



PrivateMI

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P E R S P E C T I V E

Couple Buys Condo with PrivateMI, Cheaper Option Than 80-10-10 Loan

At age 21, Joy Sims never dreamed that one day she would own the two-bedroom Maryland condominium she shared with a roommate after college. Now 28, Joy and her partner, Eren Koont, were able to buy that condo using private mortgage insurance (PrivateMI).

Joy, who works in public relations, and Eren, a product development specialist, had lived together in the rented condo for about a year when they began to think about buying a home.

"Since we decided to stay in the Washington area for awhile, we didn't want to keep throwing away thousands of dollars a year on rent," said Joy. "We wanted to buy a single-family home someday, and we knew that buying a condo would ultimately help us achieve that goal."

Once the pair began looking around, they quickly realized how expensive Washington area real estate could be. So when the

owner offered to sell them the condo they were renting at less than fair market value, they jumped at the chance. For them, it was the perfect first home.

"Our condo is near lots of biking and hiking trails we use on weekends and after work," explained Joy. "It's also close to restaurants and the Washington Beltway, so it's very convenient to leisure activities as well as the airport."

As the couple explored financing, they considered various options such as 80-10-10 loans and PrivateMI. "Our lender told us about using 80-10-10 loans to buy our condo, but it was definitely



Joy and Eren bought their rented condo with PrivateMI.

cheaper to use PrivateMI," said Eren.

Using PrivateMI wasn't an absolute necessity for Eren and Joy, since they had enough money saved up to put a full 20 percent down on the condominium. But they felt more comfortable keeping that money in the bank for emergencies.

"We could have used our savings to get us over the 20 percent mark,

but we wanted to keep a safety net of cash in case something bad happened, like a job loss or getting sick," Joy explained. "Private mortgage insurance allowed us to buy our condo and keep our emergency fund."

For Eren, 28, the condo is a real step up from his former place in Dallas, which was a dark apartment (story continues on page 3)

Supporters of Federal Tax Deduction for Mortgage Insurance Premiums Urge Congress to Pass Measure

A bipartisan bill to grant up to 12 million Americans a federal tax deduction for their mortgage insurance premiums enjoys widespread support both inside and outside of Congress. But despite significant momentum, its passage has been postponed by unrelated issues. Now, supporters are calling on Congress to pass the bill as soon as possible.

The measure, called The Mortgage Insurance Fairness Act, passed the Senate in May as part of an omnibus tax bill. An identical House proposal has attracted 211 cosponsors.

Throughout the summer, more groups continued to lend their support to the already diverse list of organizations backing the measure. Currently, 37 groups (see sidebar for list) including consumer, business, taxpayer, civil rights and civic groups, as well as labor unions, support the tax deduction.

The measure's passage is viewed as a significant way to make housing more affordable for low-and-moderate income families. As Stephen Brobeck,

Executive Director of the Consumer Federation of America observed recently in a nationally syndicated newspaper column, "Delaying [this legislation] is most costly to families who pay the highest proportion of their incomes toward their home-mortgage expenses."

Others believe the bill's speedy passage will help make housing more affordable and promote more widespread homeownership across the nation. "This bill, if passed, will go a long way to help homeowners and potential homeowners who simply want to own a piece of the American dream," said Marc H. Morial, President and Chief Executive Officer of the National Urban League.

"I urge both the U.S. House and the Senate to do what it needs to do to make the goal of affordable homeownership a reality for each and every American."

Private mortgage insurance (PrivateMI), government insurance and federal guaranty programs have consistently helped boost homeownership (story continues on page 4)

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Nearly 60,000 People Learn About PrivateMI Through Minority Outreach Efforts

Nearly 60,000 people attended national conferences where Mortgage Insurance Companies of America (MICA), the trade association of the private mortgage insurance (PrivateMI) industry, conducted an educational outreach program this summer to help African Americans and Hispanics close the homeownership gap.

Although African Americans and Hispanics have been buying homes at an increasing pace, their overall homeownership rates continue to lag well behind the national average of 68.3 percent. Currently, 48.1 percent of African Americans own their own homes, while only 46.7 percent of Hispanics are homeowners.

Yet Harvard University's Joint Center for Housing Studies predicts that more than two-thirds of households created in the next ten years will be owned by Hispanics and African Americans – making it critical to let members of these communities know how they can get the help they need to buy their own homes.

This summer, MICA representatives attended national conventions of the National Association for the Advancement of Colored People (NAACP), with 8,000 attendees, the National Urban League, with 10,000 attendees, the National Council of La Raza (NCLR), with 26,150 attendees, the League of United Latin American Citizens (LULAC), with 15,000 attendees, and the National Association of Real Estate

Brokers (NAREB), with 650 attendees.

At each meeting, MICA representatives staffed a booth in the exhibition hall and distributed educational materials to conference participants. Those manning the booth fielded hundreds of questions from consumers about how PrivateMI could help them purchase a home.

Visitors to the booth were asked to answer a consumer survey designed to elicit what they believed was the greatest barrier they faced in buying a home, and to whom they turned most often for advice in buying a home.

MICA's survey at NAACP's convention revealed that 52 percent of those responding were planning on buying a home in the near future. Yet many who visited MICA's booth at each convention had not realized that PrivateMI could help them purchase a home years sooner and with less money down than if they waited to save the 20 percent down payment traditionally required by most lenders. Booth visitors also learned that PrivateMI enables people to make a down payment on a home



MICA representatives hand out information about PrivateMI at the National Council of La Raza Conference.

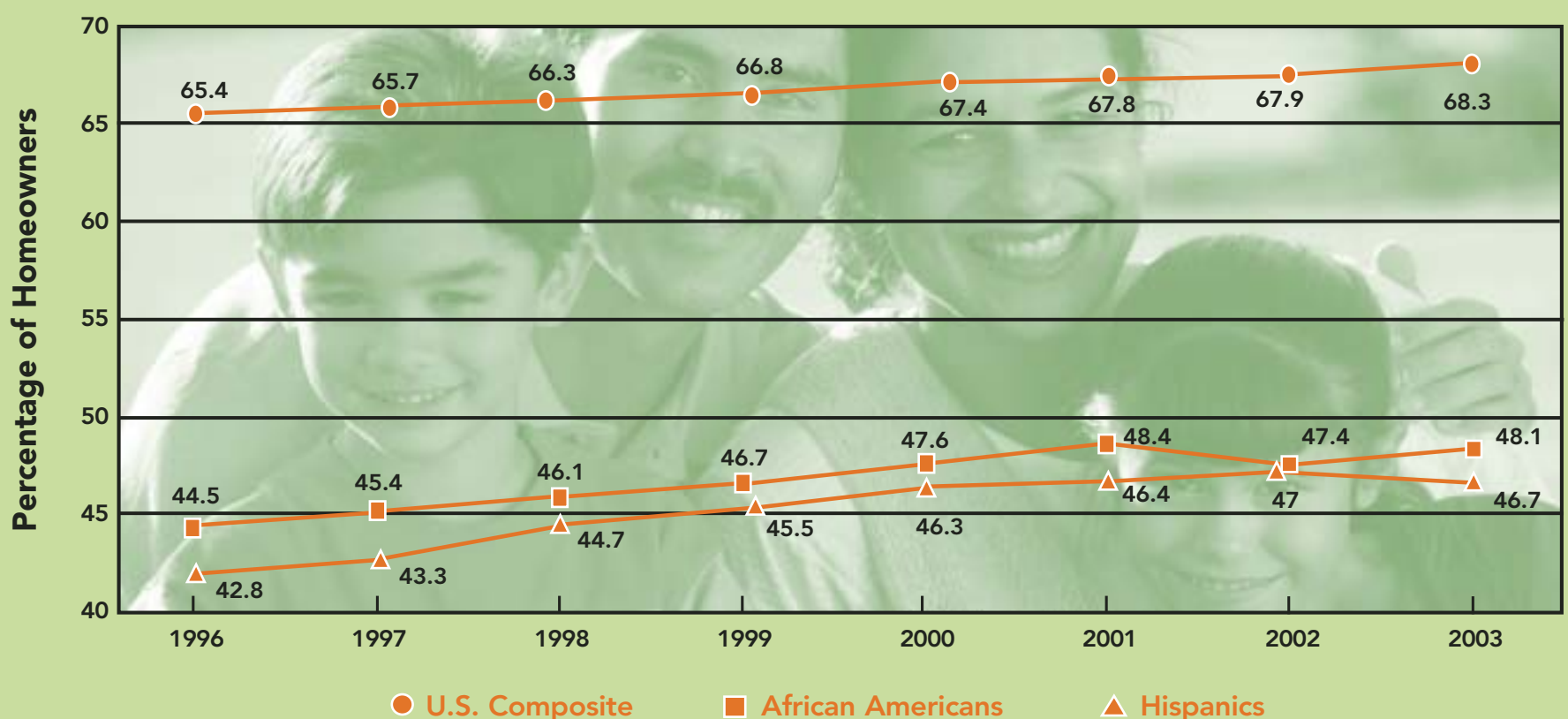
for as little as 3 percent or even less for qualified borrowers.

"Coming up with a down payment remains the greatest challenge for African American and Hispanic families who want to buy a home, one that many are not sure how to overcome," said William V. Nutt, Jr., President and Chief Executive Officer of AIG United Guaranty and President of MICA. "Our mission is to spread the word through these educational

outreach efforts that it's possible to buy a home years sooner, with a low down payment, by using private mortgage insurance," he said.

One important convention survey finding is that most people turn to their family and friends for home buying advice. This means that it's likely that people attending these conferences will pass along what they have learned about PrivateMI to a family member or friend who is thinking about buying a home. 🏠

GAP IN HOMEOWNERSHIP RATES 1996-2003



Source: U.S. Census and The State of the Nation's Housing from the Joint Center for Housing Studies of Harvard University

PrivateMI Issue Focus

Now that interest rates are rising, what is your company doing to help first-time buyers overcome the hurdles to homeownership?



PMI Mortgage Insurance Co.

The Federal Reserve recently raised interest rates – something that many market forecasters feel the Fed is likely to repeat in the future. The Fed's actions certainly impact the cost of mortgage financing and could result in yet another hurdle to homeownership for many Americans.

PMI Mortgage Insurance Co. knows the challenges buyers face when trying to buy a home and by working closely with lenders and Fannie Mae, PMI has developed another solution designed to make it easier for first-time home buyers to realize the dream of owning their own home.

One way in which PMI is enhancing homeownership opportunities is the new PMI Premium AdvantageSM rate plan. Premium Advantage enables home buyers to finance the purchase price and the cost of mortgage insurance coverage up to 100 percent of the value of the home. Until now, when financing the cost of mortgage insurance coverage, the maximum financed amount was 95 percent of the value of the home.

The PMI Premium Advantage rate plan not only helps home buyers realize the dream of homeownership sooner by helping to alleviate the burden of saving for a down payment,

but can also result in a lower monthly payment than many other financing options due to the plan's efficient pricing options.

The PMI Premium Advantage rate plan was introduced in conjunction with the PMI-Fannie Mae "Gateway to Homeownership in a New Century" alliance and is just one way in which PMI is working to expand homeownership opportunities for first-time home buyers.

— *Taia Lockhart, Vice President, Emerging Markets*



AIG United Guaranty

Frequently, when borrowers don't understand the home buying process, they end up with mortgages that, due to a low credit score, lack of credit, or language barrier, feature higher fees and loan terms that can ultimately send them into foreclosure. According to newly released data, more first-time borrowers nationwide are opting for sub-prime loans and adjustable rate financing for their home loans when they really don't have to. And upward payment adjustments due to rising interest rates on these loans can make lower-income and minority consumers particularly vulnerable to loan default and foreclosure.

One answer for first-time, minority, and immigrant home buyers is a

pre-purchase education course, similar to AIG United Guaranty's The Road to Home Ownership[®], available from lenders and housing advocacy groups throughout the U.S. These courses are designed to help borrowers understand what they can afford, what appears on a credit report, and how to improve their credit scores, all leading to a loan that may be easier to manage down the road. They also learn about the types of mortgage loans they can choose from, the application process, and even how to maintain the home and preserve its value. Once armed with a broader knowledge of the benefits and potential dangers associated with a home mortgage, borrowers once likely to choose a risky loan stand a better chance of choosing a home, and a home loan, they can afford in the years to come.

— *Tony Lucente, Vice President, Emerging Markets, AIG United Guaranty*



Mortgage Guaranty Insurance Corporation

Mortgage Guaranty Insurance Corporation (MGIC) recently introduced SingleFile[™], a lender-paid PrivateMI program in which borrowers with good credit can qualify for mortgages with substantially reduced monthly mortgage payments.

It is noteworthy that this program will

result in a lower monthly payment than many so-called "piggyback" mortgage structures while producing the same tax benefits. A piggyback mortgage is one in which the borrower obtains a second lien at purchase, thus reducing the first mortgage loan-to-value ratio to 80 percent.

Today, many borrowers with strong credit profiles are choosing piggybacks, and SingleFile will be of particular interest to many of these borrowers because it will result in the same tax benefits and even lower monthly mortgage payments and allow them to maintain financial flexibility and certainty.

In recent years, piggybacks have been marketed to consumers as a way to minimize monthly mortgage payments and maximize the mortgage interest deduction. While piggybacks have grown in popularity, they involve the origination and servicing of two separate loans. SingleFile eliminates the need for two loans, resulting in a single affordable mortgage. The program makes homeownership more affordable for the consumer and provides the necessary insurance protection for the lender and investor.

When buying a \$200,000 home with a 5 percent down payment, SingleFile could result in a monthly mortgage payment that is about \$50 less than a typical piggyback structure.

— *Patrick Sinks, Executive Vice President - Field Operations*

...Couple Buys Condo

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on the first floor of an impersonal, gated complex. Here, the couple's condo is on the second floor of a low-rise, garden condominium community near Rock Creek Park. "The second bedroom serves as my office, and I have a nice view of green grass, trees, birds, and the park, so it's much prettier than my old place," he explained.

Since the couple bought their condo in June of 2004, they've been busy planning renovations. They are putting in more attractive, energy-efficient windows, and want to paint the whole inside. They may even add a new stove and washer/dryer. "It's nice to be able to spruce up our own space," said Eren. "It makes us feel more like adults to own and fix up our own condo." 🏠

"We could have used our savings to get us over the 20 percent mark, but we wanted to keep a safety net of cash in case something bad happened, like a job loss or getting sick."

— *Joy Sims*

...Urge Congress to Pass Measure

(continued from page 1)

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 considerably lower than the traditional 20 percent.

The Mortgage Insurance Fairness Act would allow a tax deduction for mortgage insurance payments made by individuals and families who earn less than \$100,000 a year. It begins to phase out the deduction for families who top that income level.

The tax break would be especially beneficial to first-time homebuyers and young people, low-income individuals and members of minority groups, many of whom have typically been unable to purchase homes. In 2001, nationwide, mortgage insurance covered more than half of mortgage purchase loans made to African American and Hispanic borrowers

and 54 percent of loans to borrowers with incomes below the median income for their area.

The bill's supporters believe the proposed deduction is simply good

public policy. As John Berthoud, President of the National Taxpayers Union recently observed in *The Washington Post*, "It's truly unfortunate that Congress has not moved forward on this tax relief measure. The bill

enjoys widespread support from groups on both the left and right, it would create important social benefits, and it would offer relief to overburdened taxpayers. It's hard to see any reason for the hold-up." 🏠

National Groups Supporting Tax Deduction Initiative

African American Republican Leadership Council

American Federation of Teachers

Americans for Tax Reform

American Homeowners Grassroots Alliance

Bakery, Confectionery, Tobacco Workers & Grain Millers

Citizens Against Government Waste

Consumer Federation of America

Cuban American National Council

CUNA Mutual Group

Financial Services Roundtable

Fraternal Order of Police

Frontiers of Freedom

Indian American Republican Council

International Brotherhood of Teamsters

The Latino Coalition

LULAC

Manufactured Housing Institute

Mortgage Bankers Association

Mortgage Insurance Companies of America

National Association of Hispanic Real Estate Professionals

National Association of Real Estate Brokers

National Community Reinvestment Coalition

National Conference of Black Mayors

National Consumers League

National Council of La Raza

National Education Association

National League of Cities

National Organization of African Americans in Housing

National Puerto Rican Coalition

National Taxpayers Union

National Training and Information Center

National Urban League

Real Estate Services Providers Council

Service Employees International Union

Small Business Survival Committee

United Brotherhood of Carpenters & Joiners of America

U.S. Hispanic Chamber of Commerce

NEWS IN BRIEF

Genworth Financial – Mortgage Insurance – HomeOpeners, a breakthrough series of mortgage insurance products designed to put more affordable home loans within reach of more consumers, was recently established by Genworth Financial.

"We think HomeOpeners will change the way people think about mortgage insurance," said Lewis Fain, senior vice president, marketing and strategic development for Genworth Financial's mortgage insurance business. "Down payments and closing costs are the single greatest barrier for low- and middle-income home buyers."

The HomeOpeners solution gives borrowers three options to best fit their individual financial situation. Borrowers can lower their monthly payments, receive cash back at closing, or gain tax advantages for points paid to lower their mortgage rate. Genworth hopes HomeOpeners will qualify more borrowers and simplify the lending process by having one loan, one payment and a single underwrite. Three products are available in the initial program: PaymentPlus, CashPlus and PointsPlus.

Mortgage Guaranty Insurance Corporation – Mortgage Guaranty Insurance Corporation (MGIC) unveiled the Mortgage Payment

Protection Plan, a new mortgage insurance program designed to protect borrowers from home foreclosure should involuntary unemployment or disability prevent them from making their monthly mortgage payments.

"This program is designed to help homeowners hold on to their homes," said Patrick Sinks, MGIC's executive vice president of field operations. "MGIC has always been committed to offering products that help consumers obtain homes more quickly and more affordably."

The Mortgage Payment Protection Plan allows consumers to finance their homes with a down payment amount that best fits their budget and helps borrowers stay up to date with their monthly mortgage payments, decreasing the likelihood that they will default on their mortgage.

PMI Mortgage Insurance Co. – PMI Mortgage Insurance Co., Avenue Community Development Corporation (Avenue CDC), Southwest Bank of Texas and Fannie Mae joined forces in August to celebrate the completion on the initial seven units of a 13-unit housing development in Houston, known as the Avenue Acres subdivision, which was financed in part through PMI's Gateway Cities Initiative.

PMI's Gateway Cities Initiative creates affordable housing opportunities in underserved communities across the United States. PMI establishes a revolving fund for a community group, in this instance Avenue CDC, who draws on the fund to construct, rehabilitate or move homes. As each project is completed, the fund is reimbursed from the sales proceeds providing an opportunity to start the next project.

"Expanding homeownership opportunities is what PMI's core business is all about," said Taia Lockhart, vice president, emerging markets, PMI Mortgage Insurance Co. "Our Gateway program underscores our strong commitment to affordable housing, and our durable partnerships with community organizations and financial institutions."

AIG United Guaranty – AIG United Guaranty has secured the first and only mortgage insurance license in Taiwan. The company's efforts will focus on delivering mortgage default insurance to protect lenders against losses on mortgages that go into foreclosure and will also explore other mortgage-finance related services and products. John Chang, who assumed country management

responsibilities in May 2004, is leading the operation.

"These developments build logically on our Hong Kong operations, which were initially developed in partnership with the Hong Kong Mortgage Corporation," said Doug Rivenburgh, senior vice president and group executive for the International Group.

This successful business relationship expansion began with the Hong Kong Mortgage Corporation in 1999. These efforts are part of a plan to establish mortgage insurance operations in other areas of Asia.

"These steps reflect our long-term commitment to global operations, with strong emphasis on Asia," said Rivenburgh. 🏠



Mortgage Insurance Companies of America

MORTGAGE INSURANCE COMPANIES OF AMERICA

1425 K Street, NW, Suite 210
Washington, DC 20005
ph: 202.682.2683 fx: 202.842.9252
www.PrivateMI.com
[for consumers]
www.micanews.com
[for news media]