

Executive Mortgage Corp. of MS

Providing Mortgage Solutions for Professionals and Their Clients

425 North Park Drive Ridgeland, MS 39157

Tel:(601) 899-8970 Fax:(601) 899-8638

Prepared by
Joe T. Harris

Date prepared
3/9/2004

The purpose of this analysis is to help you make an informed decision when comparing programs requiring PMI.

FOLLOW THESE 2 SIMPLE STEPS:

1. Review PROGRAM DETAILS which compares a loan program which requires you to pay for Mortgage Insurance (PMI) vs. a program based on a first and second mortgage, to avoid PMI.
2. ADDITIONAL HOME EQUITY will provide you with further insight as to why the second program might be more advantageous to you financially.

PMI Analysis

Neil Armstrong
123 Sunset Lane
Bel Air, CA 90077

LOAN PROGRAM DETAILS

This Summary table displays two loan programs. The first program requires an additional payment called PMI because the loan to value ratio is higher than 80%.

The second program has no PMI requirement because the first mortgage has a loan to value ratio of 80%. A second mortgage is added instead, to make up the difference.

This strategy results in increased equity, higher tax deduction, and often lower monthly payments.

	Program (PMI)	Prog. (No PMI)
Purchase Price	\$240,000	\$240,000
Down Payment	5.000%	5.000%
1st Mortgage Amount	\$228,000	\$192,000
Rate	6.000%	6.000%
Term	360	360
P & I Payment	\$1,367	\$1,151
Monthly PMI Payment at 0.780%	\$148	N/A
2nd Mortgage Amount	N/A	\$36,000
Rate	N/A	6.500%
Term	N/A	180
P & I Payment	N/A	\$314
Total Monthly Payment	\$1,515	\$1,465
Net Savings	\$0	\$50

ADDITIONAL HOME EQUITY

As you compare both loan programs, take notice of the additional home equity which builds over time. Notice the increase over these listed years!

Why pay more for a mortgage program which generates no additional home equity and provides for potentially less tax benefits?

		Program (PMI)	Prog. (No PMI)
5 Years	1st Mortgage	\$212,164	\$178,664
	2nd Mortgage	N/A	\$27,618
	Total Balance	\$212,164	\$206,283
	Additional Home Equity	\$0	\$5,881
7 Years	1st Mortgage	\$204,378	\$172,108
	2nd Mortgage	N/A	\$23,427
	Total Balance	\$204,378	\$195,535
	Additional Home Equity	\$0	\$8,843
15 Years	1st Mortgage	\$161,991	\$136,414
	2nd Mortgage	N/A	\$0
	Total Balance	\$161,991	\$136,414
	Additional Home Equity	\$0	\$25,578

TAX BENEFITS (Approx).

Finally the additional tax benefits of the second program outweigh those of the first program with PMI.

		Program (PMI)	Prog. (No PMI)	Difference
Tax Bracket 33%	Monthly	\$376	\$381	\$5
	Quarterly	\$1,129	\$1,143	\$15
	Annually	\$4,514	\$4,574	\$59

NOTES

PMI is expensive

PMI

* NOTICE: Information provided is time-sensitive material. Rates, programs, fees and points are subject to change without notice. If you are applying for an Adjustable Rate Mortgage, payments and interest rates will change. Payments, interest rates, and loan balances are estimates only. Your amount may be different. This is not a loan commitment, nor is it a guarantee of any kind. This comparison is based solely on estimated figures and information available at the time of preparation.

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