



# Can Mortgage Insurance (MI) Offset Homeowners Insurance Increases?

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In 2023, Radian Guaranty Inc. released a Timely Topics video addressing mortgage cost and affordability challenges related to natural disasters. Since then, these concerns have only intensified.

→ [Radian Timely Topics: How Natural Disasters Impact Mortgages](#)

## Current Situation

- » Several devastating storms have already hit parts of Texas and Florida
- » Concerns about natural disasters persist
- » New worries about home and mortgage affordability are emerging

## Rising Insurance Costs

### Recent Trends

- » Average annual homeowners insurance (HOI) renewal premiums have increased by almost \$900 since 2021
- » This represents a 69% increase compared to initial 2021 costs

### National Association of Realtors (NAR) Report

→ [REALTOR® Magazine - States Where Home Insurance Costs Are Surging Highest](#)

- » National average homeowners insurance cost: \$2,377 per year
- » This figure represents a 20% increase over the past 2 years
- » Costs may continue to rise in 2024

### Future Projections

- » NAR expects rates to increase further in 2025
- » Coastal areas experiencing more damage from natural disasters will be particularly affected

### Regional Impacts

- » Areas facing significant increases include: South Florida, Coastal California and Parts of the Gulf Coast
- » Some regions could see insurance cost increases of up to \$500 per month
- » Some areas may struggle to find insurance at all

### Impact on Borrowers

- » Affording a mortgage may become more difficult
- » Rising costs lead to increased debt-to-income (DTI) Ratios
- » Higher ratios make mortgage qualification more challenging

## Radian Guaranty's MI Solution: CustoMize SplitEdge®

Radian Guaranty offers several Mortgage Insurance (MI) solutions. CustoMize SplitEdge may help balance out the increased expenses.

### How It Works

- » Borrowers pay a portion of the MI premium upfront, allowing for a lower monthly premium payment
- » The lower monthly MI payment could help reduce the borrower's DTI ratio
- » This reduction may offset the increased monthly cost of HOI

### Benefits

- » May make homeownership more affordable and attainable
- » Could bring debt-to-income ratio back into a qualifying range
- » Provides options to support the dream of homeownership

### Example Scenario: CustoMize SplitEdge in Action

A borrower is looking to purchase a home in Miami, Florida, with a 5% down payment and a loan amount of \$405,000. The HOI quote was \$350 per month.

#### Can CustoMize SplitEdge help reduce the borrower's monthly payments?

**Yes,** CustoMize SplitEdge can help reduce the borrower's monthly payments. Here's how:

#### Original MI Option

- » Radian Guaranty's Borrower-Paid Monthly with Monthly MI payment: \$128

#### With CustoMize SplitEdge:

- » Upfront MI premium: 1.5% of loan amount (\$6,075)
- » New monthly MI premium: \$33.75

#### Result

Comparison of total monthly payments (MI + homeowners' insurance):

- » Without CustoMize SplitEdge: \$478 (\$128 + \$350)
- » With CustoMize SplitEdge: \$383.75 (\$33.75 + \$350)
- » Monthly savings: \$94.25

Using CustoMize SplitEdge is a potential way to bring the borrower's debt-to-income ratio into a qualifying range, and may help make homeownership more affordable and attainable.

Scenario pricing based on 780 FICO, SFR, 30-year fixed, 30% MI Coverage, 1 borrower, 40% DTI, owner occupied, purchase; scenarios provided for illustrative purposes only do not constitute a commitment or the guarantee of a specified rate. All programs and availability are subject to credit, underwriting and property approval. Programs, rates, terms and conditions are subject to change without notice. Other restrictions apply. MI premium is an example and may not depict an accurate figure. Please use Radian's MI Rate Finder for accurate pricing. Pricing subject to change without notice.

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## Resources

### Radian National Training

- [Radian Timely Topics: How Natural Disasters Impact Mortgages](#)
- [MI Products 101 Video Series](#)

### Reports & Articles

- [HousingWire - Surging home insurance premiums challenge mortgage industry, regulators](#)
- [HousingWire - Available home insurance policies in US have dropped 53% in 2023](#)
- [HousingWire - Wildfires threaten 2.6 million homes in the western U.S.: CoreLogic](#)
- [REALTOR® Magazine - States Where Home Insurance Costs Are Surging Highest](#)
- [Stratmor Group - Catastrophe and Climate Risk Is Only Increasing](#)