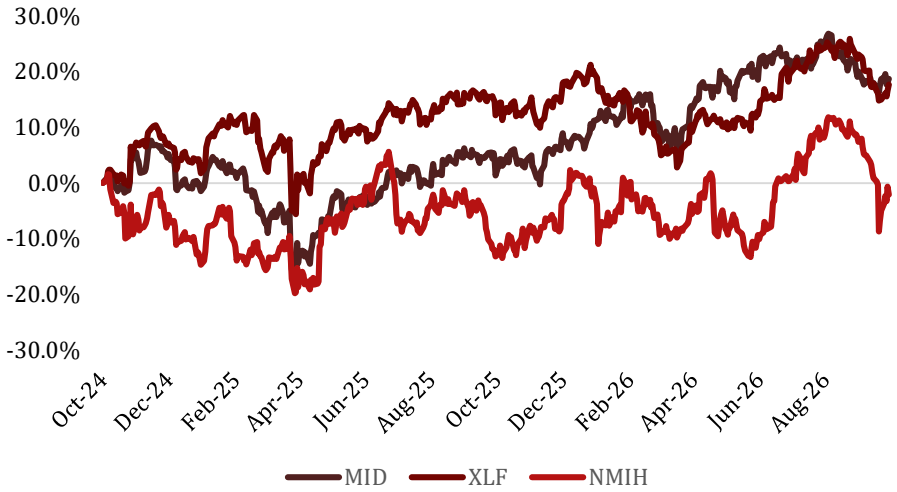
NMI Holdings

NYSE: NMIH

Recommendation: **BUY**

Price (10/09/2026)	$ 40.09
Price Target	$ 60.68
Potential Upside	51.36%
Market Cap ($M)	3,168
Shares Out.	79,038
52-wk Hi-Lo	$46.74-$34.84
P/E	7.89x
Operating Margin	73.24%
ROE	15.43%

Two-Year Stock Performance



Investment Rationale

We recommend a **BUY** on NMI Holdings. Despite the street noise about elevated mortgage rates and sluggishness in refinancing volumes, NMIH is well positioned to benefit from market headwinds and structural market gains within the mortgage insurance industry. We expect NMIH to benefit from its intricate risk evaluation and insurance-in-force premiums, ensuring prospective growth in the private mortgage insurance market. Using a 6.5x EV/EBITDA multiple, we arrived at a $60 price target, providing 51% potential upside.

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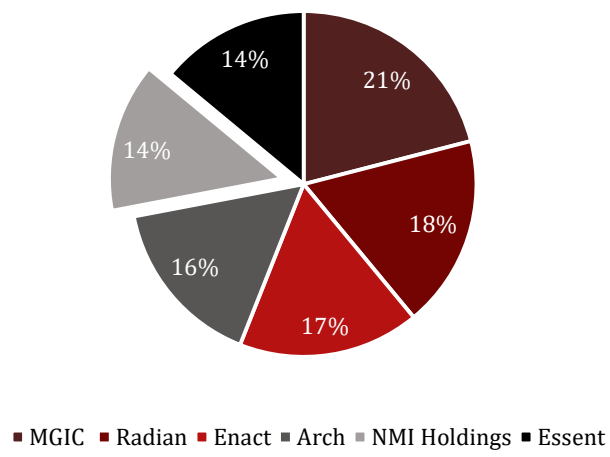
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Business Overview

National MI Holdings 'NMI Holdings' is an independently funded private mortgage insurer. NMI offers private mortgage insurance (PMI) through its subsidiary National Mortgage Insurance Corporation (NMIC). PMI mitigates mortgage credit risk and facilitates the sale of secondary market high-LTV (above 80% LTV) to government sponsored enterprises (GSE). PMI exists to protect insurers, where an agreed-upon amount is covered by PMI in the case of borrower default.

Fig 1: PMI Market Share



Premium rates are based on individual policies and are helped by NMIH's proprietary system called 'Rate GPS,' where policies are generally fixed and paid either monthly, annually, or in a single payment at origination. Additionally, NMIH offers outsourced loan reviews to its subsidiaries and loan originators through NMI Services. NMIH underwrites premiums on an individual basis, through its proprietary system Rate GPS.

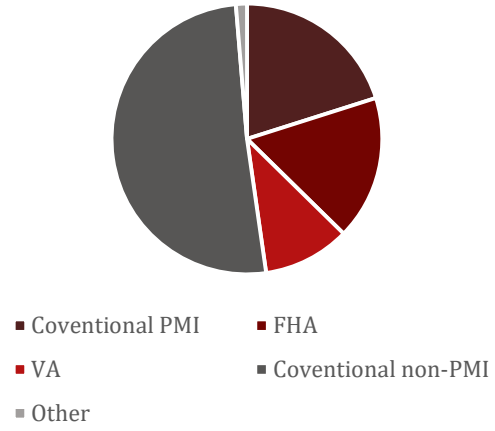
NMIH generates revenue through insurance premiums, priced individually according to borrower and loan risk characteristics. Premiums can be collected monthly, annually, or through a single upfront payment, depending on the policy. Its proprietary Rate GPS platform supports risk-based pricing and underwriting. In addition to its core mortgage insurance business, NMIH provides outsourced mortgage-related services through NMI Services (NMIS), including loan review solutions for mortgage lenders and originators.

Sources: 10K, Bloomberg, Investor Relations

Industry Overview

Over the past 28 years, PMI has been an integral part of housing affordability and mortgage risk management, enabling homeownership for nearly 40M borrowers who lack sufficient funds for a traditional 20% mortgage down payment. The PMI industry is divided into two main segments: the primary market and secondary market. The primary market consists of lenders who originate home loans to borrowers and includes loans made in connection with home purchasing (i.e., purchase originations and refinance loans). The secondary market consists of institutions that buy and sell mortgages in the form of whole loans or securitized assets such as mortgage-backed securities. The PMI market has remained highly condensed and competitive, with only 6 main players dominating the space: Arch, Enact, Essent, MGIC, NMIH, and Radian. PMI accounts for 38% of the total mortgage insurance market, while government-run MI accounts for the remaining 62%.

Fig 2: Mortgage Insurance Market Share, 2022-2024 Originations (Count)



The mortgage market is served by two insurance channels, which include PMI and the Federal Housing Administration (FHA). Both protect lenders from potential borrower defaults when initial down payments are below 20% of the home value. The main differences exist in who backs the loan, requirements in terms of qualifications, and the terms on which the borrowers pay. For PMI, pricing focuses on borrower credit quality, with strong borrowers paying lower margins. They also have no upfront premiums, and the insurance term ends once the borrower reaches 78% LTV. In contrast, FHA is a government agency within the HUD that accepts down payments as low as 3.5% with less focus on credit scores. It charges each borrower an upfront premium of 1.75% plus an annual premium of 0.55%, this cannot be canceled with a down payment of less than 10%. FHA serves borrowers with lower credit and less saved-up cash, while PMI can be cheaper over the life of the loan for strong borrowers.

Conventional mortgages with PMI have been the most common execution for low down payment purchasers since 2018. In 2024, PMI supported ~$300B of mortgage originations, making up roughly 96% of purchase loans for more than 800,000 low down payment borrowers; 65% being first-time buyers. PMI's overall market share has grown from 20% in 2009-2010 to its current 38%.

As of October 1st, 2026, the 30-year fixed-rate mortgage averaged 7.28%, the highest in the past 20 months. Mortgage rates have historically tracked Treasury yields, and as the 10-year Treasury yield continues to climb, borrowers will continue to lose expectations of potential savings from refinancing their loans. It is expected that many borrowers will shy away from refinancing due to the higher interest rates, to maintain lower interest rates.

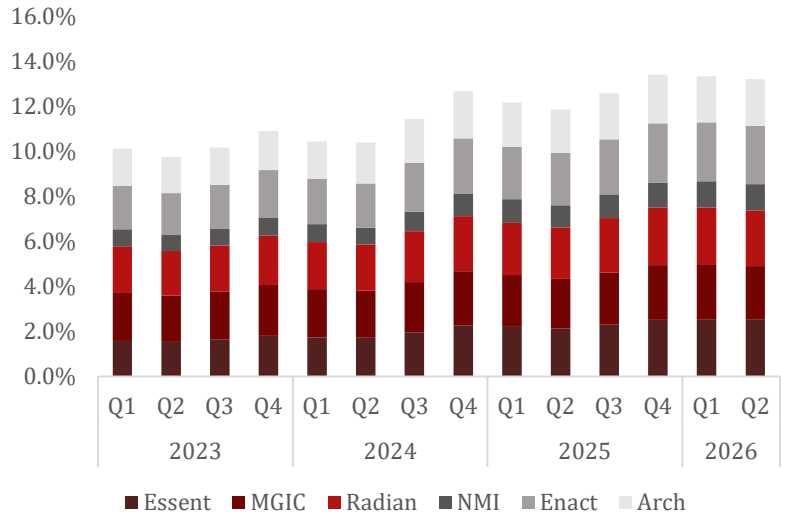
Sources: BBC, UCLA, Deloitte, NAIC, Insurance Information Institute

Competitive Growth Through Intricate Risk Selection

NMIH outpaces competitors through its granular risk selection, which has led to faster NIW growth, a higher-quality borrower base, and more durable credit performance.

NMI Holdings continues to grow its insurance portfolio relative to its competitors by outpacing gains in new insurance written volume (NIW) and overall credit performance. The street is underestimating the durability of NMIHs underwriting capabilities through granular risk selection. In 2Q26, NMIH generated $16.1B in NIW, representing 29% YoY growth compared to 17% for the broader PMI industry. Their main focus is on having high-quality borrowers with an average credit score of 760, while the credit average amongst competitors is a FICO score of ~751. They also remain focused on a conservative loan-to-value (LTV) of ~91.9%, while others in the space average ~93% LTV, showing how careful they are in the credit space. Investor sentiment is focused on the higher claims and defaults from the current macro-environment, and as a result, they believe it will stagnate revenue completely as they are only focusing on one pillar of their business. Despite this, NMIH continues to demonstrate reliability through its Insurance in Force (IIF) book growth. Over the past four years, its portfolio has surged by 49% versus the broader PMI industry's 13%. NIW volume determines the total dollar amount of new mortgage insurance coverage that NMIH writes over a specific timeframe, whereas IIF is the total current mortgage insurance coverage it holds on its books.

Fig 3: Primary Delinquency Rate by PMI



We believe their competitive moat lies in how reviewers and talent within the underwriting department utilize the collected data by making better risk selections from their Rate GPS platform compared to their competitors. PMI is targeted solely at LTV ratios above 80%, significantly increasing the risk insurers take, making the delinquency rate (DQ) the main differentiator. NMIH performance supports the view that the company continues to show resilience through its DQ, averaging a rate of ~1.16%, while the other five private mortgage insurers averaged ~2.24%, a gap that has remained since 2023. They've had a lower inflow of new defaults, with ~0.37% of new notice rate versus peers averaging ~1.19%, indicating that fewer of their insured portfolio is entering the delinquency zone. Further supporting this growth, NMIH's loan vintages have demonstrated favorable credit performance. NMIH wrote $49B in NIW in FY25, a 6.3% increase from FY24. As of June 30, 2026 showed a cumulative of 0.3% default rates as of 0.4% for vintages from 2024. The loss ratio from these vintages was favorable, at 9.0% compared to 10.1% for 2024 vintages. NMI is well positioned to gain upside from newly insured business by evaluating risk components more closely than its competitors.

Sources: Earnings Transcripts, Bloomberg, Insurance Business, Sell-Side Reports

In 2Q26, multiyear highs have been reached in NIW volume, exhibiting NMIH resilience within this market is viable. Although management has emphasized their focus on existing lender relationships as opposed to aggressively focusing on market share gain, we see a sizable opportunity within their policy count growth. Since 3Q23, industry policies in force fell 2.7% while NMIH added 11.4%. Every peer underperformed in this category, with Arch down 7.9%, MGIC 4.2%, Enact 3.8%, Radian 2.5%, and Essent 2.9%. NMIH produced ~44% of the industry's $73.8B IIF increase over that period. NMIH currently holds 14% of the market share, and with our strong conviction in the strength of their vintages, we see their share growing sizably. We believe that management will continue to focus on the credit performance of their vintages and utilize this compounding advantage to increase their market share.

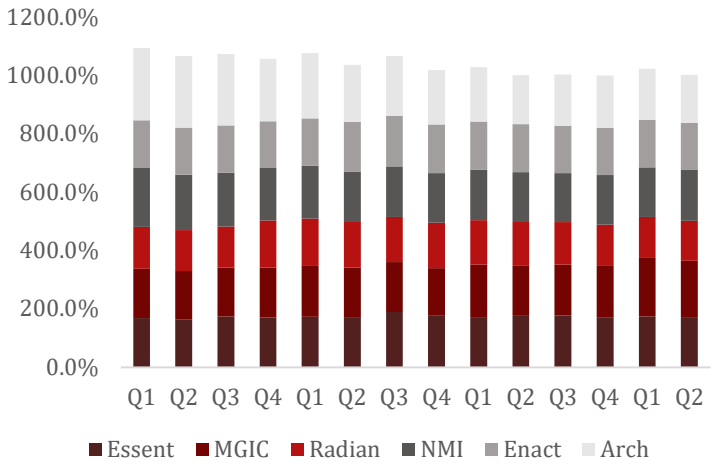
Sources: Bloomberg, Sell-Side Reports, Washington Post, WSJ, 10K

Market Headwinds vs. IIF Premiums

Despite a sluggish U.S. housing market, with elevated mortgage rate and persistent inflation weighing on origination volumes, NMIH is well positioned to sustain growth through rising average loan balances, operational efficiency, and structural gains in private mortgage insurance market share.

Investors are underestimating the durability of PMI, and specifically NMIH's ability to sustain growth margins throughout the current rate-hike cycle. The bearish view is based on concerns for origination volume, as Fannie Mae cut its forecast for single-family originations from 2.17T to 2.12T for FY26 following the Fed's 25bp rate hike. This set off a broad sell-off across mortgage-linked equities, including NIMH, which has fallen around 12.4% since August highs, completely overlooking revenue streams driven by IIF. This metric can grow in two ways: insuring more loans or insuring larger ones. In 2023's high-rate environment, average loan size grew by 7.6% while policy count only grew by 2.7%. NMIH proved to be well positioned for this environment as its IIF was 5.3%, while competitors were at an average of ~2.7%. NMIH's edge derives from loan size and execution, with its average policy being ~$327,000, 12% larger than competitors. Premiums are scaled by loan amount but underwriting and servicing costs are fixed per loan. NMIH's expense ratio is 19.4%, making it the lowest amongst all 6.

Fig 4: PMIERs Sufficiency Ratio by PMI



NMIH has already been able to increase its sufficiency ratio by 4% while its peers have failed to keep up, with Radian falling 14%, Arch 3%, and Enact 4%. Since growth within the PMI industry is capped by capital, the size of the balance sheet each provider has is more valuable. NMIH exceeds the eligibility requirements with $3.7B vs. $2.1B minimum required capital. Having more than sufficient space to take on more growth comfortably, NMIH has the advantage of current momentum to continue to take on higher loan balances at a faster pace, proving that it can thrive in a high-rate environment.

The PMI share of NIW volume has expanded during periods of strong mortgage origination, while the FHA and VA share has expanded during periods of weaker mortgage origination. This held during the strong mortgage market of 2020, which saw the PMI share expand, and most recently during the 2021-2024 period when high rates pushed down mortgage activity, coinciding with an increase in the FHA/VA share. Although market share of new originations has fluctuated due to economic conditions, the PMI share of outstanding mortgage volume has remained more stable, hovering between 25-40% of outstanding loans. Beyond a shift in market share internally within PMI, we see a structural industry shift in size between FHA and PMI, as we believe monthly payments will become a constraint for many consumers in the long run, making a risk-based premium and cancelable insurance a competitive advantage. The FHA charges an upfront premium of 1.75% and an annual premium of 0.55% on 30-year loans with under 5% down payment. PMI is better positioned for borrowers looking to build equity through home price appreciation.

Sources: Bloomberg, Sell-Side Reports, Washington Post, WSJ, 10K

The embedded home appreciation (HPA) from a credit standpoint is the key driver of the future outlooks we are seeing with PMI credit performance. Substantial HPA in recent years has driven around $35.8T of equity in underlying homes; it will ensure the healthiness of the NMIH portfolio, as borrowers are more likely to sell or cure a delinquency rather than filing a claim. With PMI competing with FHA for low-down-payment loans, we believe that the support from HPA on the credit front, with the competitive advantage of insurance dissolution after 78% LTV, the structural market share will expand the pool of new originations for NMIH.

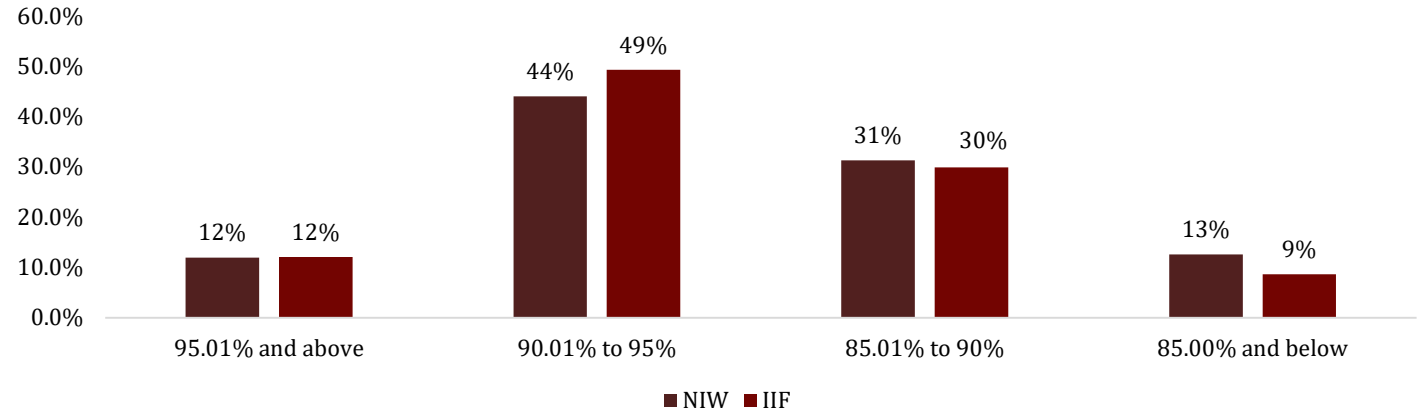
Sources: Bloomberg, Sell-Side Reports, Washington Post, WSJ, 10K

PMI Isn't Pulting Out

Despite FHFA criticism towards PMI, sparking a sector-wide sell-off, we view the downside risk to NMIH as largely overstated, given PMI's established cancellation framework and the mininmal revenue exposure to loans between 78–80% LTV.

On September 15, a post on X by Bill Pulte criticizing private mortgage insurance (PMI) triggered a sector-wide sell-off. The post conveyed strong opposition to PMI, asserting that "people should not have to pay for unnecessary mortgage insurers" and urging borrowers to "stop paying for coverage you do not need and keep the money." In essence, the tweet called on Fannie Mae to align policies with Freddie Mac to allow loan servicers to proactively call eligible borrowers to cancel their mortgage insurance once their LTV falls below the 80% threshold. As a result, NMIH shares slid 1.4% alongside the sector: MGIC Investment Corp (-3.1%), Essent Group (-0.9%), Enact Holdings (-2.2%), and Radian (-1.4%). Although the tweet used daunting language, its underlying policy implication is far from revolutionary and would have little impact on NMI. Under the Homeowners Protection Act, automatic termination is required when LTV reaches 78%. Were Fannie to follow Freddie's precedent, there would be minimal material impact on NMI. The estimated premiums from borrowers between the 78-80% LTV range are very low as total NIW and IIF below 85% only represent 13% and 9% of revenue respectively.

Fig 5: NIW & IIF By LTV



Since his recent appointment in June 2025, the Director of the Federal Housing Finance Agency's (FHFA) tenure has been largely defined by a series of unpredictable, emotionally charged tweets in addition to mass layoffs across agencies. The Washington Post described Pulte's approach at the FHFA as having a "Trumpian policy-by-tweet" flourish, accompanied by abrupt and unexpected decision-making. Pulte's notable work has included mortgage fraud investigations of Trump's foes (Jerome Powell, Letita James, Adam Schiff, and Lisa Cook), many calls for Jerome Powell's resignation, the removal of 14 FHFA members who wanted to privatize Fannie Mae and Fannie Mac and ~30% of the National Intelligence workforce, and a thread of speculative tweets regarding 50-year mortgages which would offer lower monthly payments but slower equity and extended amortization. Actual legislative headway from the FHFA under Pulte, however, has been lackluster. The New York Times called out Pulte for having achieved "few tangible results" while the Street's consensus for the administration is neutral.

Given the lingering 'sector scars' from the mortgage crisis in 2008, investor sentiment toward PMI is particularly sensitive towards mention of regulatory pressure. The industry follows similar cycles where speculation of regulatory changes fuel investor fear, followed by the realization that such regulation is

Sources: Bloomberg, Sell-Side Reports, Washington Post, WSJ, 10K

never enacted or has little material impact on NMI. Overall, we see no threat for NMIH posed by Pulte's comments and are instead mildly encouraged by positive indications for PMI by other governing bodies. In an interview, Joe Gormley, president of Ginnie Mae and acting commissioner of the Federal Housing Administration (FHA), said that the administration was 'very comfortable' with the current mortgage structure for single-family loans, with a reduction for FHA premiums very unlikely. Many seasoned mortgage loan originators have commented that they are already in the habit of contacting eligible borrowers, as they closely monitor LTV with 'many trackers and data points.'

Sources: Bloomberg, Sell-Side Reports, Washington Post, WSJ, 10K

Risks

Elevated Mortgage Rates: Mortgage rates near 7.28% weigh on affordability and could keep suppressing mortgage originations, as purchase loans represented about 89% of their 2Q26 NIW volume. Fannie Mae has trimmed FY26 expectations for originations from $2.12T to $2.17T. Higher rates can stress existing borrowers as well, with housing affordability on the rise. In the fifth straight year, the median sales price for an existing single-family home hovered near five times the median household income, falling slightly from the all-time high of 5.0 in 2022 to 4.7 in 2025. Median existing-home prices reach a record average of $440,600 in June of 2026. The monthly payment on median-priced homes has nearly doubled since 2020, from $1249 to $2420 by year-end of 2025.

Sector Regulations: NMIH's business depends on the rules that are set by Fannie Mae, Freddie Mac, and the FHFA, including the PMIERs capital standards, which GSEs can change at any time. NMIH expressed that changes to GSE charters or priorities could affect the use of mortgage insurance, particularly for first-time buyers or very high LTV. PMI also competes with government insurers such as FHA, so an increase in FHA premiums could indicate a shift in market share has occurred, leaving fewer premiums for NMIH.

Sluggishness in Refinance Volume: A slowdown in refinancing activity impacts the NIW volume that each insurer can bring in each year. Weak yearly volumes intensify the competition since insurers fight over a smaller pool of lenders willing to provide loans, which can put pressure on pricing and margins. NMIH's default rate has edged up to 1.16% from 1.00% a year ago. This risk is limited as 98% of NMIH's risk in-force is a fixed rate, but it directly impacts the demand for refinancing volumes.

Sources: Bloomberg, Sell-Side Reports, Washington Post, WSJ, 10K

Comparable Companies

Company	Ticker	Market Cap ($Bn)	P/E	ROE	Operating Margin	1 Yr. Rev Growth	ROIC
NMI Holdings	**NMIH**	**3.01**	**7.89x**	**15.43%**	**73.24%**	**8.50%**	**12.36%**
Tier 1: Private Mortgage Insurance							
Radian Group, Inc.	RDN	4.49	8.50x	11.53%	48.46%	81.76%	35.43%
MGIC Investment Corporation	MTG	5.63	8.57x	13.92%	76.96%	-2.89%	12.27%
Essent Group Ltd.	ESNT	5.62	8.71x	12.01%	64.51%	13.63%	14.07%
Enact Holdings, Inc.	ACT	6.32	9.51x	12.87%	73.11%	2.34%	11.21%
Mean		5.52	8.82x	12.58%	65.76%	23.71%	18.25%
Median		5.63	8.64x	12.44%	68.81%	7.99%	13.17%
Tier 2: Specialty Insurance							
Arch Capital Group, Ltd.	ACGL	32.61	7.38x	20.49%	27.71%	-6.00%	10.23%
Palomar Holdings, Inc.	PLMR	3.44	10.19x	22.23%	24.87%	57.78%	30.36%
RLI Corp.	RLI	5.11	16.45x	25.16%	28.50%	4.94%	10.33%
HCI Group, Inc	HCI	2.38	8.29x	32.40%	48.84%	11.52%	10.40%
Mean		10.89	10.58x	25.07%	32.48%	17.06%	15.33%
Median		4.28	9.24x	23.70%	28.11%	8.23%	10.37%

Commentary: We separated NMIH'S comparable companies into two tiers: 1) Private Mortgage Insurers and 2) Specialty Insurance. Our first tier includes Radian Group, Inc., MIGIC Investment Corporation, Essent Group Ltd., and Enact Holdings, Inc. Our second tier includes Arch Capital Group Ltd., Palomar Holdings Inc., RLI Corp., and HCI Group, Inc. Out of its peers, NMIH has the highest ROE and operating margins yet is valued the lowest at 7.89x.

Sources:

UFCF Walk	2026E	2027E	2028E	2029E	2030E
EBIT	467,310	490,676	515,209	540,970	568,018
EBIAT	**369,175**	**387,634**	**407,015**	**427,366**	**448,734**
(+) D&A	2,431	2,552	2,680	2,814	2,955
(-) Changes in Working Capital	7,516	9,491	9,972	10,476	11,006
(-) CapEx	(8,998)	(9,448)	(9,921)	(10,417)	(10,937)
Unlevered Free Cash Flow	370,123	390,229	409,746	430,240	451,758
Discount Period	0.5	1.5	2.5	3.5	4.5
Present Value of Stage 1 Cash Flows	**357,420**	**390,229**	**409,746**	**430,240**	**451,758**

Assumptions	
Date of valuation (today)	10/9/2026
Current Share Price	$40.09
Diluted Shares Outstanding	79038
EV/EBITDA	6.1x
Tax Rate	21.00%
Discount Rate (WACC)	7.23%
Company Beta	0.71
Expected Market Return	10%
Risk Free Rate	5.25%
Weighted Average Interest Rate	6.58%
Total Capital	$5,338,943
Value of Equity	$3,168,633
Cash & Cash Equivalents	43937
Debt and Other Liabilities	2170310

Discount Rate Analysis	
Cost of Equity	8.63%
Weight of Equity	59.35%
Cost of Debt	6.58%
Weight of Debt	40.65%
Discount Rate	7.23%

Terminal Value Analysis	
Exit Multiple Approach	
Terminal Year EBITDA	570,973
Terminal Value	3,482,935
Present Value of Terminal Value	4,883,168

Intrinsic Value Analysis	
Exit Multiple Approach	
Sum of PV of Stage 1 Cash Free Cash Flows	2,039,393
Present Value of Terminal Value	4,883,168
Implied Enterprise Value	6,922,562

Implied Share Price	
Exit Multiple Approach	
Implied Enterprise Value	6,922,562
(-) Net Debt	(2,126,373)
Market Value of Equity	4,796,188.90
Implied Share Price	$ 60.68
Implied Upside	*51.36%*

Commentary: Using a discounted cash flow analysis with a conservative EV/EBITDA exit multiple of 6.1x and a WACC of 7.2%, we arrived at a $60.68 target share price and calculated a potential upside of 51.36%. This upside is primarily driven by continued NIW growth as NMIH captures market share and expands its insured portfolio, supporting recurring premium revenue and long-term earnings growth.

Sources: Bloomberg, Sell-Side Reports, Washington Post, WSJ, 10K