



PrivateMI

A PUBLICATION OF THE MORTGAGE INSURANCE COMPANIES OF AMERICA • SPRING 2002

P E R S P E C T I V E

Martinez Family Buys First Home with Assist from PrivateMI, Bank and Nonprofit

After immigrating to America from Mexico, Teresa and Ramiro Martinez and their four children lived for 13 years in a series of dilapidated rental homes in Houston. Despite twice failing to qualify for a mortgage and almost losing a sizeable chunk of down payment money, Mrs. Martinez held fast to her dream that one day her family would have a home of their own.

Finally, that day came last summer when the Martinez family bought a home with the help of Avenue Community Development Corporation (Avenue CDC), Southwest Bank of Texas and PMI Mortgage Insurance Co., a private mortgage insurance (PrivateMI) company.

PMI Mortgage Insurance Co. established a \$125,000 revolving fund to help Avenue CDC, a nonprofit community development group, buy and rehabilitate homes in underserved neighborhoods in Houston. The Southwest Bank of Texas, which contributed \$25,000, operates the fund.

Avenue CDC uses money in the fund for its Move Home Program, which helps people like the Martinezes become homeowners. Move Home has already renovated 22 homes that had been slated for demolition. Instead of being torn down, the structures were donated, rehabilitated, and moved to new locations for sale to low-income families.

Mrs. Martinez, her husband and their children are all overjoyed: "It is our dream come true. We have a beautiful home and yard in a safe, quiet, clean place for our children," said Mrs. Martinez. "We could not have done it without Avenue CDC and the

help they gave us throughout the home buying process."

"PMI is in the home-ownership business," said W. Roger Houghton, Chairman and CEO of the San Francisco-based company. "Expanding homeownership opportunities for everyone capable of owning a home is what our business is all about. We are very pleased to be working with two such fine partners as Avenue CDC and Southwest Bank of Texas to acquire and rehabilitate affordable



Ramiro and Teresa Martinez in front of their new home.

homes in the City of Houston that will be sold to neighborhood families. Homeownership strengthens families, and stronger families build stronger communities."

Mrs. Martinez learned about the Avenue CDC program at a home-
(story continues on page 3)

Support Builds for Creating More Competition In the Secondary Market for Residential Mortgages

Support continues to grow for federal legislation that would provide more choices and additional competition in the secondary market for residential mortgages.

Ginnie Mae Choice legislation now pending in the U.S. House of Representatives and Senate has been endorsed by the Housing Network Partnership (HNP), a national group with 68 regional members in 35 states, and by the Consumer Mortgage Coalition, a trade association of national mortgage lenders, servicers and providers. Meanwhile, the Mortgage Bankers of America (MBA) has signaled support for the concept of federal legislation that would promote greater consumer choice in the mortgage marketplace.

"The legislation will expand the ability of low- and moderate-income families to buy homes of their own," HNP President Thomas Bledsoe said in an endorsement letter to key federal lawmakers. "While current government programs and agencies provide

strong support for homeownership, this new proposal will increase the ability of many families to be approved for the lowest possible mortgage rates by introducing proven automated loan approval systems into the marketplace."

The Housing Network Partnership's members operate affordable housing programs across the country and administer home-purchase programs that serve low-income and disadvantaged consumers.

"We believe the proposed public-private partnership is a valuable idea that will improve homeownership opportunities for those who currently are underserved," Bledsoe said. "It will strengthen our nation's housing system, and it deserves strong support."

The Consumer Mortgage Coalition said the legislation "would be a win-win-win situation for consumers, taxpayers and lenders, expanding homeownership for an underserved segment of the market."

"We believe the Ginnie Mae Choice program offers the opportunity for a public-private partnership involving a federal agency - Ginnie Mae - and lenders and private
(story continues on page 4)

What's Inside

- 2 PrivateMI Companies Helping Hispanics Close the Homeownership Gap
- 3 PrivateMI Issue Focus
- 4 News in Brief

PrivateMI Companies Helping Hispanics Close the Homeownership Gap

Hispanics longing to realize the American dream of homeownership are getting help from private mortgage insurance (PrivateMI) companies in a number of ways.

While Hispanics are the fastest growing segment of the American population, Hispanic families traditionally fall below the national average when it comes to homeownership. The rate of Hispanic homeownership has increased in recent years, but Census figures show that it remains 20 percentage points below the 68 percent overall rate of homeownership in the United States.

PrivateMI companies recognize this gap and are reaching out to Hispanics to close it through: homeownership education programs; education and prevention classes on predatory lending; publication and distribution of Spanish-language homeownership guides; and training bilingual loan officers to assist Hispanic home buyers.

Both GE Mortgage Insurance and PMI Mortgage Insurance Co. have made efforts to educate Hispanics about the dangers of predatory lending and how to protect themselves. Predatory lending takes advantage of uninformed home buyers or homeowners by charging them unnecessary costs and/or excessive interest rates.

Raleigh-based GE worked with the Latino Community Credit Union (LCCU) to reach out to North Carolina's Hispanic population by distributing 10,000 "Get The Facts" brochures in English and Spanish. The brochures, which explain predatory lending, are available at LCCU

offices in Charlotte and Durham, and at Latino community centers across North Carolina.

"We're in business to help people build equity and increase wealth through homeownership," said Mark Goldhaber, Vice President, Affordable Housing & Government Business Development for GE Mortgage Insurance. "Working with the Latino Community Credit Union and the

"We provided information that is vital in making smart financial decisions and avoiding being caught in predatory lending situations," said PMI's Taia Lockhart, Director of Emerging Markets. "Whether you presently own a home and may be seeking financing for home improvements, or looking to move up in the market, this seminar, and those to follow, will provide you with tools to avoid the pitfalls of financing or refinancing."

to address issues faced by Hispanic home buyers.

The four-day course, Emerging Markets Education Loan Officer University (EMELOU)-Focus Latino, includes training on mortgage lending basics, underwriting, mortgage insurance, the secondary mortgage market, and other lending issues. United Guaranty offers the program for bilingual mortgage professionals who want to develop and improve their mortgage lending knowledge and use their skills to reach Hispanic borrowers.

"United Guaranty recognizes the needs of lenders in reaching our country's growing Hispanic population," said Bonnie Wolferd, United Guaranty's Director of Emerging Markets. "EMELOU-Focus Latino provides lenders with in-depth training on mortgage lending and sales techniques. It brings us one step closer to achieving our goal of preparing lenders to meet the needs of minority first-time home buyers."

Other companies have also extended their efforts to assist Hispanic home buyers:

- Republic Mortgage Insurance Company (RMIC), based in Winston-Salem, North Carolina, has adapted its popular "Chuck Taylor" program for the Hispanic community. "Chuck Taylor" is a fictional character who teaches money management fundamentals, including homeownership, at the junior high level. In addition, RMIC's pre-homeownership training materials are available in Spanish, and classes have been given in Spanish in several markets.
- Milwaukee-based Mortgage Guaranty Insurance Corporation offers "Tele-Education" on the home buying process and a Home Buyer's Guide in Spanish on their Website.
- As a component of its Homeownership Counseling Center, Radian Guaranty, Inc., based in Philadelphia, has expanded its study guide and workbook into Spanish to help potential homeowners better understand the home buying and homeownership process. 🏡

"We hope to raise awareness in the Hispanic community about the potential dangers in loans that sound too good to be true."

– Mark Goldhaber, Vice President, Affordable Housing & Government Business Development, GE Mortgage Insurance

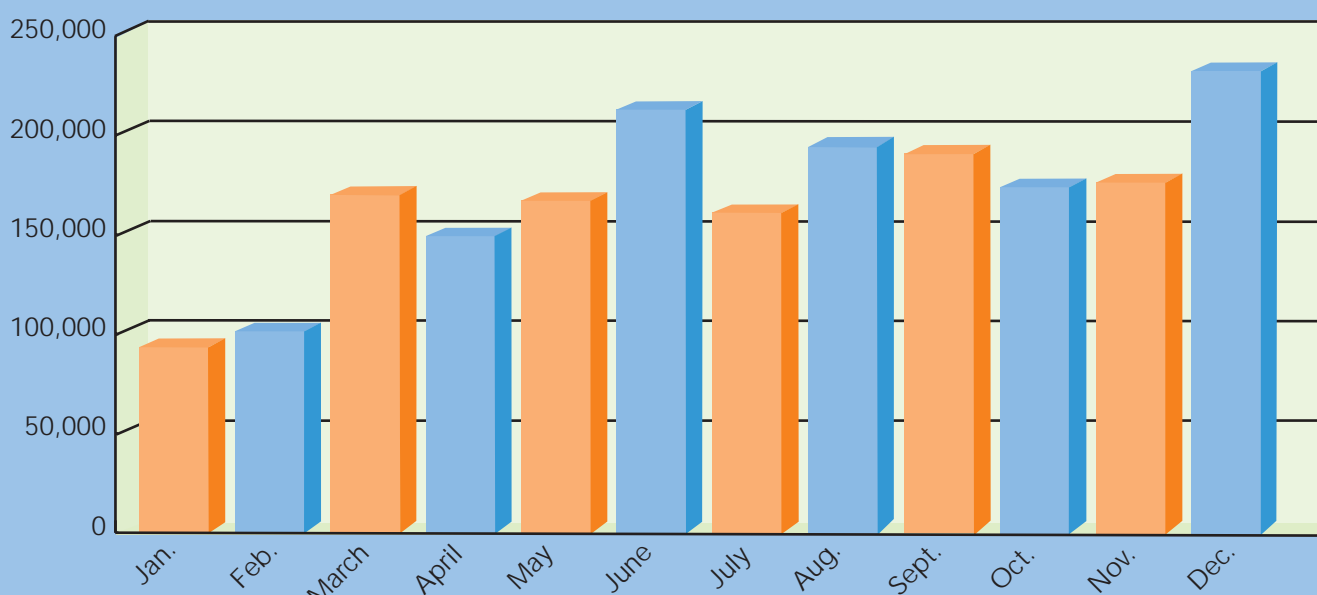
Self-Help Credit Union, we hope to raise awareness in the Hispanic community about the potential dangers in loans that sound too good to be true. Through education, we can put the predators who look to strip homeowners' equity out of business."

Meanwhile, San Francisco-based PMI has sponsored a free seminar, "Finance Your Future Wisely," with Consumer Credit Counseling Services of Los Angeles (CCCS) to inform homeowners and potential home buyers on how to identify predatory lending and to protect themselves against it.

In addition, PMI supports a variety of other outreach efforts to the Hispanic community, primarily through its Gateway Cities program, which involves establishment of a revolving fund with community development corporations to buy and rehabilitate single-family homes. These homes are located in predominately Hispanic neighborhoods, and the rehabilitated homes are sold to neighborhood residents.

Taking a different approach, United Guaranty Corp. of Greensboro, North Carolina, has created a training course for lenders who speak fluent Spanish

Over 2 Million Families Helped by PrivateMI in 2001



Source: Mortgage Insurance Companies of America

PrivateMI Issue Focus

Why do you believe it's important to reach out to underserved segments of the market?

PMI Mortgage Insurance Co.

"PMI's corporate mission is to expand homeownership opportunities in all the countries that we do business. While the homeownership rate in the United States is a relatively high 68 percent, certain segments of our population – notably minorities and immigrants – have homeownership rates that are below 50 percent. We want to change that. It is not only the right thing to do, but it is good business for us.

"PMI has been very active for nearly the past 10 years in affordable housing activities. We have entered into numerous alliances with lenders, community groups and nonprofit organizations to establish programs designed to overcome obstacles to homeownership for the underserved segments of our population. To date our experience from both a human and a business point of view has been quite positive.

"PMI, together with our lender customers, has helped over 663,000 low- and moderate-income families attain homeownership and we currently insure over \$30 billion in loans to low- and moderate-income families. The performance of these loans has been very comparable to our portfolio at large. The key we have found is pre- and post-purchase counseling so that

people understand the responsibilities of homeownership, and have a reliable source of information and assistance if they encounter a few financial rough spots after they become homeowners."

– Steve Smith, PMI President and Chief Operating Officer

Mortgage Guaranty Insurance Co.

"Because promoting homeownership is a win-win for families and for communities, MGIC is proud to participate in a number of programs designed to increase opportunities for low- and moderate-income families.

"Promoting homeownership in underserved communities helps the families who buy the homes and provides stability to the neighborhood. We have been involved with efforts to prepare people for homeownership, to help them buy their homes, and to help them keep their homes if they encounter problems.

"We hope that more families will have the opportunity to use homeownership to build their assets and to gain a firm footing in the economic mainstream."

– Curt Culver, MGIC President and CEO

United Guaranty Corp.

"First-time home buyers have traditionally constituted a significant portion of every mortgage insurer's traditional market. So it's important that – as the profile of the first-time home buyer changes – we recognize these changes and develop channels to reach the people who constitute this market. It's consistent with 'strong business performance' to expand a company's traditional market, even when that market changes over time.

"Immigrant and minority populations represent an increasing percentage of first-time home buyers. United Guaranty is firmly committed to expanding homeownership opportunities for this growing – and underserved – segment of the U.S. population. To do so, it's our role to identify the underserved markets, determine their housing finance needs, work with lenders to educate them about the home buying process, and continue our support of low down payment mortgages."

– Tony Lucente, UGC Vice President – Emerging Markets

Republic Mortgage Insurance Co.

"Beyond the basic fact that it's just good business to help more people buy houses, RMIC has a sharp focus on serving all segments of the community no matter what the economic climate.

"Owning a home is one of the most accessible and best performing investments most families can make, and is the foundation of their financial future. We view the current strong housing market as a driver for helping more families buy homes that they can afford now and in the future. When times are good we can take more risk and serve more families who need help in financing their homes.

"Along with protecting lenders from the risk of default, as corporate citizens we know it is in the best interest of our families, our neighborhoods, and our business to help as many families as possible achieve the American dream of homeownership."

– Bill Simpson, RMIC President and CEO

...Martinez Family's First Home

(continued from page 1)

buying seminar at her children's elementary school. Although interested in the home purchase program, she was hesitant to sign up. Finally, a friend convinced Mrs. Martinez to discuss her situation with Maria

Guzman-Pineda of Avenue CDC, the program counselor who had conducted the seminar at the school. Guzman-Pineda quickly set up the pre-qualification process with the family.

Meanwhile, Avenue CDC worked with the Martinez family to help them correct some credit blemishes so

they could qualify to buy a home. They never had bad credit, but Mrs. Martinez's habit of signing up for credit cards to get free prizes had a negative effect on her credit report. With assistance from Avenue CDC, she wrote letters to the credit

"It is our dream come true. We have a beautiful home and yard in a safe, quiet, clean place for our children."

– Teresa Martinez

bureaus explaining why she had so many credit cards and that her teenage son was paying off his own student loans. Seven months later, when an Avenue CDC house was available, the Martinez family became proud owners.

Now that they have their own place, Mrs. Martinez finds that the family is together much more often.

"Our house is so nice that my family is here with us much more often than they were before, and my younger children don't go out as much as they used to," she observed. "My relatives even came from Mexico to spend Thanksgiving and Christmas with us this year because the house is so comfortable; when we were renting, we would all go back to Mexico for the holidays."

Mrs. Martinez relishes the spaciousness of her new home, and that she can decorate as she wishes.



The Martinezes gather on the front porch.

"I love that I can fix up the house however I want – plant a tree or a garden, add a closet or build a bedroom," she said. "And my children feel more secure and confident." 🏠

...Ginnie Mae Choice Support Grows

(continued from page 1)

mortgage insurers," Executive Director Anne C. Canfield said in an endorsement letter.

"The program would allow more borrowers to be served at lower cost to both borrowers and the government, and would have a positive impact on the conventional loan market," Canfield said. "It would make the mortgage market more like other consumer-driven industries, in which multiple players vie for consumers' business, and, in the process of doing so, drive down costs and improve service."

Supporters of Ginnie Mae Choice also were pleased that the Mortgage Bankers Association's policy statement recognized the need for additional competition in the secondary market for residential mortgages.

"Increased competition in the secondary mortgage markets creates a more rigorous and responsive industry and increases homeownership opportunities for more Americans," MBA Chairman Jim Murphy said.

The policy statement approved by the MBA's Residential Board of Governors noted that one way to add to the number of institutions in the marketplace would be to expand the role of

Ginnie Mae to allow the government mortgage finance agency to back mortgages made by private lenders. MBA said it would "continue to work closely with all interested parties to explore ways to bring more competition to the secondary market," although it did not endorse any specific bill.

Proponents of the legislation said they were willing to work with the influential group.

The legislation "will lead to greater consumer choice in the marketplace and enhanced flexibility for the industry in serving those customers."

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

"The legislative process is a fluid one, and we recognize that no initiative is ever written in granite," said Suzanne C. Hutchinson, Executive Vice President of the Mortgage Insurance Companies of America. "Friendly amendments to improve pending proposals are certainly part of the process, and we remain open to discussing any and all issues relating to the draft legislation and implementation of the program.

"The bottom line is that we are embarking on a journey that we hope will lead to greater consumer choice in the marketplace and enhanced flexibility for the industry in serving those customers," Hutchinson added.

Ginnie Mae currently securitizes mortgage loans insured by the Federal Housing Administration (FHA) or the U.S. Department of Veterans Affairs, and its securities are backed by the

U.S. Government. The proposed legislation would enable Ginnie Mae to securitize loans insured by private mortgage insurers. Creating more competition, it would create more opportunities for lower-income families to be approved for mortgages at the lowest possible rates.

The Ginnie Mae Choice bill involves a public-private partnership that will

increase the number of loans that can be offered through the FHA loan program. Today, most FHA loans go to home buyers who can afford down payments of 3 percent or less. The new program will be focused on those borrowers who can make down payments of between 3 percent and 10 percent. This will increase the assistance to the pool of borrowers who are unable to make the standard 20 percent down payment.

The initiative would also increase the number of automated loan approval systems available in the marketplace. Currently, all loan applications by prospective buyers – regardless of how many lenders are approached – are in essence reviewed by only two underwriting systems. Adding more systems for reviewing loans – with a different emphasis on the hundreds of factors involved in a loan application – will create more choice for lenders and consumers.

In addition, the Ginnie Mae proposal would have private mortgage insurers share the responsibility for covering loan defaults in this new program, rather than have the U.S. Government be completely responsible. In fact, private mortgage insurers would cover the entire loss in a typical loan default under this program. 🏠

NEWS IN BRIEF

GE Mortgage Insurance – GE Mortgage Insurance and *Black Enterprise* magazine are working together on an initiative to help close the gap in homeownership rates between minorities and white Americans.

Called **Keys To Homeownership**, the initiative's goal is to increase awareness in the African American community that homeownership is the gateway to wealth accumulation. The effort will be incorporated into the magazine's ongoing "Black Wealth Initiative" and will emphasize consumer education, practical advice and specific loan products to help consumers buy homes.

"The gap between white and African American homeownership in this country is unacceptable, and too little is being done about it," said Tom Mann, President and CEO of GE Mortgage Insurance, which is based in Raleigh, North Carolina. "Homeownership is a major step in wealth accumulation, and we want to help more African Americans take that step."

"Working together, we will provide educational tools and resources to help close the homeownership divide, and demonstrate how mortgage insurance can be a valuable financial tool to help unlock the door to a home that may have seemed out of reach," said Earl G. Graves, Chairman and Publisher of *Black Enterprise*.

The homeownership rate for whites is 74 percent, compared to 48 percent for African American families. GE and the magazine will educate potential home buyers through articles, workshops, seminars and Websites.

PMI Mortgage Insurance Co. – Louisiana has launched a \$10 million flexible, low-cost mortgage program designed to help public school teachers purchase homes in the state.

The Louisiana Teachers Home Buyer Program included below-market interest rates, low down payments, reduced closing costs and flexible credit requirements. The program uses mortgage-backed securities, or AAA-rated bonds, to finance the

loans, meaning that there is no cost to the state or its citizens.

PMI Mortgage Insurance Co., which is based in San Francisco, is participating in the program and providing reduced rates on private mortgage insurance (PrivateMI). Loans will be originated by Hibernia National Bank.

Other incentives in the program for teachers include a low down payment of \$500 or 1 percent of the purchase price, whichever is less; a basic interest rate of 5.8 percent, reduced closing costs and flexible credit.

United Guaranty Corp. – United Guaranty Corp. is providing PrivateMI for an alternative home financing system designed for Muslims who observe the Koran's prohibition on paying interest.

In this program, American Finance House-LARIBA (AFHL) purchases a home jointly with the customer, agreeing to sell its shares to the customer in a lease-to-own arrangement over an agreed period of time of up to 30 years. The monthly payment consists

of repayment of AFHL's share of the purchase price (the financed amount) and the fair market rental value.

"United Guaranty's relationship with AFHL increases the opportunity for Muslims to realize the American dream of homeownership," said Tony Lucente, Vice President—Emerging Markets. "The no-interest mortgage structure addresses the financial requirements of the Islamic culture while the higher loan-to-value option makes it possible for more families to purchase homes." 🏠



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]