MORTGAGE *insurance* PREMIUM

Security Mortgage has recently reintroduced Mortgage Insurance (MI) to our product line. We think that MI has several advantages over Piggy Back 2nd's!

Now that it's **tax-deductible**, MI offers more predictability, more flexibility, more loan-to-value options, more refund possibilities, and more potential savings than any other alternative to a 20% down payment.

Tax Deductible

MI premiums are now tax deductible for many borrowers who purchase or refinance a home in 2007. Now many families can enjoy the stability of MI's predictable monthly premium and deduct those premiums when they file their taxes.

Families with a household income of $100,000 or less will be able to deduct the full premium cost of MI in 2007 while families earning up to $109,000 can qualify for a reduced deduction.

Frequently Asked Questions about the MI Tax Deduction

Q: How did mortgage insurance premiums become tax deductible?

A: The Tax Code has been revised to allow a federal income tax deduction for mortgage insurance premiums for many homes purchased or refinanced in 2007.

Q: Who is eligible for the tax deduction?

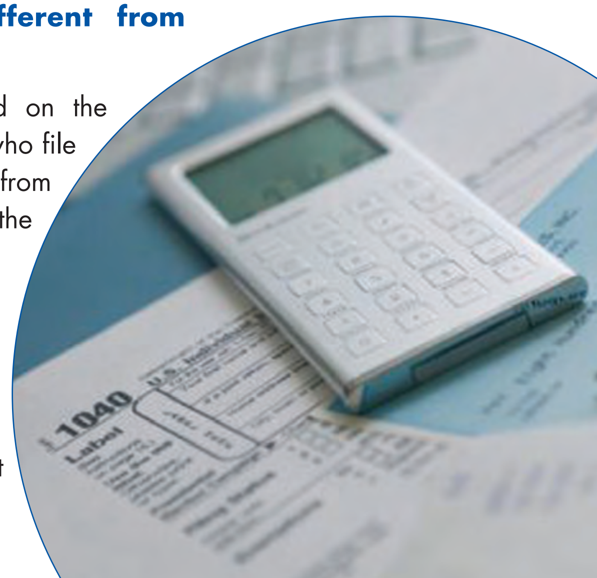
A: This deduction is designed to help low- and moderate-income families. Families must have a household income of $100,000 or less in order to qualify for the full tax deduction. Families with incomes of more than $100,000 and up to $109,000 will be eligible for a reduced deduction. The tax deduction will help families and individuals who rely on mortgage insurance to purchase homes or refinance their home loans.

Q: Is the $100,000 based on gross or adjusted income?

A: The $100,000 is based on a taxpayer's adjusted gross income.

Q: What is "taxpayer income"? How is this different from "household income"?

A: The income threshold phase-out in the new law is based on the taxpayer's income for the taxable year. A husband and wife who file a joint tax return are considered to be one "taxpayer." Income from children living in the household is not included for purposes of the tax deduction.



Q: What loans are covered by this new deduction?

A: The new tax deduction is for qualified loans with mortgage insurance that close in 2007. The deduction will be on federal taxes for the 2007 tax year. Loans with mortgage insurance that closed prior to 2007 are not covered.

Q: Is a loan for a vacation home eligible for the mortgage insurance deduction?

A: Yes, "qualified residence" includes the taxpayer's principal residence and one other residence selected by the taxpayer for purposes of the deduction.

Q: Are there any occupancy restrictions? Does the property need to be owner occupied?

A: The property must be a principal residence of the taxpayer or another residence that is used for personal purposes by the taxpayer.

Q: Are investor loans eligible?

A: No, investor loans are not eligible.

Q: When refinancing a piggyback loan, for purposes of the deduction, is the original loan amount considered the sum of the two mortgages or only the primary mortgage amount without the second lien included?

A: The sum of the two mortgages.

Taxpayers should consult their tax advisor to ascertain if they are eligible to take this deduction. The answers to these questions are based on an interpretation of the language of the statute, the Joint Committee on Taxation's Technical Explanation of the statutory language, and present law. The Internal Revenue Service ("IRS") will issue guidance interpreting the new provision, and could reach different conclusions in the case of some of the issues raised.

Affordable

In many cases, MI is more affordable than other financing options, such as 80-10-10 piggyback loans, where the home buyer increases their debt load with two mortgage loans. And piggyback loans hog a borrower's equity too.

Cancellation

MI is there only as long as it's needed. A loan with MI has a host of advantages over other financing options, but that doesn't mean you'll always need it - and it can usually be canceled when the homeowner acquires 20% equity in the home. In fact, 90 percent of borrowers cancel their MI within 60 months.

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