LENDER PAID MORTGAGE INSURANCE INITIAL DISCLOSURE

Borrowers: ____ Date: ______________________

Property Address: ____

Loan Number: ____________________________

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).

LPMI differs from borrower paid mortgage insurance (BPMI) in several ways. Each form of insurance has advantages and disadvantages.

First, LPMI may not be cancelled by you, the borrower. By contrast, borrowers may be able to cancel BPMI on either l. The date the principal balance of the 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 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 results in a loan with a higher interest rate than one with BPMI, and terminates only when the loan is refinanced, paid off or otherwise terminated.

Third, LPMI may be tax deductible 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 costs and benefits of PMI and BPMI over a 10-year period, assuming prevailing interest and property appreciation rates:

Assume a 30-year, fixed rate loan with initial principal balance of $90,000

	BPMI	**LPMI**
Interest rate	7.00%	7.50%
Monthly Principal and Interest Payment	$598.77	$629.29
Mortgage Insurance Premium	$39.00	$0.00
Monthly Principal and Interest Payment with PMI	$637.77	$629.29

In the above example, the BPMI could be dropped after the IO 1st payment if all payments were made on time. The LPMI could not be dropped, although there may be tax deductions available relating to LPMI premiums (consult a tax advisor). After IO years (120-months), the total of the monthly payments made and the principal balance under the different programs would be:

	BPMI	LPMI
Total of Monthly Payments *(including MI)*	$75,791	$75,515
Unpaid balance	$77,232	$78,116

I/we have received a written copy of the amortization schedule along with a copy of this disclosure:

Borrower: ____ Date: ________________

Borrower: ____ Date: ________________