MI to 89.99 Premium Plan

Minimize capital requirements; maximize borrower affordability

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Proactively manage capital and protect your portfolio with our LPMI single premium plan.

- This plan was developed as a solution for banks that wish to hold high-LTV loans in portfolio and need to balance capital management with borrower affordability
- Unlike other LPMI singles premiums that provide coverage for the life of the loan, MI to 89.99 coverage expires when the loan is paid down to less than 90% of the original property value
- Coverage levels are less than standard Agency coverage
- Because it's a thinner, shorter-term layer of coverage, MI to 89.99 premium rates are significantly lower than MGIC's standard LPMI single premiums

Why would lenders want a thin layer of coverage with a short duration?

- Banks (not credit unions, not mortgage companies) are subject to Basel III risk-based capital requirements
- For mortgage loans held in portfolio (i.e., on the bank's balance sheet), Basel III requires the bank to hold 8% capital against loans with an uninsured LTV ratio of 90% or more – but only 4% capital if these loans are insured to less than 90% exposure
- With MGIC's MI to 89.99 product, the coverage level (e.g., 6% cover at 95% LTV) is just enough to result in an uninsured LTV ratio of less than 90%, allowing the bank to hold half as much capital as it would for the same loan without MI
- Credit unions may also derive similar benefits from this plan

PORTFOLIO PLAYBOOK™

Learn more...

Review Portfolio Playbook products at mgic.com/playbook.

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