

Lender-Paid Mortgage Insurance Initial Disclosure

You have applied for a loan with lender-paid mortgage insurance rather than borrower-paid mortgage insurance. Both lender-paid mortgage insurance and borrower-paid mortgage insurance have benefits and disadvantages. This disclosure discusses the differences between the two products.

The borrower's rights with respect to lender-paid mortgage insurance differ from the borrower's rights with respect to borrower-paid mortgage insurance. Borrower-paid mortgage insurance can be cancelled by the borrower some time after the origination of the insured loan, in accordance with Section 1 (a) of the Home owners Protection Act of 1998, 12 U.S.C. 4903(s), and if not cancelled it will automatically terminate some time later, in accordance with Section 3(b) of the same Act. Lender-paid mortgage insurance cannot be cancelled by the borrower, and it does not terminate automatically. Lender-paid mortgage insurance terminates only when the insured loan is refinanced, paid off, or otherwise terminated.

The economies of the two products also differ. Borrower-paid mortgage insurance premiums are paid by the borrower and may be paid in one lump sum at closing, or periodically. In the latter case, the lender will usually require the borrower to escrow the monthly equivalent of such periodic payments. Lender-paid mortgage insurance premiums are not paid by the borrower either at or after closing, resulting in lower closing costs and/or lower monthly escrows for the borrower. A loan with lender-paid mortgage insurance usually has a higher interest rate than a loan with borrower-paid mortgage insurance, but the increased interest costs of your loan may be tax-deductible for purposes of Federal income taxes, if you itemize deductions on your tax return.

The following table provides a generic analysis of the costs and benefits over a 10-year period of a loan with lender-paid mortgage insurance versus a loan with borrower-paid mortgage insurance. Both loans used in the analysis are fully amortizing 30-year fixed-rate loans with a principal balance at origination of \$100,000.00, and they are both used to purchase homes worth \$112,000.00. The loan with lender-paid mortgage insurance has an interest rate of 6.500 percent, and the loan with borrower-paid mortgage insurance has an interest rate of 6.125 percent and a mortgage insurance premium of 0.52%. These rates, terms and other conditions are not unusual for a 30-year fixed rate product, but because of the many factors that go into pricing a loan they may not be the same as the rate, terms and other conditions that you receive, even if you obtain a 30-year fixed-rate loan. If you obtain an adjustable-rate mortgage, the terms and conditions will also be different from those reflected in the table. As a result, the effect on your loan of choosing lender-paid mortgage insurance versus borrower-paid mortgage insurance may differ from what this table shows. This table is intended solely as a demonstration of the generic economic differences between lender-paid and borrower-paid mortgage insurance, not as an advertisement of any product or as an offer to lend.

	LPMI Product			BPMI Product				
	Payment ¹		Home Equity ³	Payment ¹			Home Equity ³	
	Principal and Interest (Before Tax)	Total After Tax Cost ²		Principal and Interest (Before Tax)	Mortgage Insurance	Total After Tax Cost ¹		
1	7,584.82	5,744.03	18,717.73	7,291.33	520.00	6,105.65	18,799.63	
2	7,584.82	5,794.99	25,790.31	7,291.33	520.00	6,126.81	25,954.84	
3	7,584.82	5,817.35	33,236.76	7,291.33	520.00	6,149.31	33,484.38	
4	7,584.82	5,841.22	41,077.13	7,291.33	520.00	6,173.22	41,408.03	
5	7,584.82	5,866.67	49,332.56	7,291.33	520.00	6,198.64	49,746.58	
6	7,584.82	5,893.84	58,025.34	7,291.33	520.00	6,225.66	58,521.98	
7	7,584.82	5,922.82	67,179.00	7,291.33	520.00	6,254.37	67,757.31	
8	7,584.82	5,953.75	76,818.33	7,291.33	520.00	6,284.91	77,476.90	
9	7,584.82	5,986.74	86,969.49	7,291.33	520.00	6,317.36	87,706.39	
10	7,584.82	6,021.95	97,660.07	7,291.33	520.00	6,351.86	98,472.78	
Cumulative 10-Year Totals	Total of Payments:	\$ 75,848.16	Total of Payments:	\$ 78,113.26	Total Tax Deductions:	\$ 15,925.47	Total After Tax Cost:	\$ 62,187.79
	Total Tax Deductions:	\$ 16,974.80						
	Total After Tax Cost:	\$ 58,873.36						

I/We have read this disclosure form, and fully understand its contents, as evidence by our signature(s) below:

Signature

Date

Signature

Date

Signature

Date

¹ "Payment" reflects the cost of making principal, interest and (if applicable) mortgage insurance payments. It does not reflect taxes, casualty insurance or other costs.

² This calculation assumes that the mortgagor is subject to a 28% marginal tax rate and itemizes federal income tax deductions, and that for the LPMI Product the portion of the interest payment attributable to mortgage insurance is fully tax deductible. Only a tax professional can advise on the deductibility of loan interest

³ "Home Equity" estimates the difference between the value of the home and the outstanding principal balance of the loan at the end of each twelve-month period following the closing of the loan. We are required by law to include an assumption about the property appreciation rate. We have based our assumption on the Office of Federal Housing Enterprise Oversight's "House Price Index" for the United States, which has gone up by an average of approximately 5% per year between 1994 and 2003. The generic analysis presumes the same change in this index for the next ten (10) years. **Actual changes in real estate values are extremely difficult to project and you should not rely on this projection for any purpose.**