



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

THE FIRST-TIME HOMEBUYER

**Isaiah** graduated from college a few years ago and is thinking about purchasing a home in the city where he landed his first job. He has a little money saved up but doesn't know much about the homebuying process. He's not sure if he'd be better off buying or continuing to rent.

## The down payment hurdle

Isaiah has about \$8,000 in savings that he could use toward the purchase of a home. But his parents think he should hold off on buying until he can save up more money for a down payment. Should Isaiah start looking to buy a home? Or should he wait until he has more money saved?

## Another solution: Private mortgage insurance

While Isaiah waits to save up enough for a 20% down payment:

- Home prices or interest rates could rise, making his eventual purchase more expensive
- The rent he pays won't be building equity
- He won't be enjoying a home of his own

Isaiah's loan officer explains that using mortgage insurance (MI) would allow him to make as low as a 3% down payment – allowing him to become a homeowner sooner and build more equity.

## Waiting to save up a 20% down payment would take Isaiah more than 7 years

### If Isaiah buys now

Home price	\$210,000
<b>3% down payment</b>	<b>\$6,300</b>
30-year fixed rate	7%
Monthly P&I	\$1,355
MGIC Monthly MI	\$78
Total monthly mortgage payment (P&I + MI)	\$1,433
Home equity position after 7 years	\$72,606

### If Isaiah buys in 7 years

Home price (due to appreciation)	\$258,274
<b>20% down payment</b>	<b>\$51,655</b>
30-year fixed rate (due to rising interest rates)	7.5%
Monthly P&I	\$1,445
MGIC Monthly MI	\$0
Total monthly mortgage payment (P&I + MI)	\$1,445
Home equity	\$51,655

Example is for illustrative purposes and meant only for mortgage and real estate professionals. It assumes: \$500 down payment savings per month at 0.6% APY; 3% annual home appreciation each year; owner-occupied, primary residence; 1 borrower with a 760 credit score, 35% DTI ratio and 25% housing ratio. MI premium based on rates as of 5/28/24 for Milwaukee, WI. **Find your right rate, right now at [mgic.com/MiQ](https://www.mgic.com/MiQ).**

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