

HOMEOWNERS PROTECTION ACT OF 1998

Private Mortgage Insurance Annual Disclosure

National Exchange Bank & Trust requires private mortgage insurance (PMI) in your mortgage loan with us. PMI is intended to protect lenders against financial loss when borrowers default, and the insurance premiums are added to your mortgage loan payments. In accordance with the Homeowners Protection Act of 1998 (the Act), we are providing you, the borrower, with the following annual disclosure notice.

1. You may cancel your PMI on or after the date the principal balance of your mortgage loan is first scheduled to reach 80% of the “original value” of the property, based on the initial amortization schedule (for fixed rate mortgages) or on the amortization schedules (for adjustable rate mortgages), if:
 - You submit a request in writing to us that cancellation should be initiated;
 - You have a “good payment” history with respect to your mortgage loan; and
 - If required by the holder of your mortgage loan, you provide evidence that the property value has not declined below the value of the property at closing of your mortgage loan, and a certification that the property’s equity is not encumbered by a subordinate lien. If the holder of your mortgage loan requires that you provide either of these, you will be informed promptly upon the receipt of your cancellation request of the specific requirements and of the costs to you.

Alternately, you may cancel your PMI on or after the date on which the principal balance of your mortgage loan, based on actual payments, reaches 80% of the “original value” of the property securing your loan, even if the date is earlier than the date determined above. The cancellation procedure is the same as that provided above.

2. If you are current on the payments required by the terms of your mortgage loan, the requirement of PMI will automatically terminate on the date the principal balance of your mortgage loan is first scheduled to reach 78% of the “original value” of the property, based on the initial amortization schedule (for fixed rate mortgages) or on the amortization schedules (for adjustable rate mortgages). If you are not current on the payments required by the terms of your mortgage loan, the requirement of PMI will automatically terminate on the date after the termination date on which you become current.
3. “Original Value” is the lesser of the sales price of the property as reflected in the purchase contract or the appraised value of the property at the time your residential mortgage loan was closed. “Good payment history” means that you have no payments sixty days or more past due within two years and no payments thirty days past due within one year of the cancellation date.
4. For a “high risk” loan, the Act provides for exemptions to the right of cancellation and automatic termination of a PMI requirement. Your mortgage loan is not “high risk,” so the right of cancellation and the automatic termination described above apply to your mortgage loan. However if your mortgage loan matures before these cancellation and termination dates, these cancellation and termination provisions may not apply to you.

Please contact your servicer at the address or telephone number below to determine whether you may be able to cancel PMI at this time.

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