



PrivateMI

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P E R S P E C T I V E

Couple Finds First Home in Family Neighborhood

George Wirtz and his fiancée Adrienne Morash wanted to settle in a new home before their wedding in late summer. With the assistance of private mortgage insurance (PrivateMI), they were able to buy a home in a family neighborhood with a 5 percent down payment.

When the couple decided to look for a place to live, George, a financial reporter, immediately ruled out rental units, recognizing the financial value of homeownership.

"We didn't want to rent because if we ever decide to sell or move, we wouldn't get anything back. It would be a waste of money," he explained.

Though they decided to buy, the couple did not seriously consider any properties until a friend put his mother's house on the market. The home was in the family neighborhood in Quincy, Massachusetts where George and Adrienne hoped to settle.

"We really weren't looking extensively at first, just here and there in the paper, but we knew the type of neighborhood we wanted to buy in," George said. "So when this house went up for sale, we decided to buy."

George and Adrienne did not have enough saved for the 20 percent down payment traditionally required by lenders. However, George had heard from coworkers who had recently purchased homes using other financing options, such as PrivateMI, that enable people to buy a home sooner with less money down.

The couple decided to use PrivateMI instead of a piggyback loan because



Adrienne and George love their new neighborhood in Quincy, Massachusetts.

mortgage insurance is usually cancelable once a homeowner has 20 percent equity, while the second part of a piggyback loan can last for 10 to 20 years and cost more over the life of the loan.

"I would rather pay the private mortgage insurance now until I own 20 percent of the home than make payments for years down the line," George said.

The couple's spacious new home has three bedrooms, a family room,

dining room and basement.

Overall, it needs some cosmetic work, but the couple looks forward to remodeling. They plan to start with updating the kitchen, and will gradually move on to the rest of the house.

George's favorite part of his new home is its backyard, where he hopes to build a patio for barbecuing and entertaining friends.

But it was the neighborhood that *(story continues on page 4)*

Supporters of Mortgage Insurance Tax Deduction Seek New Opportunity for Congressional Passage

A diverse group of supporters of proposed legislation that would permit more than 12 million home-mortgage borrowers to deduct their monthly mortgage insurance premiums is looking for an opportunity to have the important tax change included in a follow-up tax bill later this year.

The deduction for mortgage insurance was approved in May by the U.S. Senate as part of the tax cut legislation, but the provision was not included in the final House-Senate compromise version of the \$350 billion tax package.

The deduction has bipartisan support in the House and Senate and backing from a wide range of civil rights, union, housing and mortgage industry organizations. Supporters are seeking to have the proposal – which would allow a tax deduction for mortgage insurance payments made by individuals and families

who earn less than \$100,000 a year – attached to follow-up federal tax legislation that Congress could take up later in the year.

"We were gratified that the Senate included this important deduction for low- and moderate-income families in the tax bill, and 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). "This proposal to increase homeownership is still very much alive."

Senators Gordon Smith (R-Oregon) and Blanche Lincoln (D-Arkansas) are the lead Senate sponsors of legislation to allow homeowners to deduct private mortgage insurance (PrivateMI) and government mortgage insurance payments. Representatives Paul Ryan *(story continues on page 4)*

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Down Payment Remains Biggest Hurdle for Many Home Buyers

Amassing enough money for a down payment is the greatest obstacle to buying a home faced by a majority of renters, according to a recent survey. The survey also finds that 84 percent of home buyers will not have a 20 percent down payment, which is typically required by most lenders.

"Coming up with a down payment has long been a challenge for home buyers," said Suzanne C. Hutchinson, Executive Vice President of the Mortgage Insurance Companies of America (MICA). "Many first-time home buyers may not be aware that they can purchase a home sooner and for less money down using private mortgage insurance."

The survey also found that home buyers want to pay the lowest amount possible over the life of the loan. In addition, the survey showed that most prospective homeowners believe it is important

to be able to tap into their home's equity in case of emergency, for home improvements or to pay for their family's educational expenses.

The survey of 1,000 renters who plan to buy a home was conducted this spring on behalf of MICA. Home buyers who do not have a traditional 20 percent down payment to buy a home will have to seek alternative financing. One option is a home loan with private mortgage insurance (PrivateMI), which can help people get into a home as much as 10 years sooner than if they waited to save a 20 percent down payment.

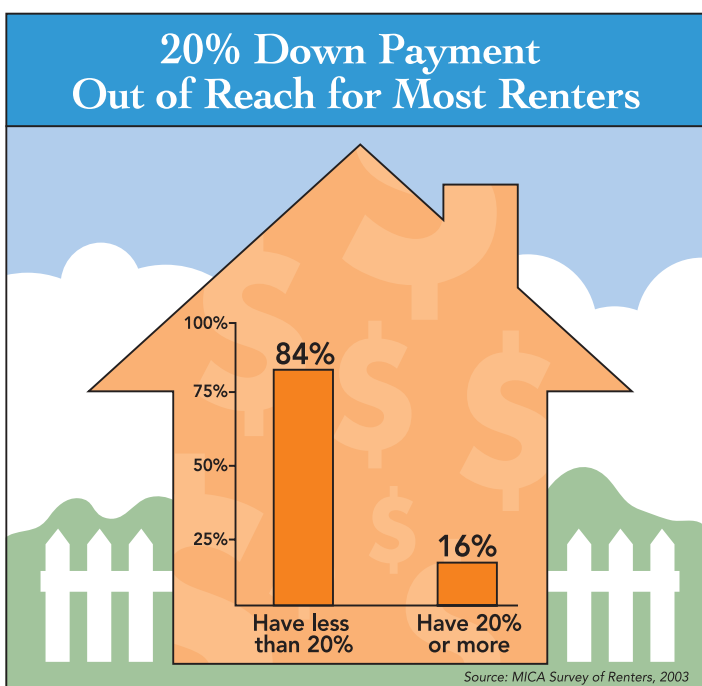
Another option that is being promoted by some lenders is a split structure loan known as a "piggyback" or 80-10-10 loan. In this type of mortgage structure a home buyer would make a down payment of 10 percent, obtain a conventional

mortgage for 80 percent of the purchase price and make a second mortgage for the remaining 10 percent of the purchase price.

called on MICA to discuss how people can buy a home with a low down payment.

"Coming up with a down payment has long been a challenge for home buyers. Many first-time home buyers may not be aware that they can purchase a home sooner and for less money down using private mortgage insurance."

— Suzanne C. Hutchinson, Executive Vice President of MICA



MICA has also developed a short video on how PrivateMI helps home buyers get into a home of their own sooner with a low down payment. This video can be viewed on MICA's Web site, www.privatemi.com.

The survey of renters and the benefits of PrivateMI in buying a home have attracted the attention of a broad spectrum of news media, including television stations in Florida and Texas, newspapers in California and Florida, and radio networks such as CNN Radio, USA Radio Network and Metro Networks. 🏠

SmartPath Program Shows Home Buyers Ways to Navigate the Loan Qualification Process

A partnership involving Mortgage Guaranty Insurance Corp. (MGIC), credit counseling agencies and St. Francis Bank has led to creation of SmartPath, a program designed to help borrowers navigate the process of qualifying for a home loan.

The program helps borrowers who would not traditionally qualify for a mortgage by offering them an alternative credit review process, which uses non-traditional credit sources, such as rental and utility payments, to reestablish credit for borrowers.

Three Milwaukee nonprofit counseling agencies – HBC Services Inc.,

Neighborhood Housing Services (NHS) of Milwaukee and Select Milwaukee – also provide participating borrowers with at least six hours of face-to-face credit counseling.

"The alternative credit report aspect of SmartPath will enable us to put people in homes sooner and at a prime price when compared with other options," said Rose Juarez-Sura, executive director at HBC. "The goal of this program is to help people better understand their mortgage options and how their credit impacts pricing.

"When people realize they can save \$200 or \$300 a month in interest

payments by undergoing credit and budget counseling before buying a home, they become more patient and less prone to predatory lending schemes," Juarez-Sura added.

"We will work with borrowers to help them understand the difference between prime and high-cost pricing, and how using high-cost credit providers negatively impacts their credit profile," said Ray Schmidt, executive director at Select Milwaukee.

"We'll also help them restore or maintain their credit, reduce or restructure debts, improve their ability

to manage the household budget, and develop a savings plan," Schmidt added.

As part of the program, MGIC will insure loans with loan-to-value (LTV) ratios up to 103 percent, depending on the borrower's credit.

"This program is different from any other in that the interests of the lender, PrivateMI company, and counseling agencies are intricately aligned," said John Schroeder, Vice President of Credit Policy at MGIC. "Our success together depends on our ability to put people in homes and keep them there for the long term." 🏠

PrivateMI Issue Focus

What role do PrivateMI companies play in helping the economy grow and keeping the housing market strong during an economic downturn?



PMI Mortgage Insurance Co.

"PMI Mortgage Insurance Co. has played a significant role in helping our economy grow during this economic downturn, and has played a key role in keeping the housing market strong.

"Housing is a powerful force in the economy; the housing component of Gross Domestic Product grew 12 percent in this year's first quarter - faster than any other part of the economy.

"The construction of 1,000 single-family homes generates 2,448 jobs in construction and construction-related industries, approximately \$75 million in wages, and more than \$37 million in federal, state and local tax revenues and fees.

"PMI is an advocate of affordable housing and supports a number of initiatives and organizations that foster greater access to affordable housing. Our Emerging Markets department establishes affordable housing opportunities for segments of the population that have been historically underserved, thus providing stimulus for low to moderate-income earners to become home buyers and drive the economy.

"We serve primarily first-time buyers, helping them get to the first rung on the homeownership ladder. First-time buyers let existing homeowners sell their homes and move to homes that better fit their current living circumstances, thus keeping consumer spending active and the housing market vibrant. We also insure loans with loan-to-value up to 103 percent with little or no down payment, thus helping to overcome the down payment obstacle so prevalent in this economy."

– Taia Lockhart, Director of Emerging Markets



Republic Mortgage Insurance Co.

"A home is the single largest investment most people will make. The greatest obstacle to home ownership for many Americans is saving enough for a 20 percent down payment. PrivateMI removes that barrier by protecting lenders in case of default so that buyers can purchase homes with down payments as small as 5 percent, 3 percent or even 0 percent. Last year, PrivateMI companies wrote approximately 2 million policies – that represents an estimated \$282 billion in mortgages. PrivateMI allowed many of those buyers to start building equity months, or even years, sooner than they would have been able to otherwise.

"These home purchases contribute to growth in other areas of the economy. The National Association of Home Builders estimates that the construction of 1,000 single-family homes generates 2,448 full time jobs in construction and other sectors such as manufacturing, transportation and services. Also, home buyers typically spent thousands of dollars on furnishings and other housing related items, providing even more stimulus to the economy.

"When defaults increase during an economic downturn, PrivateMIs save lenders from major losses so they are more willing to continue making loans."

– Daniel Green, Staff Economist



Mortgage Guaranty Insurance Corporation

"The recent economic downturn has had a silver lining for homeowners – record low mortgage interest rates.

PrivateMI has been instrumental in helping both first-time home buyers and existing homeowners take advantage of those record low rates and substantially lower their monthly mortgage payments and reduce their total household debt.

"While it is well known that PrivateMI helps first-time buyers get into a home with as little as \$500 out-of-pocket in some instances, it has not been widely reported that PrivateMI has helped thousands of existing homeowners take advantage of lower interest rates even though home price growth has slowed in most parts of the country.

"Many people who bought homes with small down payments in 2001 and 2002 have refinanced with the help of mortgage insurance in recent months to further reduce their mortgage costs. In the first quarter, 52 percent of loans MGIC insured were refinancings."

– Geoffrey Cooper, Director - Public Policy and Corporate Relations



GE Mortgage Insurance

GE Mortgage Insurance

"Housing has been the one consistently bright spot in the economy over the past few years. With the stock market only now beginning to recover, and unemployment still at unacceptable rates, rising home prices and low mortgage interest rates have provided a foundation of confidence that has sustained consumer spending.

"Recent estimates now put mortgage originations in 2003 at over \$3 trillion, another record, so there's every reason to believe that housing will continue to be a major contributor to economic growth. And mortgage insurers will play a significant role in keeping the market robust.

"According to the Joint Center for Housing Studies at Harvard University, about 1.7 million new homes and apartments are needed to meet demand in the coming decades. By making low down payment loans possible, mortgage insurance companies will help consumers buy those homes even as prices continue to rise. The benefits go far beyond the housing industry.

"When people use PrivateMI to buy homes with little money down, they don't just start building equity. They also contribute to the health of the construction industry, creating jobs and adding to tax revenues. In many cases, they use funds not spent on a down payment for household expenditures and home improvements, helping the local economy. As their equity increases, homeowners have the option to use the gains to finance their children's education, make major purchases or diversify their financial resources for retirement.

"PrivateMI companies are in the business of increasing homeownership, helping first-time buyers and others achieve the American dream. Doing so has helped make the U.S. housing industry the world's best, and our economy will continue to benefit from it."

– Mark Goldhaber, Vice President, Industry Affairs



Radian Guaranty Inc.

"PrivateMI gives home buyers the flexibility to qualify for mortgages with smaller down payments.

"Through our products and services, we help more Americans buy homes sooner, while enabling lenders to originate more loans, increase the salability of those loans in the secondary market and provide liquidity for home financing."

– Bob Quint, Chief Financial Officer

Private Mortgage Insurance Companies Doing Their Part to Assist Military Families

Military families make sacrifices for their country every day, but especially during times of war. During the recent conflict in Iraq, Mortgage Insurance Companies of America members did their part to make sure the last thing military families worried about was their mortgage insurance payments.

The Soldiers' and Sailors' Civil Relief

Act caps loan interest at 6 percent for military personal and protects military families from eviction.

In addition to abiding by the Soldiers' and Sailors' Civil Relief Act, private mortgage insurance companies offer military families loan services such as forbearance, repayment plans and loan modifications.

For example, Republic Mortgage Insurance Company, located in Winston-Salem, North Carolina, will accept any forbearance necessary to assist service men and women. The company does not require any paperwork from military personnel other than investor and servicer documentation requirements.

In addition, Philadelphia-based Radian Guaranty Inc. offers military families claim advances such as the "LifeLine Loan," where Radian advances the amount of a borrower's delinquency to the lender. The borrower repays Radian, which often offers the advance with zero percent interest over an extended period of time and terms that can fit the borrower's budget. 🏠

...Supporters of Tax Deduction

(continued from page 1)

(R-Wisconsin) and William Jefferson (D-Louisiana) are the primary House sponsors of a companion bill.

PrivateMI and government insurance and guaranty programs such as Federal Housing Administration and Veterans Affairs loans have contributed greatly to increasing homeownership by making it more affordable for families to move into homes of their own.

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

A tax deduction for the PrivateMI payments could turn more than

Supporters of Mortgage Insurance Deductibility

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 Conference
Financial Services Roundtable
Frontiers of Freedom
Indian American Republican Council

The Latino Coalition
LULAC
Manufactured Housing Institute
Mortgage Bankers Association of America
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
U.S. Hispanic Chamber of Commerce

As of 6/10/03

300,000 low- and moderate-income, immigrant and minority families into homeowners each year, proponents say. It would also 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 especially benefit many who have typically been unable to

purchase homes – young people, low-income individuals and members of minority groups.

A broad group of organizations support the legislation, including the National Urban League, National Taxpayers Union, National League of Cities, Mortgage Bankers Association of America, National

Association of Real Estate Brokers, MICA, Consumer Federation of America, Citizens Against Government Waste and labor organizations, such as the Service Employees International Union, National Education Association, American Federation of Teachers and the Bakery, Confectionery, Tobacco Workers & Grain Millers. 🏠

...Family Neighborhood

(continued from page 1)

"I would rather pay the private mortgage insurance now until I own 20 percent of the home than make payments for years down the line."

— George Wirtz

really sold the place to the couple. Quincy, Massachusetts is just a few minutes south of Boston and is known for its picturesque coastline. In fact, George and Adrienne's new home is a short distance from the beach as well as a freshwater lake.

"I love that I can step out my front door and walk to the beach," said Adrienne, a teacher.

The area directly surrounding the

couple's new place is home to many families and is several blocks away from an elementary school.

For now, the couple is content living with their cat Cleo, but they look forward to someday raising a family in their new home.

"A couple of years down the road, when we have kids, we want to raise them in a nice house in a nice neighborhood like this one," George said. 🏠

NEWS IN BRIEF

United Guaranty Corporation – The Illinois Housing Development Authority's (IHDA) Single-Family and Trust Fund departments announced a partnership with the City of Chicago, United Guaranty Corporation, the Joseph Center Housing Services (a subsidiary of the Living Word Christian Center), and participating lenders to provide below-market interest rate loans with down payment and closing cost assistance to low- and moderate-income families in designated Chicago communities.

Loans will be available through IHDA's First-Time Homebuyer Program that offers financial assistance to low- and moderate-income Illinois residents.

United Guaranty will provide both pool insurance on the bonds and mortgage insurance on the loans as they are made, enabling lenders to require as little as 1 percent down payment for the loans.

PMI Mortgage Insurance Co. – The PMI Group is giving a \$35,000 grant to the Unity Council community development organization as part of an ongoing commitment to create affordable housing opportunities for underserved communities.

PMI's grant will support the Fruitvale Transit Village, a nationally recognized revitalization project centered on Oakland's Fruitvale neighborhood BART station. The

Village will include housing, community and commercial space. Developers will use retail and other strategies to bring economic development to the area and improve community safety.

The housing phase of the project will bring 47 rental lofts and apartments to the community. Ten of the units will be designated for affordable housing for residents who earn between 35 and 80 percent of the Area Median Income.

"PMI is in the homeownership business, the business of making homeownership attainable. PMI is very proud of its commitment to create affordable housing and home-

ownership opportunities for underserved communities, such as the Fruitvale area," said Taia Lockhart, PMI Director of Emerging Markets. 🏠



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]