, I would have lost my home," Virginia acknowledged. Radian Guaranty Inc., a PrivateMI company based in Philadelphia,

has long supported HOI.

Recently the company gave a \$165,000 grant to HOI's counseling and loss mitigation programs. Radian's support also helps fund the Home Ownership Protective Effort (HOPE), *(story continues on page 2)*

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...Working to Help People Buy and

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which offers comprehensive credit counseling free-of-charge to help homeowners develop affordable payment plans.

"Maintaining families and neighborhoods, and preserving communities – it's the right thing to do," said Carl Smith, Vice President of Credit Policy at Radian. "What impressed us about the entire program has been HOI's ability to provide the kind of counseling and support needed to not only help borrowers achieve homeownership but also to preserve homeownership through refinancing during periods of reduced income. This is the kind of passion and innovation we want to support."

Last year, 110 families avoided losing their homes because of programs and services offered by

HOI and supported by Radian. On average, 95 percent of all families keep the equity in their homes when they enter HOI's programs. Only 3 percent of HOI's clients lose their homes.

Other PrivateMI companies have made a similar commitment to keeping people in their homes. "Every day, our team of specialists works with homeowners facing foreclosure," said Curt S. Culver, President of the Mortgage Insurance Companies of America and President and CEO of Milwaukee-based Mortgage Guaranty Insurance Corp. "We help homeowners and their lenders explore ways to bring the loan current or, if that is not possible, to help them avoid foreclosure. Over the years we have helped thousands of homeowners avoid foreclosure and protect their credit rating."

PrivateMI companies work closely with local Consumer Credit Counseling Services to provide counseling and other assistance for borrowers who have run into financial trouble. More than 2,500 counselors are available through CCCS's post-purchase financial counseling program to offer financial counseling to assist borrowers in making a smooth transition to homeownership.

PrivateMI companies also sponsor budget counseling, debt management, credit counseling and default counseling to provide guidance or alternatives to foreclosure.

"Through pre- and post-purchase counseling, we have provided thousands of homeowners with knowledge they can utilize to successfully manage their finances and preserve their most important asset – their

family home," says Kathy Schroeder, Vice President of Insurance Operations for PMI Mortgage Insurance Co.

"We are able to offer homeowner-ship education to purchasers before they buy their home, so they can better understand what a significant investment they are making in their future through homeownership," Schroeder said. "Homeownership education also helps people understand what they need to do to preserve and enhance that investment. And we also can offer families a smooth transition to homeownership through financial counseling that they can utilize any-time after they purchase their home."

Meanwhile, the PrivateMI industry also provides support for local non-profit organizations that provide counseling and support for home-

Members of MICA are active in programs that preserve homeownership. In addition to those mentioned in the adjoining story, here are some examples:

Republic Mortgage Insurance Company – RMIC, based in Winston-Salem, North Carolina, sponsors and runs programs to help homeowners avoid foreclosure. RMIC has partnered with the National Foundation for Credit Counseling and its local Consumer Credit Counseling Services (CCCS) to provide both pre- and post-homeownership counseling.

Since face-to-face counseling is not always feasible, RMIC and CCCS joined forces to develop a national telephone counseling course. Working together, the two organizations last year counseled over 3,600 individuals and more than 1,500 this year alone.

"Working with CCCS means we know home buyers can work with a single, extremely capable group to provide pre- and post-homeownership counseling," said Phillip Watson, Affordable Housing Manager. "Since we began working together, we've expanded our homeownership counseling program to include the Federal Housing Authority and other non-conventional loans as well. Home buyers also can get debt counseling from CCCS if it is needed. They've been an extremely valuable partner in the development and implementation of the program."

Mortgage Guaranty Insurance Corp. – The efforts of Milwaukee-based MGIC to help borrowers avoid foreclosure were highlighted in a recent article, "Preserving the Dream," published in *Mortgage Banking Magazine*.

For example, a repayment plan constructed by MGIC allowed Lynette Cowan to keep her Chicago home until her disability checks started coming. In addition, a loan modification engineered by the PrivateMI company kept Leonard Rectenwald in his Uxbridge, Massachusetts home.

"If I couldn't have worked something out, I'd have lost this," Rectenwald told *Mortgage Banking*. "Things are still tight, but I'm not going to lose my house."

United Guaranty Residential Insurance Company – At United Guaranty, which is based in Greensboro, North Carolina, the process of helping homeowners avoid foreclosure begins with its team of workout specialists. These counselors contact homeowners before foreclosure to

determine whether they can assist them in working out an alternative to foreclosure. Alternatives include forbearance, modification of the terms of the loan, capitalization of all or part of the arrears and reamortizing the loan, and cash advance loans from United Guaranty to help borrowers cover arrears.

"Close communication with both the homeowner and the servicer is critical to successfully avoiding foreclosure," said Jack Padgett, Vice President of Loss Mitigation at United Guaranty. "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."

Although workout specialists consider any reasonable plan to help homeowners stay in their homes, sometimes that's just not possible, Padgett said. At that point, United Guaranty's team of real estate sales specialists works with borrowers to sell the property before foreclosure becomes a permanent part of their credit history.

Triad Guaranty Insurance Corporation – Triad Guaranty Insurance Corporation, based in Winston-Salem, North Carolina, has teamed up with Genus Credit Management to assist potential homebuyers in credit counseling. The company provides telephone and study guides to prospective home buyers to help them understand the financial obligations associated with homeownership. "We've found that counseling can be very effective in reducing mortgage delinquency," said Henry Freeman, Senior Vice President, Risk Management.

GE Mortgage Insurance – GE expedites the process for working out a repayment plan for borrowers who are behind in their payments by combining its proprietary loss mitigation technology and the speed of the Internet in its e-LMO Fast Track™ system.

"Helping people stay in homes is a priority for GE Mortgage Insurance," said Marquita Webb, National Loan Workout Center Manager for the Raleigh-based company. "For borrowers that qualify, GE's e-LMO Fast Track™ provides servicers with automated approvals on specific workout solutions for non-performing loans. This is a result of our skilled staff and automation initiatives."

Keep Their Homes

owners who face foreclosure. For example, the PMI Foundation has given financial backing to the Better Housing League, a Cincinnati-based nonprofit group that recently stepped in to help a Cincinnati family that was overwhelmed by a series of illnesses, fires and family emergencies that left them facing foreclosure.

Working with Rondell and Shirley Jones, the Better Housing League came up with a short-term plan to raise "dire straits" money that delayed eviction. The group then worked with Veterans' Administration officials to win a boost in benefits for Rondell Jones, a Vietnam veteran.

That change allowed the couple to keep its home.

"PMI shares the Better Housing League's interest in helping low- and moderate-income people who want to keep their homes," said Roger Haughton, PMI's Chairman and CEO. "Expanding homeownership is an important goal for our company, but helping people keep their homes is equally important."

Without the support of programs and services provided and funded by PrivateMI companies, thousands of people like Virginia Brunson and Rondell and Shirley Jones might be out on the street. 🏠

PrivateMI Companies Join in Disaster Relief Efforts

- All U.S. mortgage insurance companies are involved in the loan forbearance effort to help the families of victims in New York City and Washington, D.C.
- Mortgage insurers are offering to match their employee contributions to the relief funds.
- Mortgage insurers are heavily involved in local charity and blood drives and are making direct contributions to the relief effort in the form of large cash donations.
- Mortgage insurers have sponsored employee efforts to fill tractor trailer trucks with relief supplies and send them to the disaster sites.
- Mortgage insurance company employees across the country are involved with fund-raising for the relief effort in their local communities – everything from bake sales to giving out red, white and blue ribbons for use on car antennas and lapels.

Homeowners Refinancing with PrivateMI To Get More Out of Their Homes

Suppose you have a large credit card balance, a new car loan, and a leftover department store bill from Christmas. To make matters worse, your oldest child is about to go off to college. You're desperate to lower your monthly payments and get out from under the crushing load of debt.

You could buy a lottery ticket. Or hope for a windfall inheritance. You might even cut up your credit cards and pay cash for everything.

But more and more people are taking the route of refinancing their home loan with private mortgage insurance (PrivateMI), according to an analysis done by MGIC Capital Markets Group, a division of Mortgage Guaranty Insurance Corp., a PrivateMI company based in Milwaukee. The extra cash obtained from refinancing is used to pay off high interest, non-tax-deductible debts, such as car loans, credit card expenses, and personal loans. The remaining debt is consolidated into a lower interest, tax-deductible mortgage payment.

Every family's financial situation is different, and consumers should determine whether rolling consumer debt into a refinanced mortgage is the best option for them. Consumer advocates also caution that any solution to increase cash flow should address underlying spending habits that put families in debt.

While PrivateMI was conceived to help people buy homes sooner, for less money down, the new trend is for many homeowners to use PrivateMI as a tool for debt management. The MGIC analysis of the recent boom in home mortgage refinancing revealed some surprising trends:

- Rather than lowering mortgage interest rates to decrease monthly payments, refinanced home mortgages had interest rates that were an average of 0.6 percent higher than the previous mortgage.
- The average homeowner increased his or her mortgage balance by \$41,000 after refinancing, decreasing the amount of equity in the house.

Of all borrowers who had PrivateMI before refinancing, 37 percent retained it afterwards. In addition, 15 percent of the borrowers who did not have PrivateMI prior to refinancing obtained PrivateMI on their refinanced mortgage.

Results of the analysis indicate that a rising number of Americans are tapping into their home's equity, using PrivateMI to obtain mortgages with high loan-to-value ratios to pay off consumer debts. Lenders generally require PrivateMI unless a borrower has at least 20 percent equity in his or her home.

"We've seen a gradual shift in consumer attitudes toward mortgage debt since the beginning of the 1992-93 refinancing boom," remarked Michael Zimmerman, a Vice President of Mortgage Banking Strategies at MGIC. "Today's consumers are more apt to view the home mortgage as a source of cash and financial flexibility. Today's consumers are more aware of their options in managing debts and lowering interest costs."

Zimmerman estimates that as many as half of all borrowers who are refinancing today are motivated by debt consolidation. Another sign that people are consolidating their debts through refinancing is the fact that, earlier this year, the

they are eliminating double-digit interest rates they had been paying on credit card and second mortgage debt," said Mark Marple, who also is a MGIC Vice President of Mortgage Banking Strategies. "Furthermore, mortgage interest is tax deductible, whereas consumer credit card and installment loan interest expenses are not. This is certainly a factor in many borrowers deciding to consolidate debt under a higher rate first mortgage."

For many would-be home buyers, PrivateMI is the key that unlocks the door to homeownership. This has always been and will continue to be PrivateMI's primary purpose. For others, PrivateMI is a tool for managing personal finances, putting people

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—Michael Zimmerman, Vice President of Mortgage Banking Strategies at MGIC

average interest rate of refinanced mortgages was 0.6 percent higher than the original mortgage.

"Many borrowers are willing to accept a higher first mortgage rate when consolidating debt because

on the road to managing their debt.

So the next time you spend more than you have, forget the lottery. It just may be that refinancing your home with PrivateMI might be a better strategy. 🏠

PrivateMI Industry Helping More Americans Become Homeowners

Although more Americans own their own homes today than ever before, the lack of affordable housing threatens to put homeownership out of reach for low- to moderate-income Americans and groups that have traditionally had low rates of homeownership.

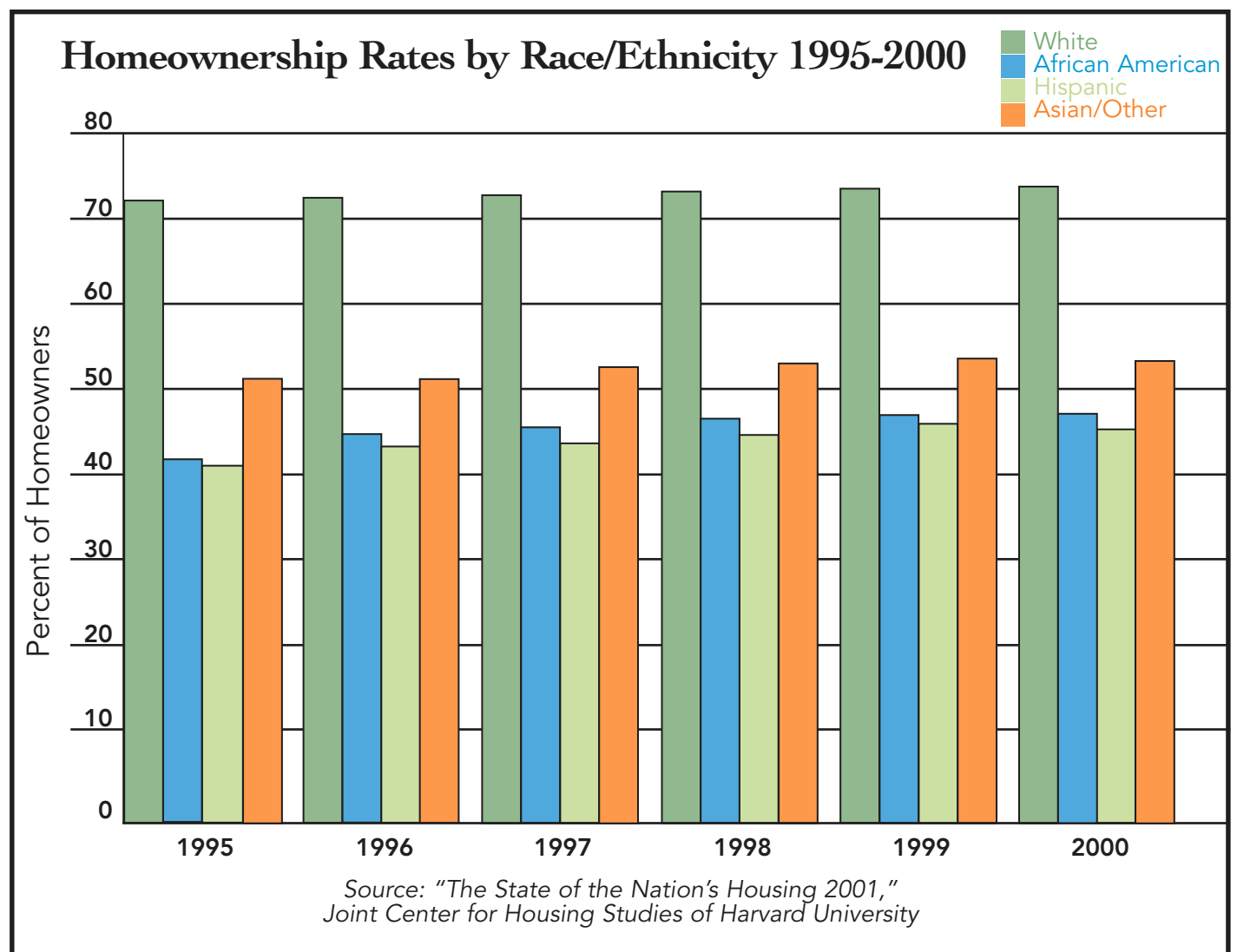
Take Frederico and Erika Jasso, a young couple living in the San Francisco Bay area. Despite a combined income of \$60,000 a year, the Jassos could not afford to buy even a modest home in their area. Fortunately, a program run by San Francisco-based PMI Mortgage Insurance Co. (PMI), a PrivateMI company, and the Unity Council, a community group serving people living in inner cities, came to the rescue.

The program is part of PMI's Gateway Cities Initiative, which encourages homeownership in inner cities with large immigrant populations. PMI gave the Unity Council money to establish a revolving loan fund to help buy and rehabilitate inner-city homes. After the homes are sold to neighborhood residents, the proceeds go back into the fund to help others do the same.

Frederico and Erika Jasso were elated to be among the first to benefit from this initiative. "When we moved to the Bay Area five years ago, we never thought we could buy a house," remarked Erika Jasso. "But thanks to the Unity Council, PMI, and all the other people involved in housing development, our dreams came true. You cannot imagine how pleased we are."

There are many others who find themselves shut out of the housing market like the Jassos almost were. Blame it on a combination of rising housing prices, a decline in single and multi-family housing starts, and low-to-moderate incomes, says a recent report from Harvard University's Joint Center for Housing Studies.

According to *The State of the Nation's Housing*, about one in every



four homeowners spends at least 30 percent of their income on housing. While a record 67.4 percent of American households now own a home, these trends do not hit all groups equally. The Harvard report

indicates that white households enjoy a homeownership rate of almost 74 percent, but less than half of all African American families (47.6 percent) and Hispanic American families (46.3 percent) live in a home they own.

"When we help one individual realize the dream of homeownership,

a small part of all our dreams are realized as well."

— Darryl Thompson, President and CEO of Triad Guaranty.

unrelated to employment such as alimony and child support, which lenders do not always consider when reviewing mortgage applications.

The industry sponsors numerous programs to address these barriers. For example, Triad Guaranty Insurance Corporation provided financial assistance to cover the cost of repair and renovation for a house in Columbia, South Carolina. By also providing mortgage insurance and working in conjunction with Freddie Mac and their HomeSteps program, it enabled a low-income family to

realize the American dream of homeownership. The HomeSteps program allows people who qualify to buy homes below their appraised values, with no down payment.

"When we help one individual realize the dream of homeownership, a small part of all our dreams are realized as well," said Darryl Thompson, President and CEO of Triad Guaranty.

To help address the financing needs of low- and moderate-income buyers, Republic Mortgage Insurance Co. (RMIC) partnered with the Massachusetts Housing Finance Agency, the leading provider of affordable housing in Massachusetts, to provide PrivateMI to buyers with below-median incomes. RMIC has pledged \$50 million toward this effort.

Through innovative programs such as these and a commitment to helping people and families achieve their dreams of homeownership, PrivateMI companies are doing their part to address the myriad factors that affect homeownership in this country, now and in the future. 🏡

That's why the entire PrivateMI industry is working with lenders, community groups, and government at all levels to address the special needs of minorities, immigrants, first-time



Mortgage Insurance Companies of America

MORTGAGE INSURANCE COMPANIES OF AMERICA

727 15th Street, NW, 12th Floor
Washington, DC 20005
ph: 202.393.5566 fx: 202.393.5557
www.PrivateMI.com
[for consumers]
www.micanews.com
[for news media]