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Private Mortgage Insurance Industry is Ripe for Growth, According to National MI

National MI's CEO Bradley Shuster says favorable demographics and the growth in purchase mortgage market share signal a favorable outlook for the private MI business MI industry's need for additional capital continues

EMERYVILLE, Calif., May 14, 2014 /PRNewswire/ -- [NMI Holdings, Inc.](#), (NASDAQ: NMIH) the parent company of National Mortgage Insurance Corporation (National MI), announced that President and CEO Bradley Shuster delivered a presentation to investors on the outlook for private mortgage insurers at Sanford C. Bernstein Co.'s Inaugural Thematic Financials Conference in New York today. Favorable demographics, an increase in purchase mortgage originations, and a market shift away from FHA all signal potential growth opportunities for private mortgage insurers (MIs), Shuster said.



First-time home buyers represent a critical segment of the home purchase market, and a considerable opportunity for private MIs, Shuster noted. "Approximately 33% of all GSE-securitized purchase mortgages in the first half of 2013 were first time home buyers," he said. Statistics show that the average age of a first-time home buyer is 34 years old, Shuster said, and an increasing number of Americans will turn 34 nearly every year over the next decade. In fact, over 40 million Americans will reach that age in the next 10 years. Based on median home prices across the country, research shows that it takes the average first time home buyer 14 years to save a 20 percent down payment for a home. By providing the credit enhancement needed for lower down payment mortgages, private MI can reduce the time it takes a borrower to save a down payment to under six years, Shuster said.

While overall originations have decreased recently, the percentage of purchase mortgage volume relative to refinance volume is increasing, which Shuster believes bodes well for private mortgage insurers. "MI penetration is traditionally four times higher in purchase mortgages than in refinances. We expect that the recovery in the housing market and the resulting increase in purchase originations mean that private MIs should see a boost in business," Shuster said. Total originations are projected to be between \$1.1 trillion and \$1.3 trillion in 2014.

In addition, the shift towards private MI is expected to continue as the FHA pulls back to historic levels following several price increases, he said.

However, Shuster believes the industry requires additional private capital to meet the growing demand for private mortgage insurance. National MI estimates that the industry requires between \$1.5 billion to \$2.1 billion of additional capital each year.

The company raised approximately \$510 million in private capital in 2012 to launch National MI, which issued its first mortgage insurance commitments just over a year ago. Since that time, the company has consistently gained business, and at the end of April 2014, had signed with nearly 500 lenders.

While the opportunities for private MIs as a whole are positive, Shuster believes that National MI is especially well-positioned to grow in the coming years. He cites the following factors:

- Industry leading underwriting protection and coverage terms
- National MI is the first mortgage insurer to offer 12 month rescission relief, and is currently the only insurer to grant 12 month rescission relief on all loans. The historical industry standard is 36 months
- A differentiated business model that enables National MI to be the first and currently the only mortgage insurer to underwrite every policy
- A clean balance sheet with no legacy liabilities or rescission history
- A highly favorable underwriting and credit quality environment
- A simple organizational structure
- A fully staffed sales force located in key regional territories throughout the country

"We believe National MI's innovative approach represents a distinct and better way to insure mortgages. We offer a strong capital base, counterparty strength, a differentiated product, and we provide superior ease of use," Shuster said at the conference.

A link to Shuster's presentation is available on National MI's website on the "Events and Presentations" page of the "Investors" section at ir.nationalmi.com.

About National MI

National Mortgage Insurance Corporation (National MI), a subsidiary of NMI Holdings, Inc. (NASDAQ: NMIH), is a U.S.-based, private mortgage insurance company enabling low down payment borrowers to realize home ownership while protecting lenders and investors against losses related to a borrower's default. To learn more, please visit www.nationalmi.com.

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Certain statements contained in this press release may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the U.S. Private Securities Litigation Reform Act of 1995. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. All forward-looking statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Many risks and uncertainties are inherent in our industry and markets. Others are more specific to our business and operations. These risks and uncertainties include, but are not limited to, those set forth under the heading "Risk Factors" in our most recent Registration Statement on Form S-1, and described from time to time in subsequent reports, filed with the U.S. Securities and Exchange Commission, including in our Annual Report on Form 10-K, which was filed on March 12, 2014. Any or all of our forward-looking statements in this press release may turn out to be inaccurate. Consequently, our actual results could differ materially from those anticipated in such forward-looking statements contained in this press release. Any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events except as required by law.

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