Lender-Paid Mortgage Insurance Initial Disclosure

Borrower: ______________________________ Loan Number: ______________________________

Address: ______________________________

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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 program requires Lender-Paid Mortgage Insurance ("LPMI"). LPMI differs from Borrower-Paid Mortgage Insurance ("BPMI") in several ways and both have advantages and disadvantages.

- First, LPMI may not be canceled by you, (the "Borrower"). LPMI differs from BPMI in that BPMI is subject to cancellation and automatic termination under the Homeowners Protection Act (the "HPA").
- Second, LPMI usually results in a mortgage loan with a higher interest rate than a loan with BPMI. Alternatively, LPMI may result in borrower paid discount points to avoid a higher interest rate, which may not be necessary for a loan with BPMI.
- Third, LPMI terminates only when the loan is refinanced, paid-off or otherwise terminated.
- Fourth, LPMI may be tax deductible for purposes of federal income taxes. Consult your tax advisor for details.

If the loan-to-value ratio (the "LTV") on your loan is at 78.00% or less on the day of loan closing, then you are within 30 days of the termination date that would have applied if the loan were a BPMI transaction; therefore, this serves as your notification of that termination date and that you may wish to review financing options that would eliminate the requirement for PMI.

The following generic analysis reflects the differing costs and benefits of BPMI, LPMI with discount points paid by the borrower and LPMI without discount points. The analysis assumes BPMI over a 10-year period, prevailing interest and property appreciation rates for a 30-year loan of $90,000 where a 10% down payment was made:

	BPMI	**LPMI with Discount Points***	**LPMI without Discount Points**
Interest Rate:	7.00%	7.00%	7.30%
Loan Principal and Interest Payment (based on level fixed rate payments):	$598.77	$598.77	$617.01
Mortgage Insurance Premium paid by borrower:	$ 39.00	$ 0.00	$ 0.00
Monthly Principal and Interest Payment with MI:	$637.77	$598.77	$617.01

In the above example, the BPMI could be canceled after the 153rd payment if the borrower was current with all loan payments. The LPMI either with or without discount points could not be canceled, although there may be some continued tax deductibility relating to the LPMI premiums. After ten years (120 months), the total of the monthly payments made and the principal balance under these programs would be as follows:

	BPMI	**LPMI with Discount points***	**LPMI without Discount Points**
Total of monthly payments (including MI):	$76,532	$71,852	$74,041
Unpaid Principal Balance:	$77,232	$77,232	$77,768

* For LPMI with discount points, this example assumes a 1% discount point, or $900, paid to the lender by the borrower at the time of closing on a 30-year fixed-rate mortgage made to a borrower having Class II credit, or a credit score in the range of 680-699. This example assumes no additional discount points are paid to further reduce the interest rate for any of the scenarios. The discount points for your loan may vary based on the loan amount, the property value, your credit history, the property occupancy, or other underwriting factors.

I hereby acknowledge receipt of this mortgage program disclosure and notice:

Borrower: ______________________________ **Date:** ______________________________

Borrower: ______________________________ **Date:** ______________________________