

LOAN #:
BORROWER NAME(S):
PROPERTY ADDRESS:

DATE:

LENDER NAME:

MORTGAGE INSURANCE DISCLOSURE

You have applied for a loan which requires mortgage insurance or "MI". The insurance provides the lender with additional security that is ordinarily provided by a larger down payment by the borrower. MI reimburses the lender or its assigns for a portion of the losses that the lender may incur if you fail to make the payment on your note as required. MI is not like hazard insurance, which insures you and the lender against damage to your home. While MI does not provide a direct monetary benefit to you, it provides an indirect benefit in that it allows us to offer our loan programs at lower down payment amounts that would normally be required.

MI is typically required for any non-government loan when the down payment is less than 20% for a purchase loan. If you have the financial resources to make a down payment large enough to bring your loan-to-value (LTV) ratio to 80% or below, you should discuss with your loan professional whether this would be advisable. **In order to obtain MI for your loan, we will submit your application to the mortgage insurer, whose approval is required before we will find your loan.**

There are different ways of paying for MI and in most cases you can select the way you will pay for it. Your loan professional can help explain your options and help you select the MI product that best fits your needs, including by calculating the difference in your monthly payment among the different types of insurance. The principal options are:

BORROWER PAID MI – You pay for the mortgage insurance. (This may be the only choice available for certain types of mortgages.) This form of MI may be paid as a lump sum at closing, annually, or monthly. By choosing a monthly payment option, you can reduce the amount of cash you will need at closing. However, annual or lump-sum payments sometimes reduce the MI's total cost. (For annual payments, you may be required to pay a portion of such annual payment, plus any authorized cushion, into an escrow reserve account as part of your monthly payment).

LENDER PAID MI – You pay a higher interest rate on your loan and the lender uses some or all of your increased interest payments to obtain mortgage insurance on your loan or to self-insure against the risk of default. Other than the higher interest rate, you do not have to pay for mortgage insurance on your loan. Depending on your income tax bracket and whether you itemize deductions, you may be able to take greater tax deductions on your loan with this MI option. You have no ability to cancel this form of coverage at some later time during the term of the loan.

A number of criteria you should be sure to consider with regard to your choice of the type of mortgage insurance to be placed on your loan include:

1. **How long do you expect to be in the home?** If you expect to be in your home a short time, the ability to cancel the MI once your loan has reached a lower LTV ratio is of less importance.
2. **What are your current and anticipated federal and state income tax rates?** The possible tax savings certain borrowers may accrue through "lender paid" MI are higher for borrowers in higher tax brackets. To determine the tax treatment of lender paid MI you should consult your tax advisor.
3. **Do you itemize deductions on your tax returns? Will you itemize once you own a home?** If you are uncertain as to whether you will itemize your deductions, the potential tax benefit of lender paid MI, if any, may be unavailable.

**WE DO NOT PROVIDE TAX ADVICE.
ONLY YOUR TAX ADVISOR CAN PROVIDE YOU WITH TAX ADVICE.**

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CANCELLATION

Cancellation of borrower paid MI at some future date, if permitted, will depend on the guidelines of the holder of the note (investor) at the time of the borrower's request or applicable state law. Not all investors will permit cancellation of MI, and those that do may have different guidelines. Investors have the right to change their guidelines at any time. Borrowers do not have the option to cancel MI for loans using the lender paid MI. In the event that the lender cancels the lender paid MI policy, any premium refund, if applicable, will be payable to the lender, and the borrower's monthly loan payment amount will not change.

This statement reflects our current policy and could change based on secondary market investor requirements or applicable law.

Please select by initialing one of the following MI types:

_____ **Borrower Paid MI**

_____ **Lender Paid MI**

I hereby certify that I have been provided information regarding my mortgage insurance options, that I acknowledge receipt of a copy of this disclosure, and have made my selection as shown above.

Applicant

Date

Applicant

Date