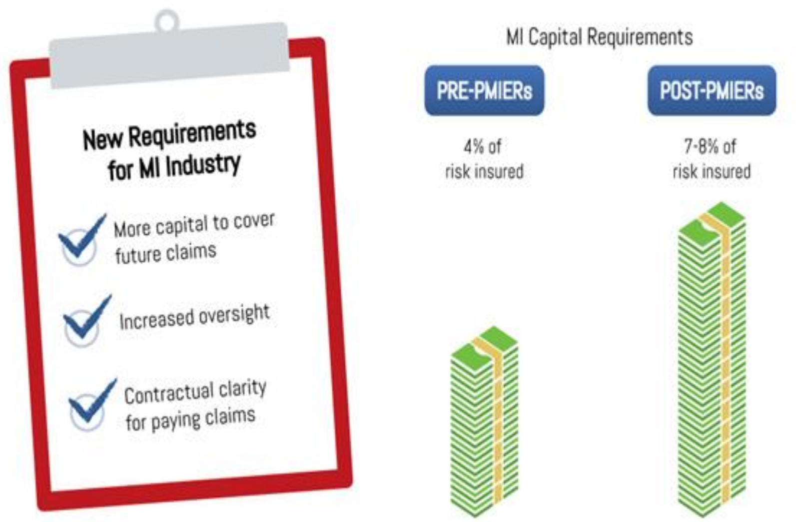
FACT SHEET: What are PMIERs?

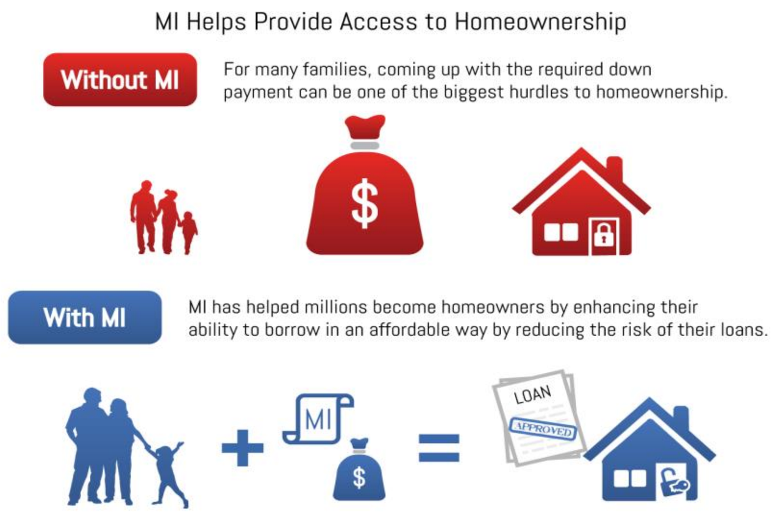
Recently finalized Private Mortgage Insurer Eligibility Requirements ("PMIERs") are the set of requirements for Mortgage Insurers (MIs) to be approved to insure loans acquired by Fannie Mae and Freddie Mac (the GSEs). These robust operational and financial standards will provide greater confidence to market participants and policymakers in the long-term value and role of a strengthened MI industry.



These requirements include:

- Financial requirements to ensure that "[a]pproved Insurers have adequate liquidity and claims-paying capacity during periods of economic stress";
- Business requirements to identify, measure, and manage exposure to counterparty risk; and
- Quality control requirements regarding underwriting and eligibility guidelines, data accuracy and fraud prevention.

Borrowers who are not able to make a substantial down payment – typically 20 percent of the home value – are viewed as a higher credit risk. In order to reduce that risk, Congress required the GSEs to obtain credit enhancement on low down payment loans – most often in the form of MI – so that private capital, and not taxpayers, is first in line to pay when there is a default-related loss.



The PMIERs were last updated in 2003 (Fannie Mae) and 2008 (Freddie Mac). On July 10, 2014, the Federal Housing Finance Agency (FHFA) published for comment a draft of new, updated PMIERs and on April 17, 2015 FHFA released the final, revised PMIERs with an effective date of December 31, 2015.

The revised PMIERs are an important part of the significant efforts of policymakers and the MI industry to address lessons learned from the housing downturn. In October 2014, the MIs implemented new master policies that provide assurances about the consistent handling and payment of mortgage insurance claims and bring greater transparency and clarity to contractual protections for lenders and investors. Additionally, USMI members are working closely with the National Association of Insurance Commissioners' Mortgage Guaranty Insurance Working Group as it updates the Mortgage Guaranty Insurance Model Act to strengthen state regulatory standards regarding MI.

MI has helped millions become homeowners by enhancing their ability to obtain a mortgage with a down payment of less than 20 percent in an affordable way by reducing the risk of their loans. In the past year, USMI member companies have helped more than half a million homeowners purchase or refinance a mortgage. USMI estimates that nearly half of those served by MI were first-time homebuyers and approximately 40 percent were borrowers with incomes below $75,000. About $500 billion in GSE mortgages currently outstanding have protection from MI coverage, reducing taxpayer exposure to mortgage losses in the event of another housing downturn. Mortgage insurers have covered over $44 billion in claims on GSE loans since the GSEs entered conservatorship, resulting in a substantial savings to taxpayers.

Making Housing Finance More Sustainable With Front End Risk Sharing

PMIERs create the strong foundation for efforts to further "de-risk" the GSEs through expanded use of private capital with MI. When combined with new master policies, PMIERs set the stage for MI to provide deeper cover through front-end risk sharing. For more details on how front end risk sharing can help make housing finance more sustainable and affordable, see the USMI Fact Sheet here.