

## ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE

This disclosure describes the features of an Adjustable Rate Mortgage (ARM) program you are considering. Information about our other ARM programs will be provided upon request.

### HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED:

- The interest rate will be based on an index rate plus a margin. Ask for current interest rate and margin. The "index" is the average of interbank offered rates for one-year U.S. dollar denominated deposits in the London market ("LIBOR"), as published in the Wall Street Journal.
- Your initial interest rate for the **first three years** of your loan is not based on the index used to make later adjustments. The initial interest rate will be below the sum of the then-current index plus margin (the "fully indexed rate"), which is a "discounted" interest rate. Please ask us for our current interest rate discounts.
- Your payment will be based on the interest rate, loan balance, and remaining loan term.

### HOW YOUR INTEREST RATE AND PAYMENT CAN CHANGE:

- Your interest rate can change after **three years** and then annually thereafter.
- Each time your interest rate changes, the new interest rate will equal the sum of the index plus the margin, subject to the following limits:
  - Your interest rate will be rounded to the nearest 1/8 percent.
  - Your interest rate will not increase by more **than six (6) percentage** points over the term of the loan.
  - Your interest rate cannot increase or decrease more **than two (2) percentage** points at each adjustment.
- Your payment can change each time the interest rate changes and can increase or decrease substantially based on changes in the interest rate.
- For example, on a \$10,000, 30-year loan with an initial interest rate of 2.875 in effect in January, 2016, the maximum amount that the interest rate can rise under this program **is six** percentage points, to 8.875% and the monthly payment can rise from a first-year payment of \$41.49 to a maximum of \$79.56 in the 5<sup>th</sup> year. To see what your payment would be at the initial interest rate based upon this example, divide your mortgage amount by \$10,000, then multiply the monthly payment by that amount. (for example, the monthly payment for a mortgage amount of \$60,000 would be:  $\$60,000/\$10,000=6$ ;  $6 \times \$41.49 = \$248.94$  per month for a 30 year term.)
- You would be notified in writing at least 25, but no more than 120 days before the due date, of a payment at a new level. The notice will contain information about the index, your interest rates, payment amount, and loan balance.

### TRANSFER OF LOANS:

Ownership of this loan may be transferred at any time during the term of the loan and thereby may result in a change of institution servicing the loan (see Servicing Transfer Disclosure Statement for more information).

I/We have received a copy of this Disclosure and the Consumer Handbook on Adjustable Rate Mortgages prior to receiving an application or paying a non-refundable fee.

Applicant: \_\_\_\_\_

Date: \_\_\_\_\_

Applicant: \_\_\_\_\_

Date: \_\_\_\_\_