MGIC

Show your borrowers how putting down less can be more

THE MOVE-UP BUYERS

Jordan and Amy have 2 young children and another on the way. The couple is quickly realizing that they've outgrown their small one-story starter house, and they're ready to size up to a bigger home to accommodate their growing family.

The 20% down payment myth

Thanks to increased equity, home improvements the couple has made and a competitive market, Jordan and Amy would have enough money from the sale of their current home to put 20% down on a new house. But with daycare expenses looming and college tuition in the not-so-distant future, is that their best choice?

Another solution: Private mortgage insurance

Putting down 15% or 10% and using private mortgage insurance (MI) as a purchase tool would allow Jordan and Amy to keep more of the profits from the sale of their current home for other purposes, like daycare expenses and college tuition. By informing your borrowers about down payment options, they can decide if they want to keep some of their profit for other big-ticket expenses or savings – or even put down less to buy more house.

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

	20% down	15% down
Home price	$420,000	$420,000
Down payment	$84,000	$63,000
Additional money left in savings	**n/a**	**$21,000**
P&I	$2,179	$2,315
MGIC Monthly MI	n/a	$33
Total monthly mortgage payment (P&I + MI)	$2,179	$2,348

Points to consider:

- At a difference of $169 a month, it would take Jordan and Amy 10 years to save $21,000[1] – the amount they can access right away by making a 15% down payment
- Assuming a 3% annual home appreciation rate, monthly MI would be eligible to cancel in just over 3 years

While Jordan and Amy will have a slightly higher monthly mortgage payment, **by putting down 15%, they can seed their kids' college funds with $21,000.[1]** That investment will likely grow over the next 15 years as their kids grow – long after Jordan and Amy reach the point when they may cancel their MI.

Reinforce your role as a trusted advisor by offering a slightly different angle to borrowers who have a 20% down payment. Even if your borrowers don't take you up on the option, they'll come away understanding you're working in their best interests. And that translates to lasting relationships and earning more referrals.

[1]Assumes 0.6% APY. Example is for illustrative purposes and meant only for mortgage and real estate professionals. It assumes a 6.75% interest rate on a 30-year fixed-rate loan; owner-occupied, primary residence; 2 borrowers with 760 credit scores, 35% DTI ratio and 25% housing ratio. MI premium based on rates as of 1/23/25 for Milwaukee, WI. **Find your right rate, right now at mgic.com/MiQ.**

To learn more about this strategy and other MI Solutions, contact your MGIC representative or go to rethinkMI.com.

21-50007 2/25