LENDER-PAID PRIVATE MORTGAGE INSURANCE DISCLOSURE (PMI BUSTER)

Borrower(s):

Property Address:

The loan program that you selected requires lender paid, private mortgage insurance. This informational disclosure will explain what private mortgage insurance is and how it works.

Private Mortgage Insurance - What is It?

Private mortgage insurance (which is often referred to as PMI) is an insurance policy. PMI protects the lender against financial loss when a loan is not repaid. Because of this, lenders can offer loans that they may not otherwise offer due to risks associated with higher loan-to-value loans. While PMI may not provide a direct monetary benefit to you, it does provide a definite indirect benefit in that it allows us to offer loan programs with lower down payment amounts.

When Is PMI Required?

PMI is typically required when...

- You are buying a home and your down payment is less than 20% of the purchase price.
- You are refinancing and you have less than 20% of equity in your home.

There Are Different Types of PMI -What Are They?

Borrower Paid Mortgage Insurance.

- With client or borrower paid PMI, the mortgage insurance premiums are part of your monthly payment. With some borrower paid PMI loan programs, you may pay the entire first year's premium at closing. After the first year, the insurance premium will be part of your monthly mortgage payment.
- You may be able to cancel your PMI when your principal balance is scheduled to reach 80% of the original value of your home or when your principal balance actually reaches 80%.
- As long as you are current on your payments, we must terminate your PMI when your principal balance is scheduled to reach 78% of the original value of your home.

Lender Paid Mortgage Insurance.

- With lender paid PMI, the lender typically buys the mortgage insurance from the interest you pay on the loan. Because of this, the interest rate on a lender paid PMI loan may be higher than a loan with borrower paid PMI.
- You may be able to take larger tax deductions with the lender paid PMI option if you itemize deductions on your federal tax return. Please check with your tax advisor.
- Lender paid PMI can not be canceled. The mortgage insurance only terminates when your loan is refinanced, paid off or otherwise terminated.

Here's How The Numbers Work

The following chart will help you better understand the benefits and disadvantages of each program. We are comparing a 30-year, fixed rate loan with a 90% loan to value that would require 25% mortgage insurance coverage.

Initial Property Value	**$194,500**	**Assumed Property Appreciation**	**0.0%**
Loan Amount	**$175,000**	**Assumed Tax Bracket**	**28.0%**

	Client/Borrower Paid PMI Option	PMI Buster Lender Paid PMI Option
Interest Rate	7.0%	7.5%
Monthly Principal & Interest Payment	$1,164.28	$1,223.63
Monthly PMI Premium	$75.83	N/A
Pre-Tax Monthly Payment	$1,240.11	$1,223.63
1st Year Average Tax Deduction	$284.52	$304.97
1st Year Average Monthly Payment After Taxes	$955.59	$918.66
Additional PMI Closing Costs	$151.66	No Costs

Although paying a higher interest rate, the PMI Buster loan can offer lower pre-tax payments as well as tax savings when compared to a loan with client paid PMI. Please consult your tax advisor for specific details on your loan.

With a good payment history, you could request cancellation of your client paid PMI on the loan described above after the 100th month. In addition, your client paid PMI would automatically terminate after the 115th month. Based on this example, while your home may appreciate in value, the higher value will not change when your client paid PMI can be cancelled or terminated. You can not cancel Lender Paid PMI. Lender paid PMI terminates when the loan is refinanced or paid-off. Over a 10 year period, a loan with client paid PMI terminating after the 100th month would provide an approximate after tax savings of $4,075.