

PRIVATE MORTGAGE INSURANCE: Promoting Homeownership for Vermont Families

Private mortgage insurance (private MI) is typically required by mortgage lenders to approve homebuyers who have down payments less than 20% of the purchase price. For nearly 65 years, private MI has been an important component in the U.S. housing finance system, helping creditworthy borrowers in Vermont and across the country to access home financing while protecting lenders and taxpayers.

By design private MI is a proven, reliable method in shielding the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, as well as American taxpayers, from losses on mortgage credit risk. Private MI companies paid nearly **\$60 billion**¹ in claims since the 2008 financial crisis and housing market downturn, claims the government and taxpayers did not have to provide.

Down Payment is the #1 Impediment to Homeownership

That typical 20% threshold is out of reach for many families. For example, it could take 21 years for a household earning the national median income of \$68,703² to save 20%, plus closing costs, for a \$299,900³ home (national median sales price).

In Vermont, the median income is \$74,305⁴ and the median sales prices for a single-family home is \$274,200.⁵ Using this same analysis, it would take 18 years for a state resident to save 20%, plus closing costs (3% of the total sales price on average).⁶

PRIVATE MI HELPS BORROWERS AFFORD A HOME SOONER

Private MI not only helps borrowers overcome the biggest hurdle to homeownership but acts as a second set of eyes with independent credit underwriting standards. It aligns the interests of borrowers, lenders and investors.

\$63,066

(18 years to save)

20% Down Payment without private MI, plus closing costs (U.S. \$68,977)



Median household income: \$74,305 (U.S. \$68,703)
Median home price: \$274,200 (U.S. \$299,900)

\$21,936

(6 years to save)

5% Down Payment with private MI, plus closing costs (U.S. \$23,992)

LONGER WAITS TO BUILD LARGE DOWN PAYMENTS

28
YEARS

Firefighter
\$52,500

24
YEARS

Middle School Teacher
\$60,810

19
YEARS

Registered Nurse
\$75,330

15
YEARS

Veterinarian
\$99,250

32
YEARS

Black
(\$46,073)

26
YEARS

Hispanic
(\$56,113)

20
YEARS

White
(\$72,204)

15
YEARS

Asian
(\$97,150)

Dollar amounts by race⁷ and occupation⁸ represent median income.

Who is Borrowing in Vermont



AVG. Credit Score⁹ (U.S. 731)



Median Household Income¹⁰ (U.S. \$68,703)



Median Home Price¹² (U.S. \$299,900)

Borrowers with Private MI in Vermont

>40% Borrowers with Incomes Less Than \$75,000¹³

2,691 Homeowners Helped in 2020¹⁴ (U.S. >2 million)

\$254,825 Avg. Loan Amount Purchased/Refinanced with private MI¹⁵ (U.S. \$289,482)

52% First-Time Homebuyers¹⁶ (U.S. 58%)

752 Average Credit Score¹⁷ (U.S. 749)



35+
million

Private MI Helps Borrowers Bridge the Down Payment Gap

By helping borrowers qualify for a mortgage with a down payment as low as 3%, private MI has given more than 35 million families nationally the opportunity to purchase a home sooner for nearly 65 years.¹⁸

Private MI Protects Taxpayers

Private MI is a first level of credit protection against the risk of loss on a mortgage in the event a borrower is not able to repay the loan and there is not sufficient equity in the home to cover the amount owed. With the GSEs in conservatorship and the government effectively guaranteeing the GSEs, taxpayers face direct exposure to mortgage credit losses experienced by the GSEs. Traditionally, for loans with down payments under 20% of the home value, private MI – not taxpayers – covers the first losses if there is a default, up to certain coverage limits.

Nearly
\$60 Billion

Amount private MI industry covered in claims for losses¹⁹

44%

Portion of new insured mortgages that private MI protected in 2020²⁰

\$1.3 Trillion

Amount in mortgages outstanding with private MI protection at the end of 2020²¹

Private MI is Temporary

Unlike FHA and other government mortgage insurance, which typically cannot be cancelled, private MI paid for by the borrower can be cancelled, leading to potential savings over the life of their loan. Private MI can be cancelled in two ways:²²

A borrower may request cancellation of private MI when he/she has established 20% equity in the home. In other words, the borrower has paid down the mortgage balance to 80% of the home's original or newly appraised price.

When the principal balance of the mortgage is scheduled to reach 78% of the home's original value and the borrower is current on payments, the servicer terminates private MI.

¹ GSE Statutory Filings and MI Company Annual Reports

² U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8)

³ National Association of REALTORS®

⁴ U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8)

⁵ Redfin Analysis of MLS Data for Single-Family Residences

⁶ Zillow

⁷ U.S. Census Bureau, Historical Income Tables (Table H-6)

⁸ U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment & Wages (May 2020)

⁹ ValuePenguin powered by Lending Tree, FICO® Average score of homebuyers with a 30-year fixed-rate loan for all 2020.

¹⁰ U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Table H-8)

¹¹ Redfin Analysis of MLS Data for Single-Family Residences

¹² National Association of REALTORS®

¹³ USMI Member Companies

¹⁴ GSE Aggregate Data

¹⁵ GSE Aggregate Data

¹⁶ GSE Aggregate Data

¹⁷ GSE Aggregate Data

¹⁸ USMI Member Companies and GSE

Aggregate Data

¹⁹ GSE Statutory Filings and MI

Company Annual Reports

²⁰ Inside Mortgage Insurance, Primary Mortgage Insurance Activity

²¹ MI Company Annual Reports and Inside Mortgage Finance, Total Private MI New Insurance Written

²² Consumer Financial Protection Bureau, When can I remove private mortgage insurance (PMI) from my loan? (September 13, 2017)