

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.

Traditional Borrower-Paid Mortgage Insurance

With Borrower-Paid Mortgage Insurance ("BPMI"), the monthly mortgage insurance premium is added to your payment every month. In most cases, there will be an initial MI premium amount due at closing, which will be added to your closing costs. Traditional borrower-paid mortgage insurance premiums are generally not tax deductible (consult your tax advisor).

Tax Advantage Mortgage Insurance

Tax Advantage Mortgage Insurance ("TAMI") is lender-paid mortgage insurance that can offer you significant benefits that are not available with traditional mortgage insurance, including:

- No MI premium paid at closing
- You may have lower total monthly payments
- You may save hundreds of dollars
- TAMI may be tax deductible if you itemize deductions on your federal income tax return*

*** IF YOU ITEMIZE EXPENSES FOR FEDERAL INCOME TAX PURPOSES, CONSULT A TAX ADVISOR FOR ADVICE ON THE EXTENT TO WHICH INTEREST OR POINTS ON A LOAN WITH LENDER PAID MORTGAGE INSURANCE ARE TAX DEDUCTIBLE AND WHETHER DIFFERENT RULES APPLY TO PURCHASE AND REFINANCE TRANSACTIONS.**

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. Actual fees and charges may vary according to the private mortgage insurance plan, loan-to-value ratio, loan amount and loan type. The example below shows how the costs of Borrower-Paid MI and

Monthly TAMI compare over a 10-year period for a typical transaction. This example is based on the following assumptions:

Appraised Value of Property:	\$140,000	Interest Rate:	8.250%
Loan Amount:	\$135,000	Monthly TAMI Rate Add-on:	0.500%
Loan-To-Value Ratio:	90%	One-Time TAMI Additional Points:	3.000%
Loan Term:	30 Years	BPMI Annual Cost:	0.520% of orig. loan amt.

Year	BPMI		Monthly TAMI @ .625% Rate Add-on	
	Average Principal Balance	Annual Cost	Before Tax	After Tax @ 28% tax rate
1	\$134,464	\$702	\$672	\$484
2	\$133,345	\$702	\$667	\$480
3	\$132,130	\$702	\$661	\$476
4	\$130,811	\$702	\$654	\$471
5	\$129,379	\$702	\$647	\$466
6	\$127,824	\$702	\$639	\$460
7	\$126,136	\$702	\$631	\$454
8	\$124,304	\$702	\$622	\$447
9	\$122,314	\$702***	\$612	\$440
10	\$120,154	\$702***	\$601	\$433
Total Cost		\$7,020	\$6,404	\$4,611
Monthly Payment Including MI		\$1,071.71	\$1,062.05	

The above example assumes that all payments are made as scheduled and that there is no change in your tax rates. Loans with TAMI will amortize differently from loans with BPMI because of the differing interest rates. In this example, the loan balance after 10 years is \$119,030 for the loan with BPMI, \$120,180.24 for the loan with monthly TAMI. The principal reduction averages \$115.07 less each year for Monthly TAMI. ***In this example, if the conditions for cancellation of BPMI at 80% has been met, the BPMI Annual Cost for the 10th year would be \$351. Your individual circumstances may differ.

I acknowledge that I have been provided information about my mortgage insurance options and received a copy of this disclosure at or prior to loan commitment.

Applicant

Applicant

Applicant

Applicant