KINECTA FEDERAL CREDIT UNION
1440 Rosecrans Ave.
Manhattan Beach, CA 90266
800.854.4600 • www.LoanKinection.com

LENDER-PAID MORTGAGE INSURANCE: BORROWER DISCLOSURE

LENDER-PAID MORTGAGE INSURANCE DISCLOSURE **Loan Number:______________**

You have applied for a loan which requires private mortgage insurance. Private mortgage insurance protects a lender against financial loss if a homeowner defaults on a loan. The loan for which you have applied will have Lender-Paid Mortgage insurance (LPMI). This means that the lender, not you, pays for the mortgage insurance. If the lender cancels LPMI, any refund of premium, if applicable, will be payable to the lender and your monthly loan payment amount may not change.

LPMI differs from borrower-paid mortgage insurance (BPMI) in a number of ways, having certain advantages and disadvantages, including:

• Cancellation of Mortgage Insurance

  o LPMI cannot be cancelled by you, the borrower. LPMI typically terminates only when the loan is refinanced, paid-off or otherwise terminated.

  o BPMI, on the other hand, may be cancelled by borrower request on either:
    ▪ The date the principal balance of the loan is first scheduled to reach 80% of the original value of the property; or
    ▪ The date the principal balance actually reaches 80% of the original value of the property
  o BPMI may be automatically terminated on the date the principal balance of the loan is first scheduled to reach 78% of the original value of the property.

• LPMI usually results in the borrower paying greater finance charges, either in the form of a higher interest rate or increased origination points, than would be paid if the loan had BPMI.

• LPMI may be tax deductible for federal income tax purposes if you itemize deductions on your return. You should consult your tax advisor for details.

• Both LPMI and BPMI have advantages and disadvantages. Set forth below is a comparative analysis of the differing costs and benefits after a ten-year period for a generic 30-year, Fixed Rate Loan with fully amortizing payments and either LPMI or BPMI , assuming prevailing interest and property appreciation rates:

Sample Loan Parameters:

Loan Purpose:	Purchase
Purchase Price:	$300,000
Down payment:	$30,000
Property Type:	Single Family Residence, Primary Residence
Marginal Income Tax Rate:	28%
Monthly MI Coverage:	25%

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30-Year Fixed Rate Loan	LPMI	BPMI
Loan Amount	$270,000	$270,000
Loan-to-Value	90%	90%
Interest Rate	3.750%	3.750%
PMI Premium Rate	n/a	0.62%
Points	2.250%	n/a
Monthly P&I Payment (Year One)	$1,250.42	$1,250.42
Monthly PMI Payment (Year One)	0	$139.50
TOTAL Monthly Payment (Year One)	$15,005.04	$16,679.04
PMI Automatic Cancellation Eligibility Month	n/a	80
Points vs. PMI Premiums (Through Year One)	$6,075.00	$1,674.00
Points vs. PMI Premiums (Through Year Four)	$6,075.00	$6,696.00
Average Monthly MI Payment (Year Ten)	n/a	0
Monthly P&I Payment (Year Ten)	$1,250.42	$1,250.42
TOTAL Monthly Payment (Year Ten)	$15,005.04	$15,005.04
Interest Paid Over Ten Years	$90,951.05	$90,951.05
PMI Paid Over Ten Years	0	$11,020.50
Finance Charges Through Ten Years *(includes Interest plus points or MMI as applicable)*	$97,026.05	$101,971.55
Equity Built Over Ten Years	$174,206.82	$174,206.82
After Tax Cost Over Ten Years	$69,858.76	$76,505.26
Comparative Savings/Loss	$6,646.50	0

The above chart is an estimate and is intended to provide an illustration of the comparative differences between LPMI and BPMI. You should consult a tax advisor for advice on the extent to which interest or points on a loan with LPMI are tax deductible.

By signing below, you acknowledge receipt of a copy of this disclosure.

Borrower Date

Borrower Date

Borrower Date

Borrower Date

Borrower Date

Borrower Date