

## **Appendix B**

### **PMI: Where Affordable Housing is Our Core Business**

PMI is committed to expanding homeownership opportunities through responsible and innovative lending structures, outreach and educational initiatives. Specifically, PMI's commitment means increasing home ownership rates in low and moderate income neighborhoods, expanding home ownership levels among low and moderate income consumers and narrowing the disparity between mortgage approval percentages experienced by various ethnic groups in this country.

#### **Habitat for Humanity**

Since 1994 PMI has had a close relationship with Habitat for Humanity, a non-profit organization dedicated to eliminating poverty housing. PMI has sponsored 21 Habitat Homes and PMI employees have built 11 Habitat Homes, led by PMI's Chairman and CEO Roger Haughton.

PMI is very proud of its historical involvement with Habitat for Humanity in constructing affordable housing for families in locations throughout the United States. Since 1994, when PMI raised significant contributions for five local Habitat affiliates, PMI has sponsored homes, solicited employees, customers and others to form construction crews for Habitat builds and purchased Habitat-issued bonds that provided financing for mortgages to low-income homeowners

PMI employee crews have constructed Habitat homes in Boston, Massachusetts; Houston, Texas; Pikeville, Kentucky; Redwood City, Concord and Los Angeles, California; Eagle Butte and Rosebud, South Dakota; Americus, Georgia (two homes) and Kansas City, Missouri. PMI has raised hundreds of thousands of dollars for local Habitat affiliates across the country. PMI has given further support to Habitat as one of the first companies to purchase bonds from Habitat's very first offering of "Linda Mae" bonds, securities issued by Habitat and backed by no-interest mortgages on Habitat-built homes. The proceeds from the offering allowed Habitat to work on additional housing.

#### **PROGRAMS**

PMI offers several innovative affordable programs. Some of our programs help borrowers purchase a home without depending on gifts, grants or second mortgages to subsidize the downpayment. We also offer numerous underwriting flexibilities including limited consideration of undocumented income, a single back-end ratio and consideration of nontraditional employment and credit histories. PMI works with lenders and housing finance agencies to develop creative risk management structures. A summary of our affordable programs is as follows:

#### **GATEWAY CITIES INITIATIVE**

PMI has established a \$1 million initiative to provide revolving funds to under served ethnic based largely in ten "Gateway" cities across the United States. In partnership with community groups and our customers, the program funds are being used to newly construct or purchase and rehabilitate existing housing stock, thus creating homeownership opportunities for residents of the selected communities. The initiative is currently operating in Hispanic neighborhoods in Oakland, California; East Los Angeles, California; and Houston, Texas, with other cities planned for the near future.

In Oakland PMI is working with the Unity Council, an community development corporation that serves a largely Hispanic area of the city. PMI established a fund that the Unity Council utilizes to acquire and rehabilitate homes that are then sold to neighborhood residents who have successfully completed a pre-purchase counseling course that the Unity Council developed with PMI's assistance. Once the home is sold and the fund is replenished, the Unity Council can use the money to acquire and rehabilitate another home.

### **LAYERED CO-INSURANCE**

Layered Co-Insurance (LCI) is PMI's risk-sharing product designed to help meet non-standard lending needs. LCI allows for more flexible underwriting guidelines in return for the "co-insurer" agreeing to share, based on a predetermined "layer of risk," in program losses. This structure allows programs to be tailored to the specific needs, limit exposure on high LTV loans, and originate with the confidence that the loans will be insurable. This structure has been used successfully with many housing finance agencies, lenders and non-profits such as the Rhode Island Housing Authority, Chase Home Mortgage and the Cherokee, Chickasaw, Choctaw and Potawatomi Nations.

### **RURAL LENDING**

PMI Mortgage Insurance Co. has extended a \$350 million commitment to Chase Manhattan Mortgage Corporation for its Rural Advantage Program, which features low downpayment requirements, custom underwriting guidelines and special eligibility requirements customized to meet the needs of rural homebuyers. Chase has named PMI as the exclusive provider of mortgage insurance for the program nationwide.

### **CONSUMER CREDIT COUNSELING SERVICES (CCCS)**

Through our alliance with Consumer Credit Counselors of San Francisco (CCCS) and National Foundation for Consumer Credit affiliated agencies, PMI provides both English and Spanish pre-purchase education. PMI also provides to first-time homebuyers and borrowers with 5% or less downpayment, early delinquency intervention and post-purchase counseling nationwide. In CCCS, PMI has selected an experienced, nationally known organization that specializes in helping individuals gain control of their finances.

### **NEIGHBORHOOD HOUSING SERVICES OF AMERICA (NHSA)**

NHSA is a nationwide alternative finance system using community-based lenders as their origination system. PMI and NHSA are working with over 60 for-profit and non-profit lenders to finance homeownership in some of America's neediest communities and creating lending opportunities in scores of under served urban neighborhoods.

### **CO-DEVELOPED PRODUCTS**

PMI is committed to seek out opportunities and develop products for emerging niche markets. These experimental programs can help PMI, lenders and the Enterprises gain more experience with sub-segments of the affordable housing market. Our Emerging Markets team works with lenders and the Enterprises to design and launch new innovations to their affordable product line to better serve the needs of low and moderate income borrowers.

## NATIVE AMERICAN INITIATIVES

PMI continues to work with lenders, housing agencies, non-profit groups and tribal governments to make funds available to Native American tribes, for the purchase or construction of owner occupied properties. PMI works closely with lenders and the Enterprises to develop programs that provide very low downpayment options to tribal members purchasing properties on and off trust lands.

Our current Native American partnerships include the following:

- Chickasaw, Choctaw and Citizen Potawatomi Nations of Oklahoma
- Ute tribe of Utah
- Menominee tribe of Wisconsin
- Navajo Partnership for Housing
- Pueblo of Acoma Housing Authority
- Saginaw Chippewa Housing

### Navajo

On the Navajo reservation PMI is working closely with the Navajo Partnership for Housing to create a residential real estate market by establishing a fund for the acquisition and rehabilitation of homes, that are then sold to tribal members with mortgage financing. Because so few residential financing alternatives exist on Native American reservations, tribal members have few options if they would like to sell their home and relocate to another area. The PMI/Navajo Partnership for Housing effort, is designed to create additional alternatives that will lead to a private real estate market that is enjoyed by everyone else in the U.S.

### Acoma

The Acoma Pueblo, located in New Mexico and continuously inhabited since 600 A.D., has never had a home financed with a mortgage. Private ownership of homes is nearly non-existent. PMI is working with Acoma to build a modern subdivision of homes, that will be individually owned and financed with mortgages. The objective is to create a private residential real estate market where none exists presently.

### Wells Fargo

PMI has formed a strategic alliance with Wells Fargo Mortgage and pledged at least \$1 million to expand borrower outreach and conduct homebuyer education on Native American reservations throughout the U.S. Very little privately owned housing exists on Native American reservations, the shelter that is available is government-owned and tribal members have little or no experience with private ownership. The PMI-Wells Fargo initiative is designed to educate tribal members on the opportunities and responsibilities that private homeownership offers them.

## Strategic Alliances

PMI has formed a number of strategic alliances with non-profit organizations to expand housing opportunities for low and moderate income families either through lending programs and/or home buyer education programs.

- AFL-CIO Housing Investment Trust
- California Public Employees Retirement System
- Consumer Credit Counseling Service
- Los Angeles Consumer Credit Counseling – Goal of reducing predatory lending in the predominantly low income community of East Los Angeles
- Neighborhood Reinvestment Corp.
- Neighborhood Housing Services of America
- American Home Ownership and Counseling Institute
- National American Indian Housing Council
- Idaho Housing and Development Authority
- West Virginia Housing
- North Dakota Housing
- South Dakota Housing

Under PMI's strategic alliance with the Neighborhood Reinvestment Corporation PMI has made a 5-year, \$100,000 commitment to fund affordable housing efforts. With the National American Indian Housing Council, PMI funded a homebuyer education course that is being used by numerous Native American housing authorities as they prepare tribal members for the responsibilities for homeownership.

### **Awards**

PMI has been recognized for its affordable housing work with a number of awards including:

- Corporate Social Responsibility Award from the Mexican American Legal Defense and Education Fund
- Platinum Award from the Navajo Partnership for Housing
- Social Compact Award
- Certificate of Congressional Recognition for faith-based affordable housing initiative.