Notice Concerning Private Mortgage Insurance – LPMI Initial Disclosure

Date: ________________________ Loan Number:________________________

Borrower Name: ____

Property Address:____

You have applied for a mortgage loan from ________________(“Lender”) that requires private mortgage insurance (“**PMI**”). **PM**I protects lenders and others against financial loss when borrowers default. Your loan will have “lender paid” mortgage insurance (“LPMI”).

Lender paid mortgage insurance differs from “borrower paid” mortgage insurance **(“BPMI”)** in several ways, and each form of insurance has advantages and disadvantages.

- First, LPMI may not be canceled by you, the borrower. By contrast, borrowers may be able to cancel **BPMI** on either (1) the date the principal balance of the mortgage 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 (1) results in a mortgage loan with a higher interest rate than one with **BPMI**, and (2) 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 analysis reflects the differing costs and benefits of **LPM**I versus **BPMI**:

30yr Fixed	**LPMI**	**BPMI**	**LPMI Difference**	**Fixed Rate Loan Assumptions:**
Monthly P&I Payment	$648.60	$599.56	$49.04	Estimated 0 month reserves due at closing
Monthly MI Payment	$0.00	$80.00	($80.00)	Original Value $105,000.00
Total Monthly Payment	$648.60	$679.56	($30.96)	Original Balance $100,000.00
10 yr Principal Reduction	$14,699.33	$16,315.83	($1,616.50)	Original Loan to Value Ratio ("LTV"): 95.24%
10 yr. Interest Payment	$63,132.67	$55,631.37	$7,501.30	Initial PMI Coverage BPMI: 35%
10 yr. MI Payment	$0.00	$9,600.00	($9,600.00)	30 Yr. Fixed Rate with BPMI 6.000%
10 yr. Total Payment	$77,832.00	$81,547.20	($3,715.20)	Estimated Rate Increase for LPMI .750%
Principal Balance after 10 yrs	$85,300.67	$83,864.41	$1,436.26	**Estimated Appreciated Value:**
Est. LTV after 10 years based on original value	85.30%	83.86%	1.44%	$141,111 at end of 10 years based on 3.0% appreciation per year

I/We have received a copy of this disclosure.

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Borrower Borrower

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Borrower Borrower

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