



PrivateMI

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P E R S P E C T I V E

Twenty-Four-Year-Old Woman Buys Home with Assist from PrivateMI

Julie McNeal is no ordinary 24-year-old. Unlike twenty-somethings who spend their paychecks as fast as they make them or splurge on the latest fashions, Julie methodically squirreled away money to buy her own home.

Despite her frugal ways, she didn't have the 20 percent she needed for a down payment when she found the house of her dreams in Kennesaw, Georgia. But with an assist from private mortgage insurance (PrivateMI), she was able to buy the two-bedroom townhouse she and her cat, Sophie, now call home.

The moment she saw the townhouse 30 minutes outside of Atlanta, Julie knew it was the place for her. The fact that it had two bedrooms, two and a half baths, a huge brick fireplace and a large, landscaped backyard all appealed to her. "It was the combination of all of those things that really sold me on the house," she said.

Though Julie considered other financing methods, "private mortgage insurance was cheaper than an

80-10-10 loan," and that's why she chose it. Waiting years to save up the 20 percent down payment was not an option.

"I felt great that I had made the wheels start turning with private mortgage insurance, and that homeownership was now an attainable goal," she said. "I would have been very disappointed if I would have had to wait another five to 10 years to buy a home."

As the first of her circle to become a homeowner, she surprised her friends and her parents. "My parents were supportive when I told them I planned to buy a home," she explained. "However, because of my age I don't think they took me seriously at first. Once I closed and signed on the dotted line they were very impressed." Julie added that

the idea to own her own home had been with her since she was a child and that the decision to purchase at this point in her life was driven by the low interest rates.

Being a homeowner gives this 24-year-old pleasure for many reasons. Near the top is having the space so that her family can stay with her instead of in a hotel when they visit. In her previous one-bedroom, one-bathroom apartment, the space became very cramped during her family's semi-annual visits. "I prefer that my family stay with me when they are in

town because it saves on hotel costs, which can be very expensive," said Julie.

The ability to personalize her space permanently is also a big plus of ownership for Julie. She renovated her kitchen by exchanging the brown plastic linoleum flooring for terra cotta-colored Spanish tile and repainting the dark kitchen cabinets an eggshell white. Even the cabinet doors were removed to give the

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Julie McNeal in front of her home in Kennesaw, Georgia.

Survey Shows Gender Differences in Home Buying Approach

The editors of *PrivateMI Perspective* wanted to see if men and women approached the home buying process differently, so we commissioned an online survey of 1,000 single male and female renters who plan to buy a home. Here are the most interesting findings from that survey, proving that it's not just in conversation that men are from Mars and women are from Venus.

Home Buying an Important Financial Priority for Both Sexes

A substantial majority of renters (73 percent) report that buying a home is one of their most important financial priorities.

Single Women More Likely to Have Saved Nothing to Buy a Home Than Single Men

As with many things in life, there is a large gap between people's dreams and their achievements. Despite answering that buying a home is their top or one of their most important financial priorities, 46 percent of the single women surveyed admitted to

having put away nothing toward their goal of buying their own home. Only 34 percent of single men admitted the same thing.

That means that the advantage PrivateMI offers in helping people buy homes with less money down is likely to be especially attractive to single women seeking to buy homes.

Women Buy Homes to Avoid Paying Rent; Men's Motivation Mixed

Thirty-eight percent of the women surveyed cite not wanting to pay rent as the biggest factor motivating them to consider buying a home. Only 21

percent said they would consider buying a home because it was "time," while 20 percent said they would consider buying a home because it was a good investment.

In roughly equal percentages, men cited three reasons leading them to consider buying a home — *(story continues on page 4)*

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How Female Homeownership Drives the Economy

by Peter G. Miller

There's a new trend in the real estate marketplace, the growing presence of women buyers. James Brown may have said "this is a man's world," but the latest numbers in housing and real estate show the opposite: Women rule and the choices women make profoundly impact the national economy.

According to the National Association of Realtors®, single women bought 18 percent of all existing homes in 2004 — up from their 14 percent market share in 1995.

What about single men? Their share of the market fell from 9 percent in 1995 to 8 percent last year.

About 8.8 million new and existing housing units were sold in 2004, a figure which means more than 1.5 million single women were house hunting during the past 12 months. As big as they are, the numbers associated with single females underscore the importance of women buyers. NAR says most homes, 62 percent, are bought by married couples, 9 percent are purchased by unmarried couples, and women surely have a major role in the decisions and choices of both groups.

Real estate is a fundamental part of the national economy, almost 20 percent of our \$11.8 trillion gross national product. According to the Bureau of Economic Analysis, "housing" represented \$1.2 trillion of our GDP, "housing operations" amounted to \$450 billion and residential construction was worth \$680 billion. In effect, 19.7 percent of the entire economy is related to real estate and a substantial proportion of all real estate activity is determined by women.

The economic clout represented by women and real estate is considerable:

- In 2004 it's expected that nearly 6.8 million existing single-family and townhouse properties sold. Eighteen percent of these sales equal 1,224,000 properties. With a median price of \$187,000, the total value of these transactions amount to \$228.9 billion.
- New home sales for 2004 were expected to top 2 million units with an average price of \$255,100. If 18 percent of new home sales are made by single women, then these units have a market value of \$91.8 billion.
- Couples represent the bulk of real estate purchases. Seventy-one percent of the nation's real estate activity was worth \$1.65 trillion in 2004, an amount roughly equal to the entire gross national product of Great Britain.
- "Single women," says Martha Barletta, author of *Marketing to Women*, "head 27 percent of households in the United States."

FEMALE HOMEOWNERSHIP TRENDS

By 2050, women will outnumber men by 6.9 million.
2000 US Census

Since the 1970's, the number of women in the paid labor force has increased by 112%.
U.S. Dept. of Labor – www.dol.gov

Single women purchased approximately 1 in 5 homes in 2003.
2003 NAR Profile of Home Buyers and Sellers

Women tend to be more specific about what they need in terms of square footage and cost and, therefore, typically shop for homes for a longer period of time than men.
Realtor.org

Communities centered on a single amenity such as a golf clubhouse tend to be perceived as less welcoming for women and children.
Realty Times, Al Heavens, Dec. 4, 2003

Developers have begun catering to the demands of women homebuyers, which are generally safe surrounding communities, convenience to services, proximity to work and access to family-friendly recreational activities.
Realty Times, Al Heavens, Dec. 4, 2003

Nationally, households headed by women have grown 400% since 1950.
Fannie Mae, 2003

Fannie Mae estimates that by the year 2010, there will be 31 million women-headed households in the US, nearly 28% of total households.
Fannie Mae

That's important when you consider that purchases related to real estate — carpets, appliances, paint, furniture, window coverings, lawn equipment and such — are each multi-billion dollar industries in their own right, and all depend on new homebuyers for growth.

- The increased importance of women in real estate has produced both marketing by gender and, paradoxically, marketing not by gender. Home Depot, as one example, has been testing a line of tools designed for women.

But generally, says company spokesperson Jen King, what women want is "good quality, not female only."

- According to the National Association of Homebuilders, "the construction of 1,000 single-family homes generates 2,448 full-time jobs in construction and construction-related industries; \$79.4 million in wages; and \$42.5 million in combined federal, state and local revenues and fees." Reduce the activity of female buyers in the real

estate marketplace and thousands of jobs in every state would be lost.

Does the increasing involvement of women in the real estate marketplace change the way homes are bought, sold or financed?

While discrimination against women is prohibited in the sale and financing of real estate by such laws as the Fair Housing Act and the Equal Credit Opportunity Act (ECOA), a key difference between male and female homebuyers involves money.

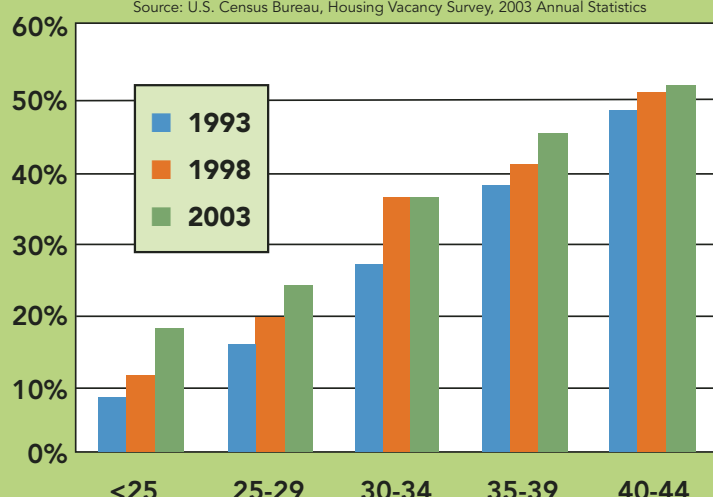
According to the National Committee on Pay Equality, in 2003 a typical male earned \$40,668 while women averaged \$30,724 — a gap of more than \$825 per month.

One result of statistically-lower incomes is that women buyers, on average, have a greater need for loan products with little down (to reduce the need for cash at closing) and adjustable-rate mortgages (because ARMs often have more liberal qualification standards than fixed-rate loans).

Also attractive to women because of the wage differential are real estate sales which involve "seller (story continues on page 3)

FEMALE HOMEOWNERSHIP Rates by Age

Source: U.S. Census Bureau, Housing Vacancy Survey, 2003 Annual Statistics



PrivateMI Issue Focus

What are you doing to help women become homeowners?



PMI Mortgage Insurance Co.

Women are playing greater roles in the housing markets than ever before. Social and economic trends such as delayed marriage, higher divorce rates, lower remarriage rates and increasing labor force participation have given women a growing presence in housing markets.

Between 1980 and 2000, the number of households headed by unmarried women has increased by almost 10 million. Despite these advances, many women who are head of their household are confronted with barriers to homeownership, such as discrimination based on sex and income, and limited access to information about the home buying process.

PMI's philosophy is that homeownership strengthens communities, which benefit from women homeowners who can become community leaders,

boost local economies and demonstrate a high level of commitment and loyalty to their neighborhoods.

For a single woman eager to buy her first home, a 20 percent down payment can seem overwhelming. Single mothers, with more expenses and more demands on their time have it even harder. PMI has developed lending structures targeted to emerging markets, which include women-headed households. PMI's products offer flexibility. Even if the home buyer has 3 to 5 percent – or less – of the sales price to use for a down payment, there's a PMI private mortgage insurance payment option.

One example is our split premium plan, which combines an initial, one-time premium payment with lower recurring monthly payments. This plan allows the borrower to use gifts, grants or sellers contributions to subsidize the down payment and closing costs. No matter what payment option she chooses, PMI will help women overcome homeownership obstacles and ensure that buying

a home will be a step toward a brighter financial future.

– Taia Lockhart, Vice President, Emerging Markets



AIG United Guaranty

Among the fastest growing homeowner markets in the country, women-headed households are anticipated by Fannie Mae to increase by nearly 31 million, or close to 28 percent of all households in the country, by 2010. AIG United Guaranty's efforts to increase female homeownership includes working with lenders and their emerging markets specialists to develop messages specifically to appeal to women.

We encourage lenders to change the "one message fits everyone" approach to one that informs women of the benefits of owning their home, and encourages them to act on that information. Among other points,

these messages stress that this type of financial planning is possible for everyone, and not just those with significant others or two incomes, and that building home equity can make funds available for their children's education down the road.

Other suggestions include lunch-and-learn seminars at institutions that employ large numbers of women, for instance office buildings or hospitals, to educate women and to encourage them to take the next step.

Working with lenders and nonprofits in conjunction with Fannie Mae's Women-Headed Households Initiative, entitled "A Place to Call Home: Women Achieving Homeownership," AIG United Guaranty has teamed with lenders and nonprofit agencies in the Houston area since 2001 to sponsor and participate in home buyer forums aimed at attracting women and empowering them to seek more information on homeownership.

– Bonnie A. Wolford, Director, Emerging Markets

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kitchen a more open feel.

She's also renovated two bathrooms with her father, removing old wallpaper and putting in fresh new tile. She plans to tackle the garden next, planting pansies in the front yard and roses in the back.

Although her new home in Kennesaw

is further from her job than her old apartment, Julie has no doubt that her investment was worth it. "I get twice the space of my old apartment," she said. "Instead of paying someone else's mortgage, I could pay my own, upgrade, and have more friends and family over."

To her, there's no doubt it was a trade-off worth making. 🏠

"I felt great that I had made the wheels start turning with private mortgage insurance, and that homeownership was now an attainable goal."

– Julie McNeal

...Female Homeownership

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contributions" at closing. In such cases owners pay some or all settlement costs, another way to sell real estate to buyers with limited savings.

Another approach that offers disproportionate advantages for women are grant programs from community groups, private organizations and government. Grants can reduce mortgage needs, thus lowering monthly payments because there is less debt to be re-paid.

But while wage differentials remain, the make-up of the real estate

marketplace is changing. For instance, 79 percent of all real estate brokers were male in 1978. By 2003, says NAR, the gender balance changed and 52 percent of all brokers were female.

Why is this important? There's a bottom-line difference between a "broker" license in most states and a "sales" license. Sales people work for brokers while brokers can form their own firms and work directly with the public. While a typical agent earned \$39,300 in 2002, according to NAR, brokers took in an average of \$65,300. It follows that if more brokers are

women, more women are earning higher incomes than in the past.

Also, averages and means reflect typical survey results, not all individuals within a group. Women may earn less than men on average, but women such as Meg Whitman (eBay's president and CEO) and Carly Fiorina (chairman and CEO of Hewlett-Packard) surely do better than most males when it comes to income and perks.

Looking toward the future, it's likely that women will play an even bigger role in both real estate and the national

economy as the income gap shrinks. However, the reality of the wage gap suggests that with fewer dollars women will continue to rely on financing with less down for years to come. The fact that there is a gender-based wage gap should be a concern for everyone because until women can fully participate in the home buying process, the national economy cannot reach its full potential. 🏠

Peter G. Miller is the author of the *Common-Sense Mortgage*, a regular columnist with *RealtyTimes.com*, and is syndicated nationwide.

More Than 12 Million Homeowners Still Wait for Tax Relief on Mortgage Insurance Premiums

More than 12 million Americans – mostly first-time and low-income homeowners – will have to wait for tax relief on their mortgage insurance premiums.

A provision to make mortgage insurance premiums tax deductible for households with incomes under \$100,000 passed the Senate last May but the deduction was not part of an omnibus tax bill that cleared the House in October.

Mortgage insurance is a credit enhancement for borrowers who cannot come up with a 20 percent down payment to buy a home, most often low-income and first-time home buyers. Traditionally, private mortgage insurance (PrivateMI), government insurance and federal guaranty programs have helped low-income, minority, veteran and first-time home buyers get into homes sooner, for less money down.

The proposal to make mortgage insurance tax deductible would help make housing significantly more affordable for low-and-moderate income families. Senators Gordon Smith (R-OR) and Blanche Lincoln (D-AK) were the chief sponsors of the Mortgage Insurance Fairness Act in the Senate, attracting a bipartisan group of 24 cosponsors. The House

bill, introduced by Representatives Paul Ryan (R-WI) and William Jefferson (D-LA), gained 220 Republican and Democratic co-sponsors — more than half of the House of Representatives.

"This bill received overwhelming bipartisan support in both houses of Congress, so naturally we are disappointed that it did not become law this year," said William V. Nutt,

"People from all walks of life scratch and save so that they can someday own their own home."

— William V. Nutt, Jr., President of MICA

Jr., President and Chief Executive Officer of AIG United Guaranty and President of the Mortgage Insurance Companies of America (MICA). "However, we hope that Congress will take another look at deductibility for mortgage insurance in the very near future."

According to recent statistics, mortgage insurance covers more

than half of the loans made to African American and Hispanic borrowers and 54 percent of loans to borrowers with incomes below the median income for their area.

A study released in December of 2003 by the Consumer Federation of America (CFA) and several housing groups concluded that homeownership is the main path to wealth for lower income and minority Americans.

In a nationally syndicated newspaper column, CFA Executive Director Stephen Brobeck observed that, "Delaying [this legislation] is most costly to families who pay the highest proportion of their incomes toward their home mortgage expenses."

"With real estate prices as high as they are, it is becoming increasingly difficult for families to set aside

money for a down payment on a home," observed Suzanne C. Hutchinson, MICA Executive Vice President. "Deductibility of mortgage insurance will make it easier for those families to afford a home and handle the maintenance costs associated with homeownership."

The mortgage insurance deductibility bill enjoyed widespread support from a diverse group of organizations. The broad coalition included groups representing financial companies and those in the mortgage industry, as well as minority and consumer groups and organized labor. The Fraternal Order of Police, the National Urban League, the Teamsters and the National Education Association are just a small sample of the diverse groups that supported the legislation.

"People from all walks of life scratch and save so that they can someday own their own home," said Nutt. "PrivateMI makes purchasing that home a little bit easier, and mortgage insurance deductibility would help even more. We won't give up the fight." 🏠

...Survey Shows Differences

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the desire to avoid paying rent (29 percent), the fact that buying a home is a good investment (27 percent), and the fact that it was time to buy a home (26 percent), — meaning that no one reason predominated over another.

Living Expenses Hurt Women's Ability to Save for a Home

In general, women find that the expenses of everyday living make it harder for them to save up to buy a home.

Two out of three single women, or 66 percent, cite paying rent as the expense that most interferes with their ability to save for a down payment on a home of their own. Slightly over half, or 54 percent of the single men surveyed cited the necessity of paying rent as interfering with their ability to save up to buy a home.

Forty-two percent of single women named credit card debt as hurting their ability to save for a home of their own, while only 37 percent of single men did.

Men Believe They Need Larger Down Payments

The men surveyed were almost twice as likely as the single women to think they would need more than \$30,000 for a down payment on a home. Meanwhile, nearly half, or 41 percent of the single women, thought they would need under \$10,000 for a down payment.

According to the Web site **Economy.com**, the average down payment as of June 2002 was \$30,500, up from \$28,700 in June of 1999.

Biggest Hurdle to Home Buying Differs by Gender

Almost a third of single women (31 percent) believe having a good enough credit rating to get a mortgage is the biggest obstacle they face in buying a home. Men, by contrast, find their biggest obstacle is finding a home they like and can afford (35 percent).

Majority Favor Several Key Features of PrivateMI Financing As Compared With Piggyback Loans

• Majority of Men Favor Paying the

Lowest Possible Amount Over the Life of the Loan

More than half (53 percent) of single men surveyed favored paying the lowest amount possible over the life of the loan, even if payments were higher in the beginning, while 41 percent of single women felt the same way.

Paying a smaller amount over the life of the loan is a key feature of buying a home with PrivateMI, compared with using piggyback financing. Piggyback financing, also called 80-10-10 financing, involves putting 10 percent down, and then taking out two mortgages, the first for 80 percent of the home's value, and then a second for 10 percent of the home's value, usually at a much higher interest rate. Although the combined payment on the two mortgages may be similar to a single loan with PrivateMI at first, over the life of the loan, they are usually higher.

• Both Sexes Favor Ability to Borrow Against Home for Emergencies, a Key Feature of PrivateMI

When thinking of features that are

important in financing a home, being able to borrow against one's home for emergencies was rated as most important by 40 percent of single women and 37 percent of single men.

Using PrivateMI keeps the equity in one's house liquid in case of emergencies, while using a piggyback loan, or 80-10-10 financing mechanism, ties up one's home equity so that it is not available for emergencies or to finance a child's education. 🏠



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