



PrivateMI

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P E R S P E C T I V E

PrivateMI Helps Bronx Renters Purchase Dream Home in Naples, Florida

From their small apartment in a crowded urban neighborhood, Fegundo Martinez and Alexandra Jimenez would look out the window of their diminutive Bronx apartment and dream of a better life for their family.

They envisioned a safer neighborhood, spacious home, challenging schools and fulfilling jobs. A bold move to a city 1,300 miles away and assistance from Private Mortgage Insurance (PrivateMI) helped change this family's life.

Alexandra's brother and mother invited the family to Naples, Florida in 2000 for an extended three-week vacation, using the warm weather as an incentive. After a week in the sun, Alexandra and Fegundo decided that the area met many aspects of their dream, and on the spur of the moment applied for jobs.

Alexandra's expertise as a Spanish-speaking educator was in great demand in Naples, as was Fegundo's skill as a chef. Within 10 days they both received job offers. Their dream of a better life was beginning to become a reality.

Back in the Bronx, the Martinez-Jimenez family packed up their belongings, loaded them into a truck and headed south to Florida. Housing proved more challenging than finding a job, so the family of four moved into the home of Alexandra's brother. They worked closely with a real estate agent, but could not find a home that was both affordable and met their criteria. A temporary stay in cramped quarters morphed into weeks and then months.

Finally, the couple decided to buy a lot in a desirable neighborhood and build a home of their own.

"We wanted the house our own way instead of buying a house that was already used," explained Alexandra. She and Fegundo then worked with a builder to customize aspects of their home, such as converting the garage into a large living room and

designing a cathedral ceiling that runs across the living room, kitchen and dining room.

Buying a home had always been a goal, but in New York it had been out of their financial reach.

In Naples, Alexandra and Fegundo met with several mortgage brokers before they were offered the option to finance their new home using PrivateMI.

"PrivateMI was very helpful because the other places requested 20 percent down. We couldn't have put 20 percent down; that was too much," Alexandra said.



The Martinez-Jimenez family settled in Naples, Florida with an assist from PrivateMI.

PrivateMI made a 3 percent down payment possible, affording Alexandra and Fegundo the ability to improve and furnish the new home. Having left most of their furniture in New York, Alexandra used some of the money for beds, a comfortable sofa and a desk for their son Kenneth. Fegundo built *(story continues on page 3)*

Supporters Seek to Boost Homeownership Through Tax Deduction Legislation

Up to 12 million Americans could have a new deduction next April when they file federal income taxes, if Congress adopts legislation granting a tax deduction for mortgage insurance premiums.

A growing bipartisan group of supporters in the House and Senate have been seeking to include the proposal in legislation moving through Congress.

Over the past two decades, private mortgage insurance (PrivateMI) 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 mortgage insurance and guaranty programs help first-time, low- and moderate-income and veteran borrowers afford a home by allowing them to make a down payment 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 nation's housing finance system.

The Mortgage Insurance Fairness Act would provide an average annual \$200 savings for as many as 12 million people who currently pay PrivateMI and FHA insurance premiums. The mortgage insurance provision allows a tax deduction for mortgage insurance payments made by individuals and families who earn less than \$100,000 a year and begins to phase out for families who top that income level.

The tax break would be especially

beneficial to first-time home buyers and 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 *(story continues on page 4)*

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PrivateMI Helps Nearly 2.5 Million Families In Record-Setting Year

By any measure, 2003 was a record-setting year for the housing industry. A strengthening economy and continued low interest rates propelled homeownership in the United States to historic levels. Nearly 70 percent of Americans – or almost 200 million people – owned their own home in 2003. That’s the ninth consecutive yearly increase since 1994.

Private mortgage insurance (PrivateMI) is one reason that more and more Americans can afford to purchase a home of their own. In fact, PrivateMI helped a record 2.5 million families purchase or refinance homes last year. And over the past 45 years, PrivateMI has helped more than 20 million American families become homeowners sooner, with less money down.

“More Americans than ever before are realizing that homeownership is an attractive option,” said Suzanne C. Hutchinson, Executive Vice President of the Mortgage Insurance Companies of America (MICA), the trade association representing the private mortgage insurance industry. “MICA member companies are making this dream a reality for millions of Americans by making home buying more affordable.”

Accumulating a 20 percent down payment has always been the greatest barrier to first-time home buyers. But when a home buyer uses PrivateMI as a financing option, he or she can typically purchase a house 10 years sooner with little or no money down, instead of waiting to save enough for a 20 percent down payment. By getting into homes sooner, owners have more time to enjoy the home and build up

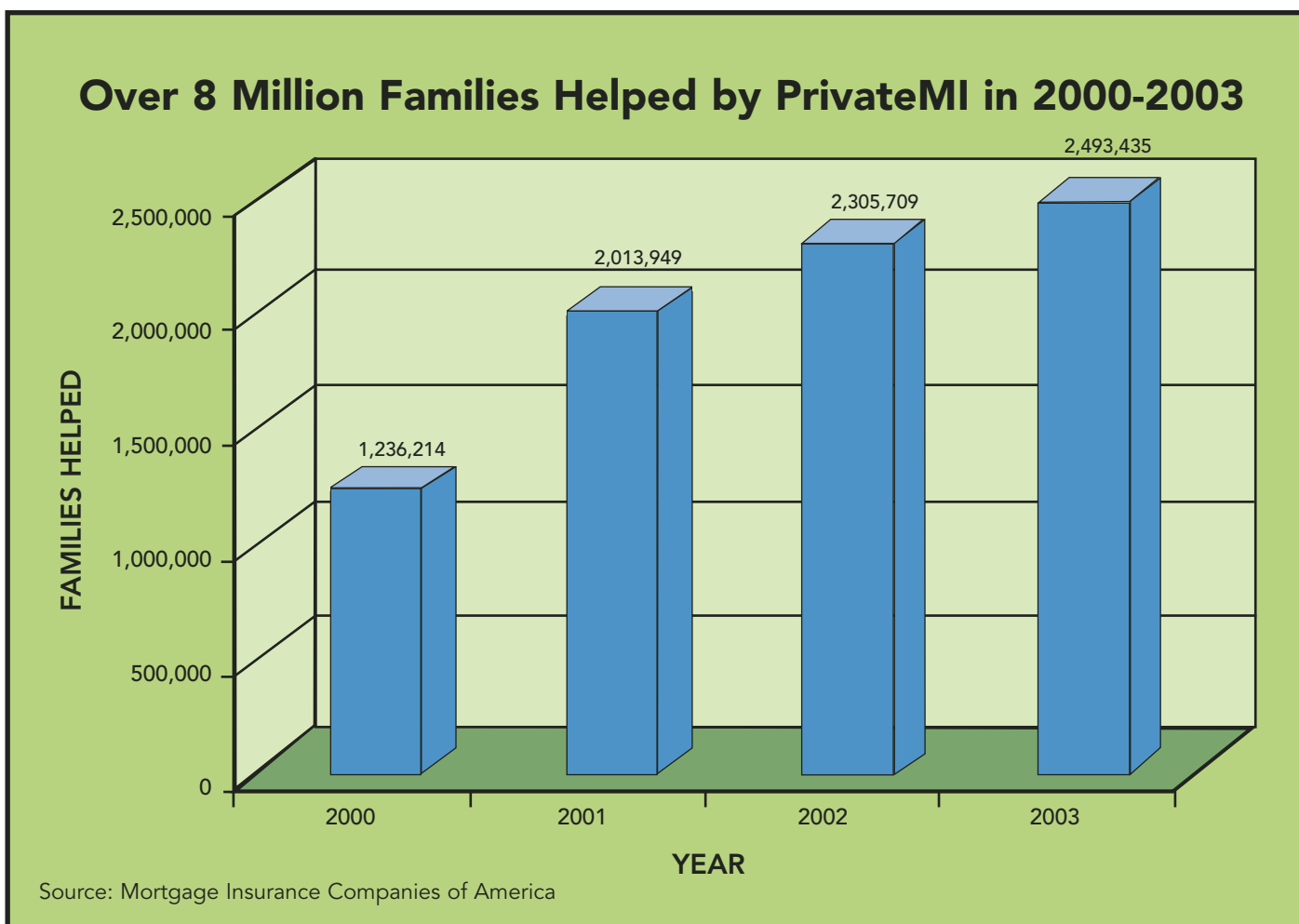
equity, improving their quality of life and their financial situation.

Despite record levels of homeownership, large differences in rates of ownership between minority and white households remain and have narrowed only slightly, according to the U.S. Department of Housing and Urban Development (HUD). Census figures reveal that only 47.1 percent of African Americans own their

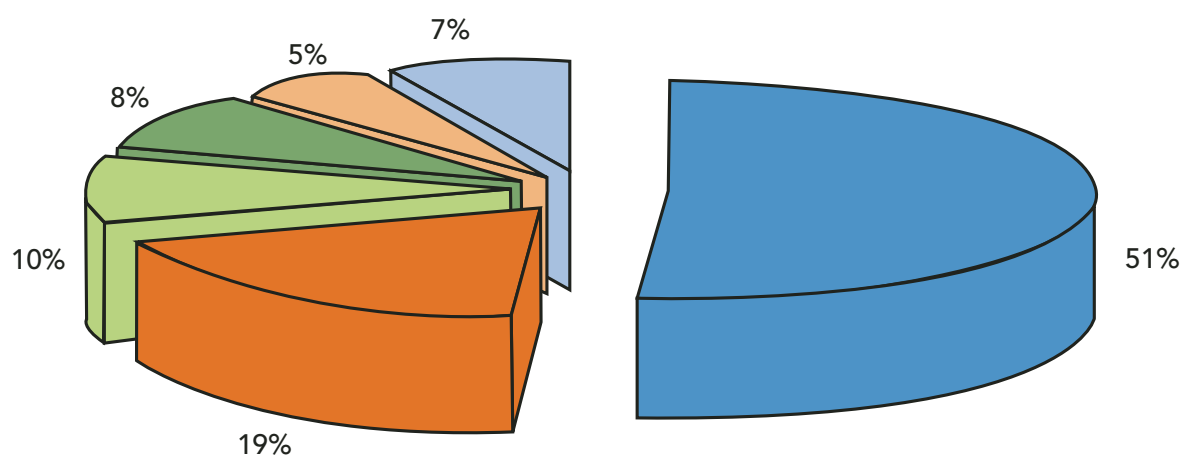
homes, while 74.2 percent of white Americans are homeowners. Down payment costs remain the most significant single barrier to homeownership, especially for low- to moderate income households.

MICA members are working to ensure that homeownership is within reach of minority and low- and moderate-income homebuyers. They work with the secondary market

agencies, mortgage lenders and local consumer groups across the country to identify ways to better serve minority populations. These partnerships have increased awareness of the unique needs of borrowers at the local level. As a result, mortgage insurers have developed special programs with flexible underwriting guidelines to help low—and moderate—income families qualify for financing. ▲



Obstacles Faced by Potential Homeowners



- Down payment
- Making a long-term commitment
- Monthly mortgage payment
- Credit problems
- Finding the right home/location
- Other

Source: Mortgage Insurance Companies of America, 2003

PrivateMI Issue Focus

What tools are available to minority populations who want to explore financing a home?



Republic Mortgage Insurance Company

RMIC sees education as the cornerstone of successful homeownership. We offer a range of options for minority (and other) families to prepare themselves thoroughly for the responsibilities of successful homeownership.

Pre-Homeownership Education: RMIC works through Consumer Credit Counseling Services (CCCS), a nationally recognized non-profit, to provide pre-home ownership counseling for minority and other interested buyers. RMIC's *Pre-Homeownership Education Course* includes a Borrower's Workbook and Instructor's Manual in both English and Spanish. Post-purchase delinquency counseling is also available if needed to help borrowers keep their homes.

Financial Education: RMIC has dedicated significant resources to working with schools and community groups to develop and implement a Best In Class financial literacy program. The program uses a textbook titled *How Chuck Taylor Got What He Wanted (and How You Can, Too)* that was written by William F. Staats, Professor of Banking and Finance at Louisiana State University, and E.D. Sledge, CEO of Consumer Credit Counseling Services. The program, which is available in English and Spanish, goes beyond the basics of homeownership and into what it takes for individuals or families to establish a firm financial foundation.

Consumer Information: RMIC's sister company, Old Republic Title Residential Information Services (ORTRIS), provides Spanish-language materials, including title and closing documents and a glossary of real estate terms, to help borrowers better understand the loan process. Additionally, ORTRIS offers a dedicated toll-free telephone number for Spanish-speaking customers, staffed with bi-lingual personnel in the escrow and processing departments and customized production processes to accommodate Spanish-speaking customers.

Spanish consumer materials include *Increase Your Home's Appeal*, *Prepare for Your Closing*, *Protect Your Investment*, *Real Estate Dictionary* and *Buying a House of Cards*.

— Kevin Davis, Manager, Agency Relations and eSolutions



PMI Mortgage Insurance Co.

PMI Mortgage Insurance Company's corporate objective is to expand access to homeownership for first-time home buyers, particularly low-to moderate-income minorities and immigrant buyers by offering products that permit individuals and families to buy a home with as little as three percent, or in some cases zero, down payment.

PMI offers several products specially designed to meet the needs of the affordable housing markets. PMI Affordable 100 is designed for minority, low-to moderate-income borrowers who may not have established traditional credit but can demonstrate the willingness and the

capacity to own a home yet lack the cash typically needed for down payment and/or closing costs. No borrower down payment is required for a 97.01%–100% LTV with up to 3% financed closing costs for a maximum effective LTV of 103%.

PMI's Emerging Market department has a partnership with the Consumer Credit Counseling Service of San Francisco (CCCS), a non-profit service certified by HUD to provide comprehensive housing counseling services. CCCS offer tools to help its clients set and achieve financial goals by providing quality education and training to individuals and families nationwide.

One unique feature of our first-time home buyer counseling is it provides ongoing services free of charge to the homeowner. Through our partnership, CCCS provides early delinquency intervention counseling should the homeowner miss making a payment in the first twelve months of the loan. PMI's education programs have benefited thousands of homeowners helping them prepare for, achieve and maintain homeownership.

PMI maintains strategic relationships with lender customers as well as Fannie Mae and Freddie Mac, to insure mortgage products that meet the needs of low-to moderate-income, immigrant and minority homebuyers. One example is PMI and Fannie Mae's Gateway to Homeownership in a New Century, which assists lender partners in meeting the credit needs of their communities by enabling them to offer low down payment options with flexible credit guidelines for borrowers who have limited cash resources.

— Taia Lockhart, Assistant Vice President, Emerging Markets



United Guaranty Corporation

United Guaranty offers one such tool in the *Home Buyer's Overview*, a condensed version of our pre-purchase education course, *The Road to Home Ownership*.[®] The 30-page overview is available in both English and Spanish, and it covers the same steps described in the longer course: preparing, shopping, buying, and caring for a home.

Our regional directors of emerging markets provide copies to potential borrowers attending housing seminars, lunch-and-learn programs, and other community events. We also make the overview available through mortgage lenders.

When loan programs require first-time homeowners to complete more extensive training, *The Road to Home Ownership* can help. Applicants have the option of taking the course in a regular classroom, at home, or via the Internet. The online course is available in English, Spanish, and Chinese.

Another resource is United Guaranty's recently updated HouSense[®] Internet site (www.housense.com) for consumers, which covers the basics of home financing. Readers can find out how to repair their credit before applying for a loan, for example, and how lenders use qualifying ratios to make a loan decision.

Having the facts helps home buyers feel better about their choices. Through our emerging markets directors, we're committed to making such resources available nationwide.

— Tony Lucente, Vice President, Emerging Markets

...Raise Family in Ideal Neighborhood

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a wall-to-wall entertainment center in the spacious living room.

Both Fegundo and Alexandra love teaming up in the kitchen, pairing traditional South American cuisine from their native Ecuador with sophisticated desserts such as cr me br lee. The family frequently dines

right in the kitchen, sitting on bar stools at the high countertop.

"I was in my brother's house for almost a year before my house was built," lamented Alexandra. "You had to share everything; it was too crowded...like New York." To Alexandra, the new house, especially her bedroom, exceeds her expectations.

It's a quiet evening in Naples, Florida. Kenneth, now a high school freshman, plays in the backyard with his little brother Kendrew and their dog, Angel. Fegundo whips up arroz con pollo (chicken and rice) in the kitchen; in a few minutes they will sit down for a family meal underneath the high cathedral ceilings.

Alexandra sits on the lanai and takes in the scene around her with content. Bringing her dream of homeownership to fruition had not been easy, but a supportive family, smart financing through PrivateMI and a healthy dose of entrepreneurial spirit made it possible. She smiles broadly and says, "I love it here."

...Tax Deduction Legislation

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loans to borrowers with incomes below the median income for their area.

"This legislation represents an important deduction for low- and moderate-income families, and we are hopeful it will be approved by Congress so these families can more easily achieve the dream of homeownership," said Suzanne C. Hutchinson, Executive Vice President of the Mortgage Insurance Companies of America (MICA).

A broad coalition of consumer, taxpayer, civic, and labor organizations supports 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.

In a sign of the broad backing for the legislation, Philadelphia City Council member Juan F. Ramos expressed his support for the deduction in a recent column in the Philadelphia Inquirer. "To not allow the deductibility of the monthly mortgage insurance premium

simply adds an additional burden to families already stretching to achieve the goal of homeownership," he wrote. "By having to pay mortgage insurance, families essentially get taxed for having a tight budget. [The legislation] should make it just a little bit easier for families across the city to reach their dreams."

The Mortgage Insurance Fairness Act was introduced last year 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 last spring by the Senate as part of the tax cut bill, but was not in the final version approved by Congress. The legislation has broad bipartisan support; in fact, the House version of the legislation has 193 cosponsors.

Last year President Bush set an ambitious goal for 5.5 million minority families to become homeowners. "If our nation is to achieve its goal of increasing homeownership, we must commit to programs that aid in this worthwhile cause," Hutchinson said. "By making mortgage insurance payments deductible, the cost of homeownership would be further reduced for these borrowers, enabling new buyers to get into a home sooner and reap all of the advantages that come with it." 🏠

"To not allow the deductibility of the monthly mortgage insurance premium simply adds an additional burden to families already stretching to achieve the goal of homeownership."

— Juan F. Ramos, Philadelphia City Council Member

NEWS IN BRIEF

Mortgage Insurance Companies of America – L. Stephen Smith, President and Chief Executive Officer of PMI Mortgage Insurance Co., has been named Vice President of the Mortgage Insurance Companies of America (MICA). Smith will also continue to serve as MICA's Secretary/Treasurer, a post he assumed last July.

Smith will serve alongside MICA President William V. Nutt, Jr., President and Chief Executive Officer of United Guaranty Corporation (UGC).

"I am very pleased to have Steve assume a greater role in the governance of our industry trade association," said Nutt. "We will continue to do our part to keep the nation's housing finance system strong and vibrant."

"Mortgage insurers play an important role in our housing finance system by helping low—and moderate—income families and first-time home buyers purchase a home sooner with less money down," added Smith.

Mortgage Guaranty Insurance Corporation – Mortgage Guaranty Insurance Corporation (MGIC) has teamed with Haven Economic Development Corp., Peninsula Mortgage Bankers Corp. and Fannie Mae to offer PrimePath™, a program designed to help borrowers qualify for an affordable home loan and protect themselves against predatory lending.

"We feel this program could form a bridge from the high-cost world to

the prime world for many borrowers," said Geoffrey F. Cooper, Director – Emerging Markets at MGIC. "The keys to its success will be attracting candidates, convincing them to stay the course to prime credit, and providing favorable mortgage terms when they are ready to succeed at homeownership and financial management. This program is different from any other in that the interests of the lender, investor, PrivateMI company, and counseling agencies are intricately aligned. Our success together depends on our ability to put people in homes and keep them there for the long term."

PrivateMI provided by MGIC will make loans affordable to more borrowers and reduce the risk of loss to investors.

United Guaranty Corporation – Payment AdvantageSM, a new mortgage insurance program designed to significantly lower monthly mortgage payments for qualified borrowers on most types of mortgage loans, has been launched by United Guaranty Residential Insurance Company. The program provides mortgage insurance coverage for residential mortgage loans, including interest-only and financed buy-down loans.

Structured to provide greater flexibility to borrowers seeking options in managing their monthly expenses, Payment Advantage can help first-time and move-up home buyers own homes without an additional strain on

their budgets. The variety of payment-reduction options available under the program enables low monthly payments, even in a rising interest rate environment, without jeopardizing homeowners' access to their home equity because of a second mortgage or requiring negative amortization.

"Payment Advantage-insured mortgages enable home buyers to have dramatically low monthly payments in any interest rate environment," said Mark Amacher, Senior Vice President-National Accounts for United Guaranty, which is based in Greensboro, North Carolina. "The program greatly expands the options for lenders and builders who may see their business lose momentum because of even small increases in rates. It also helps to increase affordability and promote homeownership for households of all income levels."

PMI Mortgage Insurance Co. – In its ongoing effort to create affordable housing for Native Americans, PMI Mortgage Insurance Co. joined forces with Fannie Mae and the Pueblo of Acoma to launch a revolving fund, which the Acoma will draw upon to construct and/or rehabilitate housing stock for their community.

"The scarcity of available affordable housing on tribal lands is a serious issue for our nation. An estimated 200,000 housing units are needed immediately in Indian country. One way to meet this challenge is for the public and private sectors to work

together to create customized financing solutions," said Roger Houghton, Chairman, PMI Mortgage Insurance Co., a subsidiary of The PMI Group, Inc.

Through the Gateway Cities Initiative Fund, the Acoma will be provided with access to \$175,000, consisting of \$150,000 from PMI and \$25,000 from Fannie Mae as part of its expanded American Dream Commitment®.

PMI's Gateway initiative establishes a revolving fund that community housing organizations draw upon to purchase homes and/or rehabilitate existing homes. As each housing unit is completed, the fund is reimbursed from the proceeds of sale providing an opportunity for the community organization to start a new project and work with the next designated family to make its dream of affordable homeownership a reality. 🏠



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1425 K Street, NW, Suite 210
Washington, DC 20005

ph: 202.393.5566 fx: 202.393.5557

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