Notice Concerning Private Mortgage Insurance
Lender Paid Mortgage Insurance

Date: ____________________

GENERAL OVERVIEW

Loan #: ____________________

Borrower Name(s): ______________________________ ______________________________

Property Address: ____

City: ______________________________ **State:** ______ **Zip Code:** ____________________

DISCLOSURE

You have applied for a mortgage loan that requires Private Mortgage Insurance ("PMI"). PMI protects lenders and others against financial loss when borrowers default. Your loan will have "Lender Paid" Mortgage Insurance ("LPMI").

Lender Paid Mortgage Insurance differs from "Borrower Paid" Mortgage Insurance ("BPMI") in several ways, and each form of insurance has advantages and disadvantages:

1. <u>LPMI may not be canceled by you, the borrower.</u> By contrast, borrowers may be able to cancel BPMI on either:
   a. The date the principal balance of the mortgage loan is first scheduled to reach 80% of the original value of the property
   b. The date the principal balance actually reaches 80% of the original value of the property.

   In addition, assuming the borrower is current on payments, BPMI automatically terminates on the date the principal balance of the loan is first scheduled to reach 78% of the original value of the property.

2. <u>LPMI usually:</u>
   a. Results in a mortgage loan with a higher interest rate than one with BPMI
   b. Terminates only when the loan is refinanced, paid off, or otherwise terminated.

3. <u>LPMI may be tax deductible</u> for purposes of federal income taxes if you itemize deductions on your return. Consult your tax advisor for details.

The following generic analysis reflects the differing cost and benefits of LPMI versus BPMI over a 10 year period, assuming prevailing interest and property appreciation rates. The calculations are based on a 30 year, fixed-rate loan.

See Page 2 for generic example

BORROWER ACKNOWLEDGEMENT

I/We have received a copy of this disclosure.

Borrower Signature: ____ **Date:** ____________________

Borrower Signature: ____ **Date:** ____________________

Notice Concerning Private Mortgage Insurance Lender Paid Mortgage Insurance *(Cont.)*

Generic Example: Borrower Paid MI vs. Lender Paid MI

MORTGAGE INSURANCE:	BORROWER PAID (BPMI)	LENDER PAID (LPMI)
Loan Terms:		
Loan Amount	$200,000.00	$200,000.00
Interest Rate	3.5%	3.75%
Monthly Payment:		
Principal and Interest	$898.09	$926.23
Borrower Paid MI	$81.67	N/A
10 Year Comparison:		
Total P&I Paid After 10 years	$107,770.80	$111,147.60
Total PMI Paid After 10 years	$6,615.27	N/A
Total Amount Paid After 10 years	$114,386.07	$111,147.60
Cash-To-Close:		
Down Payment	$22,200.00	$22,200.00
Mortgage Insurance (Escrowed)	$163.34	N/A
Other Closing Costs @ 2%	$4,000.00	$4,000.00
Cash-To-Close	$26,363.34	$26,200.00