

PRIVATE MORTGAGE INSURANCE DISCLOSURE

Loan Number:

Property Address:

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.

- * First, LPMI may not be canceled by you, the borrower. By contrast, borrowers may be able to cancel BPMI on either (1) the date the principal balance of the mortgage loan is first *scheduled* to reach 80% of the original value of the property or (2) the date the principal balance *actually* reaches 80% of the original value of the 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.
- * Second, LPMI usually (1) results in a mortgage loan with a higher interest rate than one with BPMI, and (2) terminates only when the loan is refinanced, paid off, or otherwise terminated.
- * Third, LPMI may be tax deductible for purpose of federal income taxes if you itemize deductions on your return. Consult your tax advisor for details.

BELOW CALCULATIONS ARE BASED ON A 30 YR FIXED RATE MORTGAGE OF \$150,000 AT 85% LTV, 12% MORTGAGE INSURANCE COVERAGE.

The following analysis reflects the differing costs and benefits of LPMI versus BPMI:

"LENDER PAID" MORTGAGE INSURANCE		"BORROWER PAID" MORTGAGE INSURANCE(BPMI)	
LOAN AMOUNT	\$150,000	LOAN AMOUNT	\$150,000
INTEREST RATE	5.625%	INTEREST RATE	5.50%
TERM	360 MONTHS	TERM	360 MONTHS
PRINCIPAL & INTEREST PAYMENT(P&I)	\$863.48	PRINCIPAL & INTEREST PAYMENT (P&I)	\$851.68
PRIVATE MORTGAGE INSURANCE PAYMENT (PMI)	\$0.00	PRIVATE MORTGAGE INSURANCE PAYMENT (PMI)	\$40.00
TOTAL PAYMENT AMOUNT	\$863.48	TOTAL PAYMENT AMOUNT	\$891.68
TOTAL P & I PAID (120 MONTHS)	\$103,617.60	TOTAL P & I PAID (120 MONTHS)	\$102,204.60
TOTAL PMI PAID (120 MONTHS)	\$0.00	TOTAL PMI PAID (65 MONTHS TO 78% LTV)	\$2,600
TOTAL PAID (120 MONTHS)	\$103,617.60	TOTAL PAID (120 MONTHS)	\$104,801.60
LOAN TO VALUE (END OF 10th YR)	71%	LOAN TO VALUE (END OF 10th YR)	71%

BORROWER

BORROWER

Preparers instructions: Provide this disclosure no later than the date a loan commitment is made for a residential mortgage transaction requiring lender paid PMI.