

[Download This Paper \(Delivery.cfm/SSRN_ID1284614_code1060475.pdf?abstractid=1277353&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1284614_code1060475.pdf?abstractid=1277353&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID1284614_code1060475.pdf?abstractid=1277353&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1284614_code1060475.pdf?abstractid=1277353&mirid=1&type=2)[Add Paper to My Library](#)Share: [f](#) [t](#) [✉](#) [🔗](#)

Home Equity Loans and Private Mortgage Insurance: Recent Trends & Potential Implications

11 Pages

Posted: 6 Oct 2008

Last revised: 15 Oct 2008

David P. Bernstein (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1060475)

Independent

Date Written: October 14, 2008

Abstract

This paper uses data from the 2001 and 2007 American Housing Surveys (AHS) and the 2004 Survey of Consumer Finances (SCF) to document and assess the impact of increased use of home equity lines and decreased private mortgage insurance (PMI) on mortgage markets. The data confirms that in the years leading up to the mortgage crisis home buyers and lenders have aggressively used piggyback loans to avoid taking out PMI on first mortgages. Multiple-mortgage financing packages as a percent of newly originated mortgages (mortgages originated within the previous five years) went from 14.8% in survey year 2001 to 21.5% in survey year 2007. The multiple-mortgage percentage for seasoned mortgages (mortgages originated more than five years prior to the origination date) also increased by a modest amount. Further comparisons reveal a large decrease in the proportion of mortgages with PMI with the largest decreases in PMI coverage occurring among newly originated multiple-lien packages. Data from the SCF was used to compare five financial characteristics (credit card debt, installment loans, consumer credit, home-owners equity, and liquid assets) for multiple-lien versus single-lien households. The comparisons suggest single-lien households tend to have slightly stronger financial variables than multiple-lien households. The data does not support the view that homeowners with multiple liens are less risky and should therefore be allowed to avoid PMI. The reduced use of PMI and the increased use of home equity loans increased mortgage holder risk in several different ways and was a contributing factor to the 2008 mortgage and financial crisis. This change in lending and borrowing behavior is not a subprime market problem.

Keywords: mortgages, private mortgage insurance, PMI, foreclosure, subprime, default**JEL Classification:** G21, G22, G28, K20[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID1284614_code1060475.pdf?abstractid=1277353&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1284614_code1060475.pdf?abstractid=1277353&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID1284614_code1060475.pdf?abstractid=1277353&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1284614_code1060475.pdf?abstractid=1277353&mirid=1&type=2)

2 References

1. D L Eckles , M Halek , W Wells
Making the mortgage insurance purchase decision
Journal of Financial Planning Posted: 2006-09
2. S Elmendorf
Testimony to Senate Committee for Banking Posted: 2008-04-10

[Load more](#)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

[Fetch Citations](#)[Cookie Settings](#)[Accept all cookies](#)

Do you have negative results from your research you'd like to share?

[Submit Negative Results \(https://www.ssrn.com/index.cfm/en/Negative-Results/\)](https://www.ssrn.com/index.cfm/en/Negative-Results/)

Paper statistics

DOWNLOADS	399
ABSTRACT VIEWS	3,270
RANK	136,531

2 References

PlumX Metrics



https://plu.mx/ssrn/a/?ssrn_id=1277353
Related eJournals

Risk Management eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1492472)

Follow



Real Estate eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1492470)

Follow



[View more >](#)

Recommended Papers

An Empirical Analysis of Home Equity Loan and Line Performance (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=591650&rec=1&srcabs=1277353&pos=1)
By Sumit Agarwal (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=352406), Brent W. Ambrose (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=17092), ...

The Impact of Homeowners' Housing Wealth Misestimation on Consumption and Saving Decisions (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=906143&rec=1&srcabs=1277353&pos=2)
By Sumit Agarwal (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=352406)

What Role Did Piggyback Lending Play in the Housing Bubble and Mortgage Collapse? (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1688033&rec=1&srcabs=1277353&pos=3)
By Michael Lacour-little (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=3101556), Charles A. Calhoun (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=51844), ...

[View more >](#)

Feedback

[Submit a Paper > \(https://hq.ssrn.com/submissions/CreateNewAbstract.cfm\)](https://hq.ssrn.com/submissions/CreateNewAbstract.cfm)

SSRN Quick Links

SSRN Rankings

About SSRN

 (<https://twitter.com/SSRN>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)