

# Private Mortgage Insurance Disclosure - Adjustable Rate Mortgages

Borrower(s) : ALLEGIANCE MORTGAGE Date : 01/30/2009  
Property Address : www.PottstownMortgage.com  
Loan Number : 090130000 Pottstown, PA 19465

You are obtaining a mortgage loan that requires private mortgage insurance ("PMI"). PMI protects lenders and others against financial loss when borrowers default. Charges for the insurance are added to your loan payments.

Under certain circumstances, federal law gives you the right to cancel PMI or requires that PMI automatically terminate. This disclosure describes when cancellation and termination may occur. Please note that PMI is not the same as property/casualty insurance -- such as homeowner's or flood insurance - which protects you against damage to the property. Cancellation or termination of PMI does not affect any obligation you may have to maintain other types of insurance. In this disclosure, "loan" means the mortgage loan you are obtaining; "you" means the original borrower (or his or her successors or assigns); and "property" means the property securing the mortgage loan.

## Borrower Requested Cancellation of PMI

You have the right to request that PMI be canceled on or after the following dates:

- (1) The date the principal balance of your loan is first **scheduled** to reach 80% of the original value of the property. **For balloon loans with either an adjustable interest rate or a conditional right to refinance, if applicable, this date will not be reached before the loan matures.**
- (2) The date the principal balance **actually** reaches 80% of the original value of the property.

"Original value" means the lesser of the contract sales price of the property or the appraised value of the property at the time the loan was closed. **If this loan refinances an existing loan secured by the property, "original value" means the appraised value relied on by the lender to approve this loan.**

You will be notified when these dates are reached.

PMI will only be canceled if all the following conditions are satisfied:

- (1) you submit a written request for cancellation;
- (2) you have a good payment history;
- (3) you are current on the payments required by your loan; and
- (4) we receive, if requested and at your expense, evidence that the value of the property has not declined below its original value, and certification that there are no subordinate liens on the property.

For purposes of PMI Cancellation, a good payment history means no payments 60 or more days past due within two years and nopayments 30 or more days past due within one year of the later of (a) the cancellation date, or (b) the date you submit a request for cancellation.

## Automatic Termination of PMI

If you are current on your loan payments, PMI will automatically terminate on the date the principal balance of your loan is first **scheduled** to reach 78% of the original value of the property. **For balloon loans with either an adjustable interest rate or a conditional right to refinance, if applicable, this date will not be reached before the loan matures.** This date is called the "termination date." If you are **not** current on your loan payments as of the termination date, PMI will automatically terminate on the first day of the month immediately following the date you thereafter become current on your payments. On or about the termination date, you will be notified that the PMI has been terminated or will be terminated when you become current on your loan payments.

## Exceptions to Cancellation and Automatic Termination

The cancellation and automatic termination requirements described above do not apply to certain loans that may present a higher risk of default. Your loan, however, does not fall into this category. Accordingly, the cancellation and automatic termination provisions described above apply to your loan.

I/we have received a copy of this disclosure.

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Borrower

\_\_\_\_\_  
Date

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Borrower

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Date

# Private Mortgage Insurance - Initial Disclosure - High Risk Loans

Borrower(s) : ALLEGIANCE MORTGAGE

Date : 01/30/2009

\_\_\_\_\_

Property Address :

www.PottstownMortgage.com

Loan Number : 090130000

Pottstown, PA 19465

You are obtaining a mortgage loan that requires private mortgage insurance ("PMI"). PMI protects lenders and others against financial loss when borrowers default, and charges for the insurance are added to your loan payments.

**Lender-Defined High Risk Loans.** PMI will not be required on your mortgage loan beyond the date the principal balance of your loan is first **scheduled** to reach 77% of the original value of the property. If PMI is not sooner terminated in accordance with the foregoing sentence, PMI will not be required on your mortgage loan beyond the date that is the midpoint of the amortization period for the loan, if you are current on your loan payments on that date. "Original value" means the lesser of (a) the contract sales price of the property or (b) the appraised value of the property at the time the loan was closed.

**Fannie Mae / Freddie Mac.** PMI will not be required on your mortgage loan beyond the date that is the midpoint of the amortization period for the loan, provided you are current on your loan payments on that date.

Please note that PMI is **not** the same as property/casualty insurance -- such as homeowner's or flood insurance -- which protects you against damage to the property. Termination of PMI does **not** affect any obligation you may have to maintain other types of insurance.

I/we have received a copy of this disclosure.

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Borrower

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Date

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Borrower

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Date

# Private Mortgage Insurance Disclosure - Fixed Rate Mortgages

Borrower(s) : ALLEGIANCE MORTGAGE Date : 01/30/2009  
Property Address : www.PottstownMortgage.com  
Loan Number : 090130000 Pottstown, PA 19465

You are obtaining a mortgage loan that requires private mortgage insurance ("PMI"). PMI protects lenders and others against financial loss when borrowers default. Charges for the insurance are added to your loan payments.

Under certain circumstances, federal law gives you the right to cancel PMI or requires that PMI automatically terminate. This disclosure describes when cancellation and termination may occur. Please note that PMI is not the same as property/casualty insurance -- such as homeowner's or flood insurance - which protects you against damage to the property. Cancellation or termination of PMI does not affect any obligation you may have to maintain other types of insurance. In this disclosure, "loan" means the mortgage loan you are obtaining; "you" means the original borrower (or his or her successors or assigns); and "property" means the property securing the mortgage loan.

## Initial Amortization Schedule

An amortization schedule showing the principal and interest due on your loan, along with the balance remaining after each scheduled payment, is attached for your reference.

## Borrower Requested Cancellation of PMI

You have the right to request that PMI be canceled on or after the following dates:

- (1) The date the principal balance of your loan is first **scheduled** to reach 80% of the original value of the property. This date is 01/01/2012. **For balloon loans with a fixed interest rate and no conditional right to refinance, if applicable, this date will not be reached before the loan matures.**
- (2) The date the principal balance **actually** reaches 80% of the original value of the property.

"Original value" means the lesser of the contract sales price of the property or the appraised value of the property at the time the loan was closed. **If this loan refinances an existing loan secured by the property, "original value" means the appraised value relied on by the lender to approve this loan.**

PMI will only be canceled if all the following conditions are satisfied:

- (1) you submit a written request for cancellation;
- (2) you have a good payment history;
- (3) you are current on the payments required by your loan; and
- (4) we receive, if requested and at your expense, evidence satisfactory to the holder of your loan that the value of the property has not declined below its original value, and certification that there are no subordinate liens on the property.

A "good payment history" means no payments 60 or more days past due within two years and no payments 30 or more days past due within one year of the later of (a) the cancellation date, or (b) the date you submit a request for cancellation.

## Automatic Termination of PMI

If you are current on your loan payments, PMI will automatically terminate on the date the principal balance of your loan is first **scheduled** to reach 78% of the original value of the property. This date is 05/01/2013. **For balloon loans with a fixed interest rate and no conditional right to refinance, if applicable, this date will not be reached before the loan matures.** If you are **not** current on your loan payments as of that date, PMI will automatically terminate on the first day of the month immediately following the date you thereafter become current on your payments.

## Exceptions to Cancellation and Automatic Termination

The cancellation and automatic termination requirements described above do not apply to certain loans that may present a higher risk of default. Your loan, however, does not fall into this category. Accordingly, the cancellation and automatic termination provisions described above apply to your loan.

I/we have received a copy of this disclosure.

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Borrower

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Date

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Borrower

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Date

# Private Mortgage Insurance - LPMI Initial Disclosure

Borrower(s) : ALLEGIANCE MORTGAGE Date : 01/30/2009  
\_\_\_\_\_  
Property Address :  
www.PottstownMortgage.com  
Loan Number : 090130000 Pottstown, PA 19465

You have applied for a mortgage loan that requires private mortgage insurance ("PMI"). PMI 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 LPMI versus BPMI:

SEE ATTACHED

I/we have received a copy of this disclosure.

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Borrower

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Date

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Borrower

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