Colorado Tangible Net Benefit Disclosure

Pursuant to section 12-61-904.5, Colorado Revised Statutes

Borrower Name: _____
Co-Borrower Name: _____
Property Address: _____
Mortgage Broker: _____
Mortgage Broker License #: _____
Date: _____

Section 12-61-904.5(a), C.R.S., states that a mortgage broker shall have a duty of good faith and fair dealing in all communications and transactions with a borrower. Such duty includes the duty to not recommend or induce the borrower to enter into a transaction that does not have a reasonable, tangible net benefit to the borrower, considering all of the circumstances, including the terms of a loan, the cost of a loan, and the borrower's circumstances. This disclosure is designed to assist borrowers and mortgage brokers in determining if a proposed loan has a reasonable, tangible net benefit to the borrower.

I/We understand:

The reasonable, tangible net benefit standard in § 12-61-904.5(1)(a), C.R.S., is inherently dependent upon the totality of facts and circumstances relating to a specific transaction. While the refinancing of certain home loans may clearly provide a reasonable, tangible net benefit, others may require closer scrutiny or consideration to determine whether a particular loan provides the requisite benefit to the borrower.

Purchase Transaction:

* _____ _____ The new loan will enable me to purchase a home or other residential real estate in Colorado.

Refinance Transaction:

* _____ _____ The new loan will have a lower interest rate or Annual Percentage Rate (APR).
* _____ _____ The new loan will have a lower monthly payment.
* _____ _____ The new loan is a fixed rate loan.
* _____ _____ The new loan is refinancing a loan that permitted negative amortization.
* _____ _____ The new loan will have a shorter amortization schedule.
* _____ _____ The new loan will eliminate the need for private mortgage insurance.
* _____ _____ The new loan will consolidate other loans or current debt.
* _____ _____ The proceeds of the new loan will be used for purposes that are of such importance to me that I am willing to obtain a new loan, even if that loan has terms that may not be as favorable as my existing loan. Examples include, but are not limited to: medical expenses; home improvements; avoid foreclosure; or to pay educational expenses.

Regardless of the purpose of the new loan, we have considered the following:

* _____ _____ The new loan contains "negative amortization" features. This means that not all interest due is paid monthly and unpaid interest is added to the principal of the loan balance. Negative amortization reduces equity in a home.
* _____ _____ The new loan is an Adjustable Rate Loan. This means that the interest rate is the total of an index plus a margin and is subject to periodic adjustments both up and down depending on the movement of the index. I understand that if the index increases between adjustment dates, the payments may change.
* _____ _____ If the new loan is an ARM, I have considered how long the new monthly payment will be in effect before it adjusts.
* _____ _____ My income, as disclosed on the Uniform Residential Loan Application, Freddie Mac form 65 or Fannie Mae form 1003, attached hereto that will be used to repay the loan, after payment of other household expenses, is sufficient to make the mortgage payments. My disclosed income is stable and is unlikely to be discontinued or reduced.

Use the below space to describe any reasonable, tangible net benefit or additional considerations not contained in this form.

* _____ _____ _____
_____

I/We certify that we have carefully read this disclosure. I/We understand there is no obligation to enter into any proposed loan. I/We agree that the proposed loan has a reasonable, tangible net benefit.

_____ _____ _____ _____
Borrower Signature Date Co-Borrower Signature Date

I am the mortgage broker and I agree that the proposed loan has a reasonable, tangible net benefit to the borrower(s).

_____ _____ _____
Mortgage Broker Printed Name Mortgage Broker Signature Date

* Requires borrower and co-borrower initials when applicable. If not applicable, enter N/A.

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