

National Mortgage News

TUESDAY, APR 30, 2013

The Newsweekly for America's Mortgage Industry

National MI Starts Underwriting

By Brad Finkelstein

National Mortgage Insurance Co. has become operational, having started to write policies in early April. Bradley Shuster, the company's president and CEO, said the company is starting up in a "measured way," having lenders send it different kinds of loans and policies in both the delegated and nondelegated underwriting channels, getting its processes up to speed.

National MI was founded last year by Shuster and Jay Sherwood, executive vice president and chief financial officer of the company. They raised \$550 million in private capital to launch the new venture. The company estimates that its available capital will support mortgage insurance coverage on over \$30 billion of mortgage loans.

The company is now approved to do business in 46 out of 50 states (plus the District of Columbia), added executive vice president and general counsel Glen Corso. The four still working on approvals are Florida, Alaska, Alabama and Wyoming. (Editor's note: Subsequent to our interview, the company received approval to write coverage in Alaska, bringing the total to 47 states.)

Florida, Corso noted, has a very active regulator but the company has answered the points they have brought up.

While Shuster, Corso and other members of the management team had previously worked at PMI Group, National MI, they point out, has people who come from other private mortgage insurers as well as people who worked at mortgage lenders or other related businesses.

The big thing is that National MI is starting out with a clean slate, with no legacy book of business for management to have to work its way through.

"We think we put together a really compelling value proposition for our employees, in terms of having a clean, well-capitalized, new company with no legacy risk exposure," Shuster said, adding the new company has "the only modern technology platform" in the mortgage insurance business.

And it is taking what he called a new approach to underwriting risk. This allows National MI "to provide our customers with very reliable terms of trade through our master policy," Shuster said.

Shuster said most private mortgage insurers have used a delegated underwriting model. The MIs would then visit the lender once or twice a year to audit a sample of the business to determine if it was in compliance with their standards.

"We're taking a different approach. We're going to underwrite all of the business that goes into our insurance portfolio, either before it is closed, in the case of our nondelegated programs; or shortly thereafter in the case of our delegated programs.

"So we'll be in a position to provide very timely feedback to our customers about the quality of the loans being originated. We think that second set of eyes is going to be valued in the marketplace," Shuster said.

Customer feedback to this has been very strong, the National MI executives said. Peter C. Pannes, executive vice president, chief sales officer, said the customers like the certainty around what the company will cover, when it will cover it and how the transaction will be insured.

He added the customer base has given "almost universal support" to this model. In the last few years, the legacy mortgage insurers have been in disputes with lenders (and in the case of Mortgage Guaranty Insurance Corp., Freddie Mac) over rescissions, denials and coverages.

"We put a tremendous amount of work in [creating] a very straight forward and easily understood master policy that clearly spells out the terms of coverage. There is a lot of transparency to it and a lot of clarity and certainty around how it is built," Pannes said.

Shuster added the ambiguity in past master policies, which resulted in the fights over rescissions and denials, was not a good long-term value proposition for all parties. The goal is to be a more reliable counterparty to all of its partners. ■

