

# Negative Amortization Disclosure

Date: [Insert Date]

[Lender's Name]

[Lender's Address]

[City, State, Zip Code]

Dear [Potential Lender],

We are writing to inform you about an important aspect of your loan agreement that may directly impact your financial obligations. This disclosure concerns the potential for negative amortization associated with your loan.

Negative amortization occurs when your monthly payments do not cover the interest charged on your loan, resulting in an increase in the total principal balance over time. You may be subject to negative amortization under the following circumstances:

- Your monthly payment is calculated based on a lower interest rate than the actual rate, leading to unpaid interest being added to your principal.
- You select a payment option that results in your loan balance increasing.
- Market interest rates increase and your payment does not adjust accordingly.

It is essential to understand that negative amortization can lead to a larger loan balance, potential payment increases in the future, and could affect your overall financial situation.

If you have any questions or need further clarification regarding this disclosure and its implications, please do not hesitate to contact us.

Thank you for considering us for your lending needs.

Sincerely,

[Your Name]

[Your Position]

[Company Name]

[Contact Information]