

# Prepayment Penalty Explanation

Date: [Insert Date]

To: [Recipient's Name]

Address: [Recipient's Address]

Dear [Recipient's Name],

Thank you for your recent inquiry regarding the refinancing of your mortgage. We appreciate your interest in exploring your options.

Before proceeding, we would like to inform you about the potential prepayment penalty associated with your current loan. A prepayment penalty is a fee that may be charged if you pay off your mortgage early or refinance before a specified period. This policy is in place to protect lenders from the loss of interest income.

For your specific loan, the prepayment penalty may apply if the loan is paid off within [insert time frame, e.g., two years] from the date of origination. The penalty could amount to [insert percentage or dollar amount] of the remaining balance at the time of prepayment.

We encourage you to consider this factor carefully when deciding on refinancing. If you have any further questions or wish to discuss your options, please do not hesitate to reach out.

Thank you for your understanding.

Sincerely,

[Your Name]

[Your Title]

[Your Company]

[Your Contact Information]