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News Items

[Top](#) : [Archive 2002](#)

Mortgage Insurers Leery of Rising Delinquencies in 2002

NEW YORK, Jan. 10 (LendingIntelligence.com)— Even after a banner 2001, private mortgage insurers are wary rising delinquencies may derail growth this year.

MGIC Investment Corp. (NYSE: MTG), Milwaukee, Wis., led the way, reporting this morning that net income for 2001 was up 18% to \$639.1 million, compared with \$542.0 million in 2000. Curt Culver, MGIC president and chief executive, attributed the company's record earnings to strong growth in premium revenues which exceeded \$1 billion for the first time in its history.

"The big driver was in writing a record \$86.1 billion in new business, more than twice what we wrote in 2000, and blowing 1998 away, which was the last huge refinance year," said Geoffrey Cooper, spokesman for MGIC.

At the same time, Cooper said MGIC generated higher losses from increased operating expenses, incurring 4Q losses of \$51.7 million, compared with \$25.1 million reported for the same period last year.

Despite high sales figures, MGIC and other private mortgage insurance companies were hit by rising delinquencies.

"This quarter our delinquency rate rose to 3.46%, that's up from 2.58% a year ago, and 2.17% in 1999," Cooper pointed out. "Much of that is in our bulk business, or aggregate pools of sub-prime and non-conforming loans we insure for lenders."

With the economy still mired in recession, it is likely delinquencies will continue to rise, chipping away at the gains made by the insurers.

"Delinquencies have been at historically low levels for several

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[Tips for Lende](#)
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[Archive 2002](#)
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years now, so we knew they were going to go up,” said Terry Souers, spokesman for [GE Mortgage Insurance](#). “They may continue to creep up, but still to manageable rates. We’re hoping the economy will turn around before we have a chance to find out.”

Souers added that GE has developed a number of “loss mitigation tools and technology” to help homeowners with loans that carry GE mortgage insurance stay in their homes.

“The low delinquency rates were unsustainable,” added Cooper. “But remember, while we’re seeing a rise in delinquencies. What we’re not seeing is it coupled with depreciating home values—a double-whammy like we saw in the 80s.”

The most recent industry-wide stats available from the [Mortgage Insurance Companies of America \(MICA\)](#), a trade organization, puts the number of borrowers using private mortgage insurance to buy or refinance a home in November at 178,384. That number was slightly up from the October total of 177,494.

Private mortgage insurance has helped 1,910,818 families during the past twelve months save money by buying or refinancing a home with less than the traditional 20% down payment, according to MICA.

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