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Rethink MI

How to use mortgage insurance as a strategy

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Since 1957, private MI has helped more than 38 million families become homeowners
Source: USMI 2023 Report

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How do you think and talk about MI today?

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Rethink MI

Change the conversation

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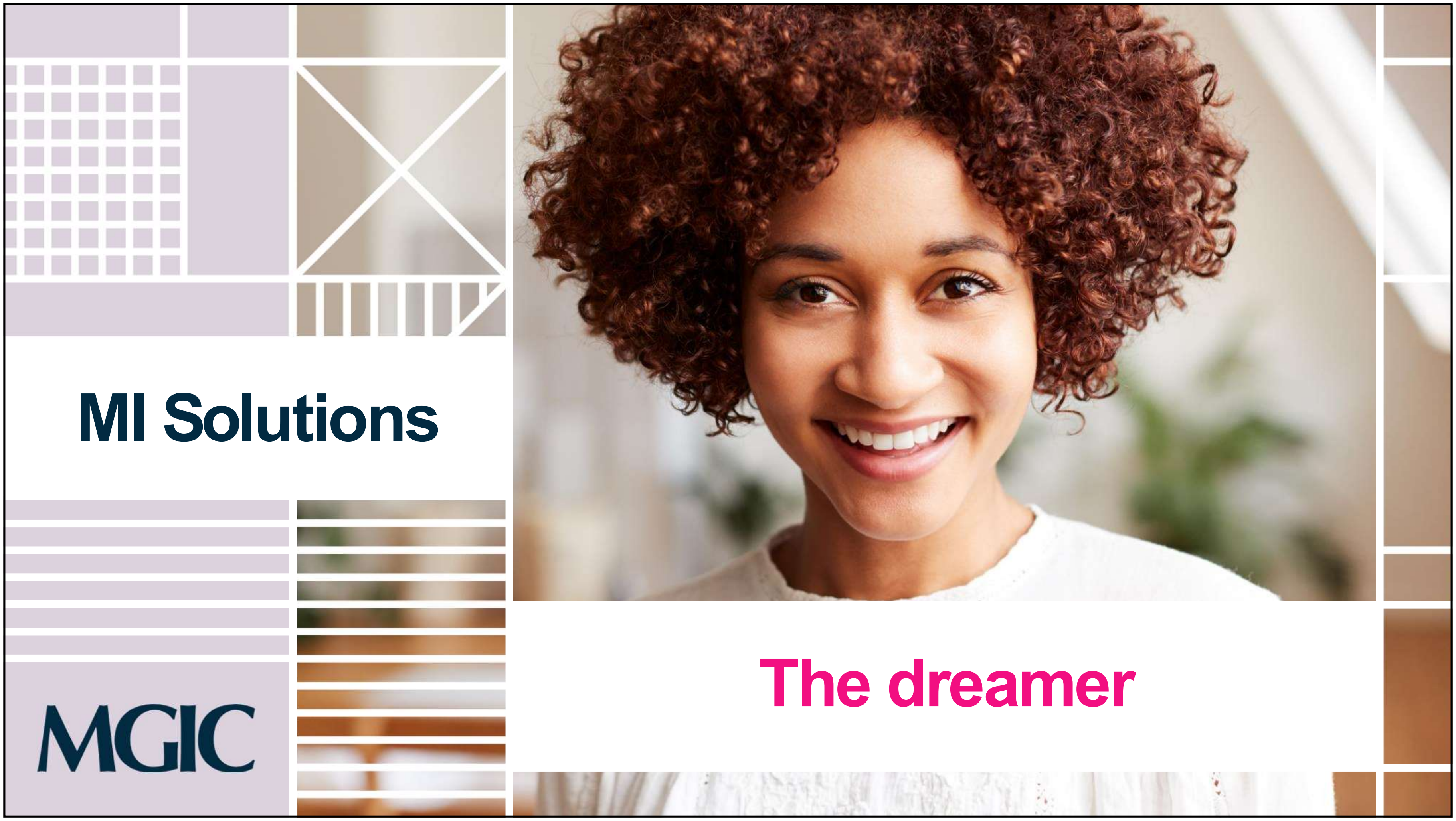

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MI Solutions

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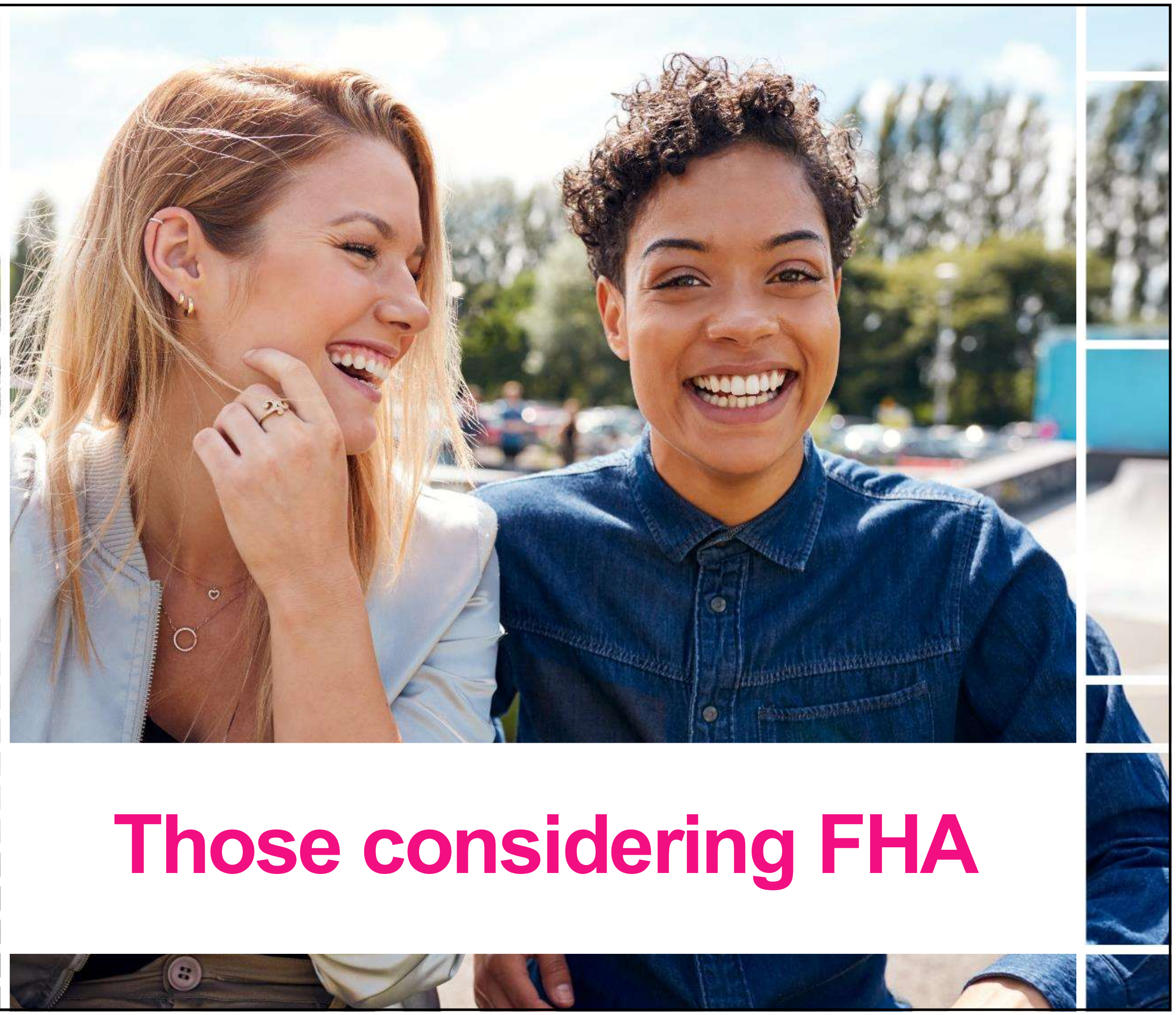

Those considering FHA

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Change the conversation with your borrowers.

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It’s not about MI. It’s about solving problems.

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Mortgage insurance is a strategy

AFFORD MORE HOME WITH MI

PUT LESS MONEY TOWARD A DOWN PAYMENT WITH MI

BUY SOONER WITH MI

EXPAND CASH FLOW OPTIONS WITH MI

MI

MAINTAIN FLEXIBILITY IN HOMEBUYING BUDGET WITH MI

OVERCOME A LOW APPRAISAL WITH MI

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Mortgage insurance is a strategy

MI Strategy

Help your borrowers buy sooner and earn more equity with a lower down payment

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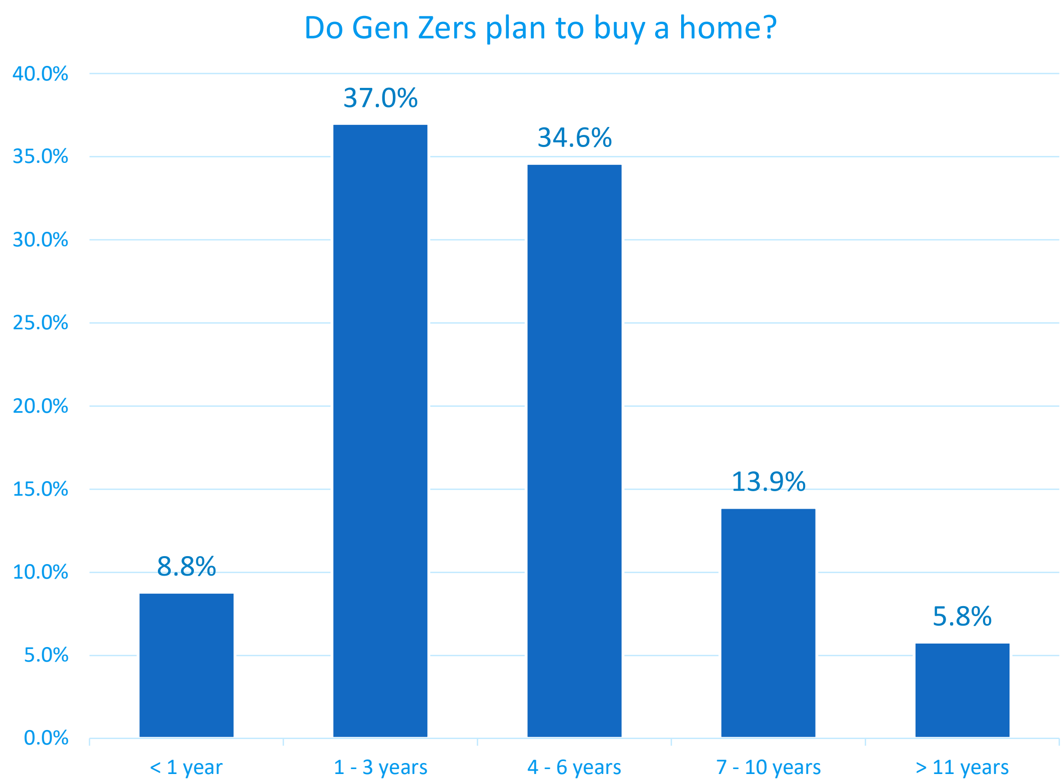
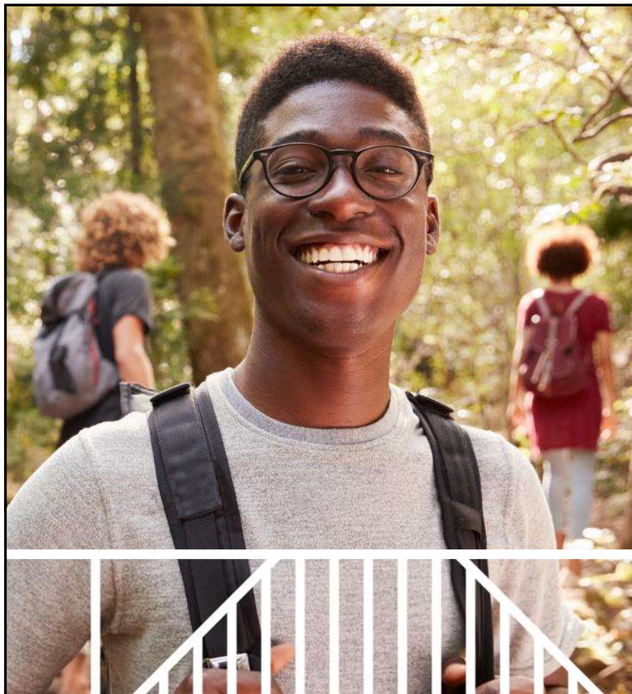
Meet Isaiah,
first-time homebuyer



Source: Rocket Mortgage Research, July 2023



Meet Isaiah, first-time homebuyer

- College grad with a few years in the workforce
- Eager to buy a home
- $8,000 savings
- **His problem: The down payment hurdle**

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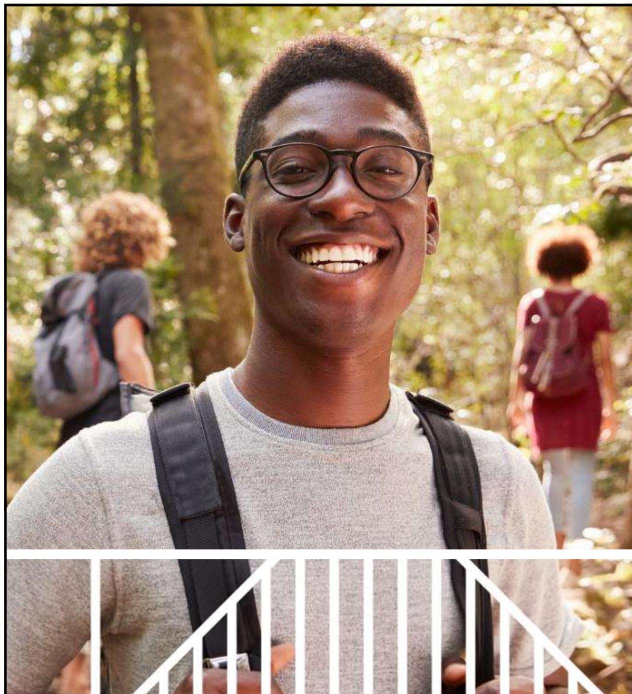

Meet Isaiah,
first-time homebuyer

"35% of buyers believe they need 16%-20% saved for a down payment, and 10% of buyers believe they need more than 20%."

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Source: Rocket Mortgage Research, Dec 2023

Options for Isaiah

Waiting to save up a 20% down payment would take Isaiah more than 9 years

If Isaiah buys now	
Home price	$250,000
3% down payment	**$7,500**
30-year fixed rate	6.5%
Monthly P&I	$1,533
MGIC Monthly MI	$97
Total monthly mortgage payment **(P&I + MI)**	$1,630
Home equity position after 9 years	$125,481

If Isaiah buys in 9 years	
Home price **(due to appreciation)**	$332,717
20% down payment	**$66,564**
30-year fixed rate **(due to rising interest rates)**	7.0%
Monthly P&I	$1,771
MGIC Monthly MI	$0
Total monthly mortgage payment **(P&I + MI)**	$1,771
Home equity	$66,564

Example is for illustrative purposes and meant only for mortgage and real estate professionals. It assumes: $500 down payment savings per month; 3% annual home appreciation each year; 1 borrower with 760 credit score, 35% DTI ratio and 25% housing ratio. MI premium based on rates as of 3/19/24 for Milwaukee, WI. **Find your right rate, right now at mgic.com/MiQ.**

Who could benefit from this strategy?

32%

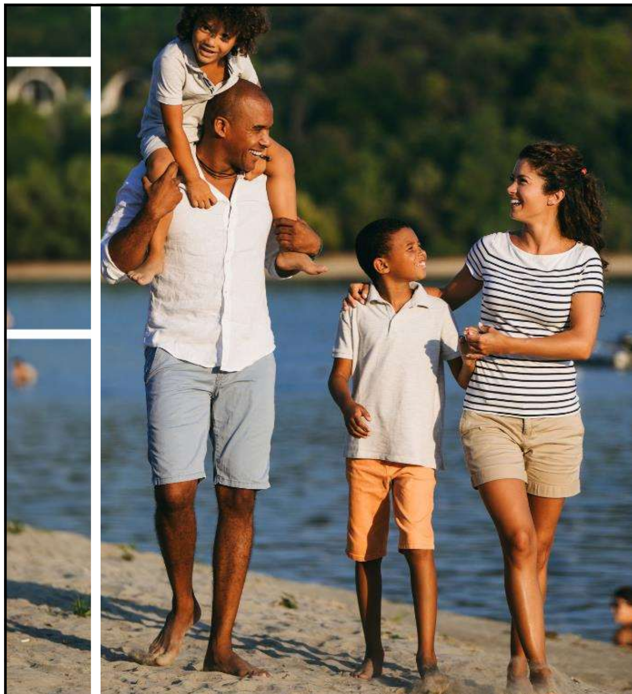
percent of home purchases made by first-time homebuyers in 2023

Source: NAR 2023 Profile of Home Buyers & Sellers, November 2023

MI Strategy

Show your borrowers how putting down less can be more

Meet Amy and Jordan, move-up buyers



Meet Amy and Jordan, move-up buyers

- Jordan and Amy have growing family and need a bigger home
- After selling their current home, they'll have 20% down
- With daycare expenses looming and college tuition in the not-so-distant future, is a 20% down payment their best choice for their new home?

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Options for Amy and Jordan

By putting less money down and using MI, Jordan and Amy keep more money for savings

	20% down	15% down
Home price	$400,000	$400,000
Down payment	$80,000	$60,000
Additional money left in savings	**n/a**	**$20,000**
P&I	$2,023	$2,149
MGIC Monthly MI	n/a	$34
Total monthly mortgage payment (P&I + MI)	$2,023	$2,183

Points to consider:

- At a difference of $160 a month, it would take Jordan and Amy over 10 years to save $20,000 – the amount they can access right away by making a 15% down payment
- Assuming 3% annual home appreciation rate, monthly MI would be eligible to cancel in just over 3 years

Example is for illustrative purposes and meant only for mortgage and real estate professionals. It assumes a 6.5% interest rate on 30-year fixed rate loan; 760 credit score, 35% DTI ratio and 25% housing ratio. MI premium based on rates as of 3/19/24 for Milwaukee, WI. **Find your right rate, right now at mgic.com/MiQ.**

Expand options with MI Solutions

Amy and Jordan's LO explains their options:

- 20% down but may want to consider their options with 15% down:
  - Allow them to keep more of their profit
  - Put $20,000 into saving for college funds, daycare needs, etc.
- A slightly higher payment, a difference of $160 per month, including the MI
  - It would take approximately 10 years to save $20,000
- Assuming 3% annual home appreciation rate, monthly MI would be eligible to cancel in just over 3 years


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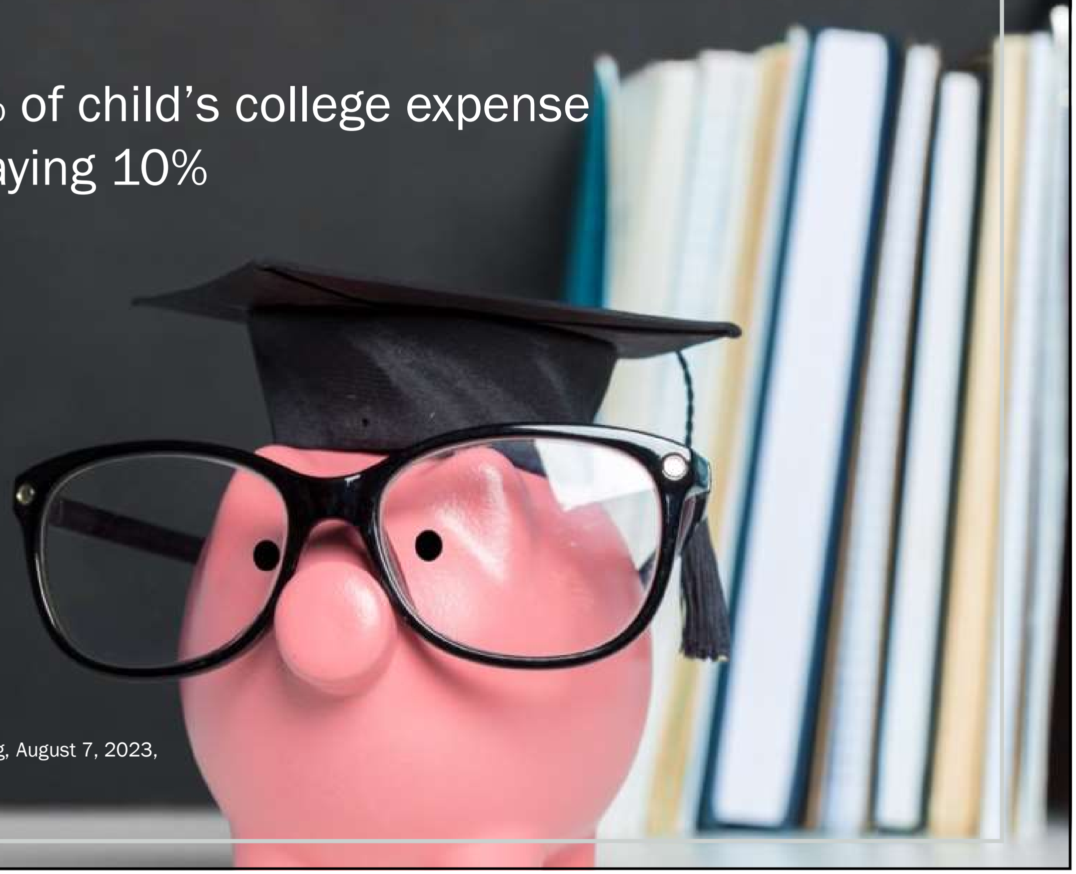
Saving for college
• Parents expect to pay 30% of child's college expense
Source: Hanson, Melanie. "College Savings Statistics" EducationData.org, August 7, 2023,
https://educationdata.org/college-savings-statistics

Saving for college

- Parents expect to pay 30% of child's college expense
  On average only end up paying 10%



Source: Hanson, Melanie. "College Savings Statistics" EducationData.org, August 7, 2023, https://educationdata.org/college-savings-statistics

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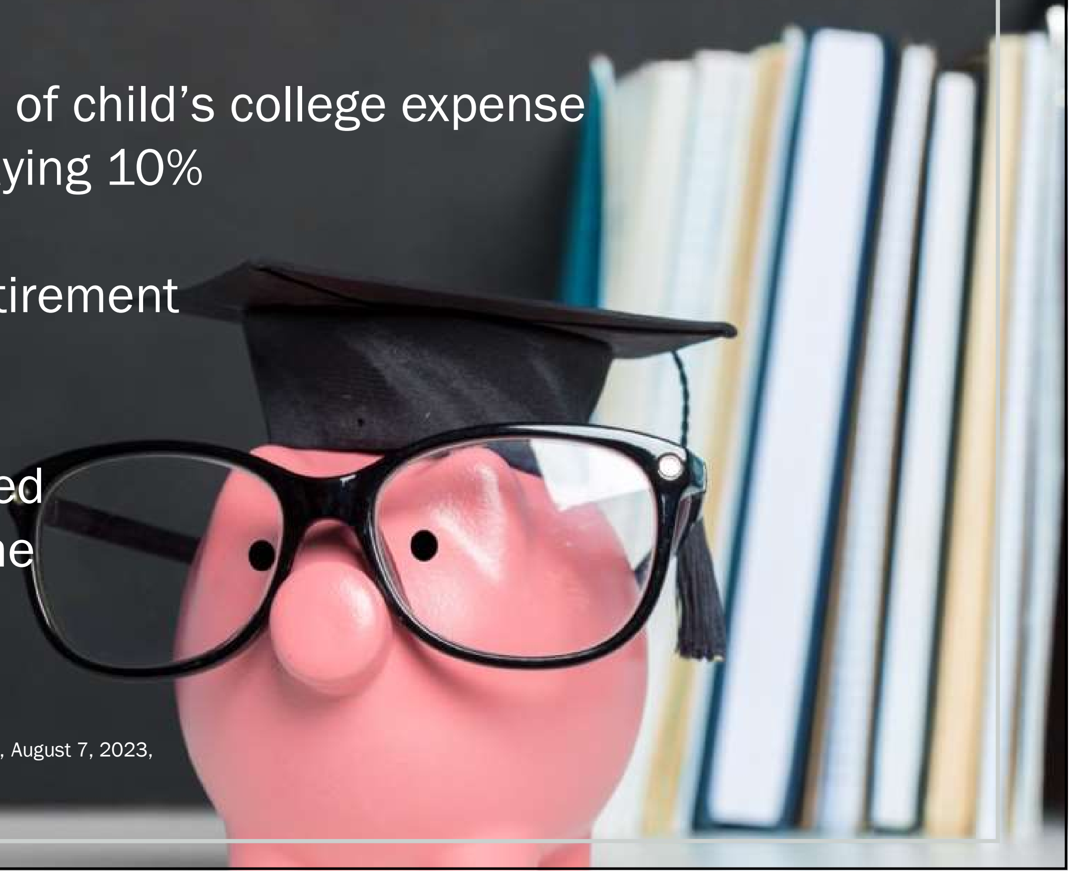
Saving for college

- Parents expect to pay 30% of child's college expense
  On average only end up paying 10%
- 21% of families will use retirement funds for college
- 26% of parents of discussed having children live at home during college due to cost



Source: Hanson, Melanie. "College Savings Statistics" EducationData.org, August 7, 2023, https://educationdata.org/college-savings-statistics

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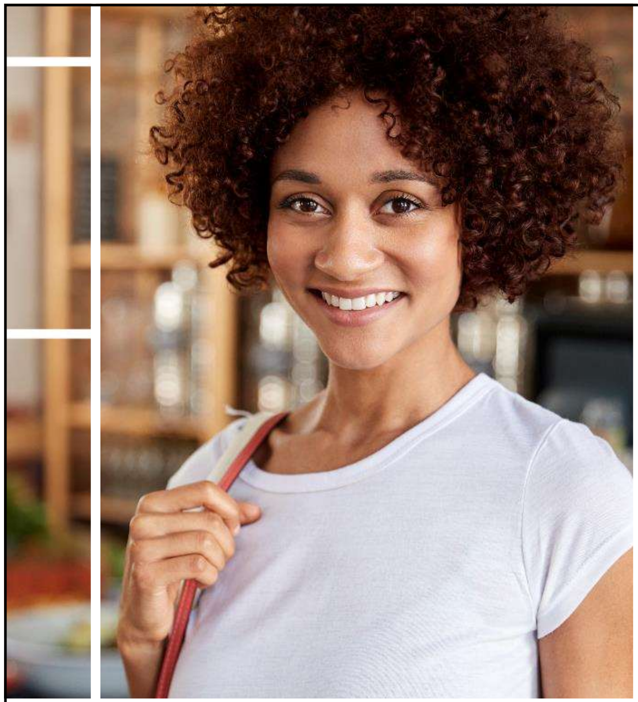
Meet Maria,
buying her dream home



- Maria finds her new home, her dream home, and it's a fixer-upper
- She's worried about how much money she'll have to fix it up after a 20% down payment
- She's not sure if she should buy a smaller turnkey home instead

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Meet Maria, buying her dream home

Options for Maria

Maria can afford to buy and renovate the fixer-upper of her dreams by using private MI

Maria's dream home	
Home price	$375,000
20% down payment	$75,000
5% down payment	$18,750
The difference	**$56,250**

Example is for illustrative purposes and meant only for mortgage and real estate professionals. Renovation costs are based on national averages.

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Of homes bought last year:
1 in 4 was built in 1960 or earlier
Source: 2023 NAR Home Buyers and Sellers Generational Trends


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27%
of buyers who purchased previously owned homes said they compromised on the condition of the home
Source: 2023 NAR Home Buyers and Sellers Generational Trends

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Who could benefit from this strategy?

67%

percent of Millennials would buy a fixer-upper

Source: Millennial Home Buyer Report, 2024

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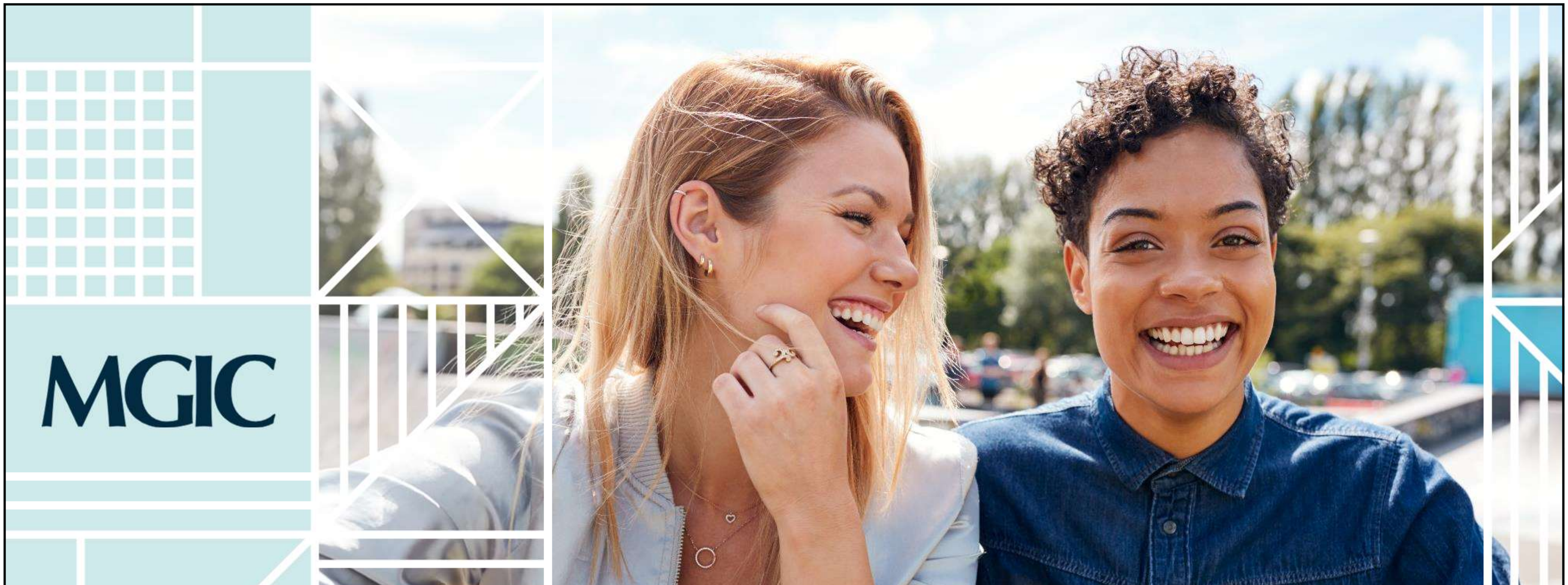

Meet Sarah and Val, considering FHA

Meet Sarah and Val

- Sarah and Val have the income to buy a home but not a lot of savings
- Looking to buy a $300,000 home
- So far, they've saved $15,000

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Options for Sarah and Val

They put less money down … yet still borrow less and get a lower monthly payment

$300,000 purchase	FHA with 3.5% down	MGIC Monthly MI with 3% down
Down payment	$10,500	$9,000
Upfront MI (financed into loan)	$5,066	$0
Total loan amount	$294,566	$291,000
Monthly MI	$130	$148
Total Monthly PI + MI	**$1,992**	**$1,987**
Est. home equity after 5 years	$69,071	$72,445
Est. months to cancel MI	N/A	61

Points to consider:

- Despite putting $1,500 less down by going conventional, they still owe less by avoiding an upfront premium fee
- Their monthly MI is greater at the start but will be lower once the MI is canceled
- Assuming 3% annual home appreciation rate, monthly MI would be eligible for cancellation in just over 5 years

Example is for illustrative purposes and meant only for mortgage and real estate professionals. It assumes: a 6.5% interest rate on 30-year fixed rate loan; 750 credit score 38% DTI and 30% housing ratio. MI premium based on rates as of 3/19/24 for Milwaukee, WI. FHA premium rates based on 3/19/24.

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The cancellation consideration

What if FHA were $40 less per month?

- FHA loan in the previous example required $1,500 more down
- At $40 per month, it would take over 3 years to recoup that $1,500
- In 2 more years, MI could be canceled with a conventional loan

MI cancellation

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Private MI may be canceled

MI cancellation using the original value of the property	MI cancellation based on current value

• Cancellation terms are defined by the Homeowners Protection Act (HPA) for single-family primary residences
• HPA addresses both:
  • Lender-required cancellation terms
  • Borrower-requested cancellation terms
	• Not addressed under HPA but typically allowed and defined by the investor

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Private MI may be canceled

Original value

Lender-required	Automatic termination at 78% LTV based solely on the initial amortization schedule and whether borrower is current on payments
Borrower-requested	**Based either on:** • Initial amortization schedule **OR** • The date the loan balance actually reaches 80% of the original value **MI coverage can be canceled only if the borrower:** • Has a good payment history **AND** • Satisfies any lender's requirements, that there is no decline in property value and that no subordinate liens exist

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Private MI may be canceled

Current value

Borrower-requested

Fannie Mae and Freddie Mac typically require:

- The loan be seasoned at least 2 years **AND**
- The borrowers have an acceptable payment history **AND**
- The LTV based on a current appraisal is:
  - 75% LTV or lower if less than 5 years have elapsed since the loan originally closed **OR**
  - 80% LTV or lower if more than 5 years have elapsed since the loan originally closed

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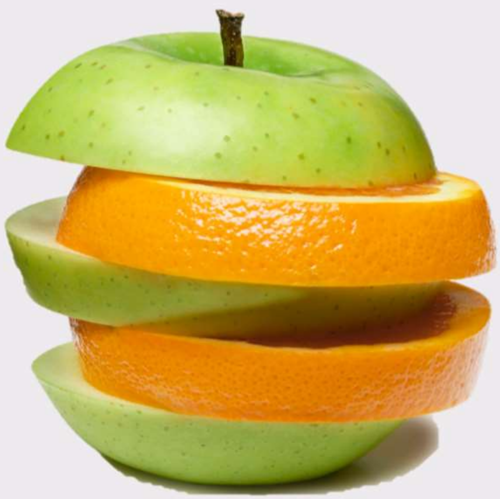
So how do they compare?



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	Private MI	FHA
Max. LTV	97%	96.5%
Min. credit score	620	None
Upfront premium	• None with Monthly MI • CHOICE MONTHLY (customizable upfront option) • Varies based on credit score and LTV for Singles	1.75%
Monthly premium	Varies based on credit score and LTV	• .50% for LTV > 95% LTV • .55% ≤ 95% LTV
Cancellation	Varies based on appraised or original value	• Not cancelable > 90% LTV • 11 years ≤ 90% LTV

Choice Monthly MI gives you the flexibility to:

- Lower borrowers' monthly payments and debt-to-income ratio (DTI)
- Take advantage of all available lender/seller credits and borrower funds, ensuring money isn't left on the table
- Stay within the Qualified Mortgage (QM) points and fees
- Stand out with your borrowers and referral partners
- Position yourself as a trusted financial advisor by keeping your borrowers' interests top of mind
  - Customize monthly payments for budgeting purposes or to meet consumer preferences, whether borrowers are cost-conscious or looking to afford more home
  - Earn repeat and referral business from borrowers who rely on your expertise

*While base LTV is used to determine MI coverage requirements, financing the premium into the loan amount will increase the total LTV/CLTV and may impact investor loan eligibility and pricing. Check investor guidelines.

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