

**LENDER PAID PRIVATE MORTGAGE  
INSURANCE NOTICE**

Borrower:

Property:

You have applied for a loan that requires private mortgage insurance. Private mortgage insurance reimburses the Lender or its assigns for losses that may be incurred if you default on your loan. It may seem as if mortgage insurance does not provide a direct monetary benefit to you. However, it provides a definite indirect benefit in that it allows us to offer our loan programs at lower down payment amounts than would normally be required. Mortgage insurance is typically required for any loan that is not insured or guaranteed by the federal government when the equity in the property is less than 20% for owner-occupied properties or 25%-30% for second homes and rental properties. Lender paid mortgage insurance means private mortgage insurance that is required in connection with your loan and is paid by the Lender or someone other than you.

The Federal Homeowner's Protection Act of 1998 requires the Lender to disclose to you the following:

1. Lender paid mortgage insurance differs from borrower paid mortgage insurance, in that lender paid mortgage insurance may not be canceled by you, while borrower paid mortgage insurance could be either (1) canceled by you on the date the principal balance of the mortgage loan is first **scheduled** to reach eighty percent (80%) of the original value of the property, or (2) canceled by you on the date the principal balance **actually** reaches eighty percent (80%) of the original value of the Property. Borrower paid private mortgage insurance automatically terminates on the date the principal balance of the loan is first scheduled to reach seventy-eight percent (78%) of the original value of the Property.
2. Lender paid mortgage insurance usually results in a residential mortgage having a higher interest rate than it would in the case of borrower paid mortgage insurance. Lender paid mortgage insurance terminates only when the residential mortgage is refinanced, paid off, or otherwise terminated.
3. Lender paid mortgage insurance and borrower paid mortgage insurance both have benefits and disadvantages. The following is a generic analysis of the differing costs and benefits over a ten-year period, assuming prevailing interest and property appreciation rates. This analysis is based upon a \$50,000 loan amount with a 30-year fixed-rate mortgage with a loan-to-value ratio of ninety-five percent (95%). (Note: Actual fees and charges may vary according to the private mortgage insurance plan, loan-to-value ratio, loan amount and loan type.)

	LENDER PAID PRIVATE MORTGAGE INSURANCE	BORROWER PAID PRIVATE MORTGAGE INSURANCE
Interest Rate	6%	5.75%
P&I Monthly Payment	\$299.78	\$291.79
PMI Monthly Payment	\$0.00	\$32.50
Total Paid over ten (10) years	\$0.00	\$3,900.00
Cancellation of PMI	Only by refinancing, selling or paying off liens	Yes, under certain circumstances
Refund of Premiums	No	Yes, under PMI Plans

4. If you itemize expenses for federal income tax purposes, lender paid mortgage insurance may be tax deductible. Consult your tax advisor.

ACKNOWLEDGEMENT

I/We hereby acknowledge receipt of this Notice at or prior to loan commitment, if any, and further acknowledge that I/we understand its provisions.

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(Borrower) (Date)

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(Borrower) (Date)

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(Borrower) (Date)

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(Borrower) (Date)