

## ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE FHA-1 Year ARM

This disclosure describes the features of the adjustable rate mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

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

- o Your interest rate will be based on an index rate plus a margin.
- o Your payment will be based on the interest rate, loan balance, and loan term.
- o The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year (your index), plus our margin. Ask us for our current interest rate and margin.
- o Information about the index rate is published weekly in the *Wall Street Journal*.
- o Your interest rate will equal the index rate, plus our margin (rounded to the nearest one-eighth of one percent), unless your interest rate "caps" limit the amount of change in the interest rate.
- o Your initial interest rate may not equal the index rate plus our margin. Your initial interest rate may be discounted and be less than the index rate plus the margin. Ask us for the amount of our current discount.

### HOW YOUR INTEREST RATE CAN CHANGE:

- o The first adjustment to your interest rate may occur no sooner than 12 months and no later than 18 months after closing based on a change in the interest rate. Subsequent adjustments may occur once each year after the first adjustment.
- o Your interest rate cannot increase or decrease more than 1 percentage point per adjustment.
- o Your interest rate cannot increase or decrease more than 5 percentage points above or below your initial rate over the term of the loan.

### HOW YOUR PAYMENT CAN CHANGE:

- o The first adjustment to your payment may occur no sooner than 12 months and no later than 18 months after closing based on a change in the interest rate. Subsequent adjustments may occur once each year based on changes in the interest rate.
- o You will be notified in writing at least 25, but not more than 60, calendar days before the due date of a payment at a new level. These notices will contain information, as applicable, about (i) the current and prior interest rates, (ii) the index values upon which the current and prior interest rates are based, and (iii) the contractual effects of the adjustment, including the payment due after the adjustment is made, and a statement of the loan balance.
- o For example, on a new \$10,000 loan with an initial interest rate of 5.250% (the index rate in effect in July, 1998, plus the margin, discounted by 2.625%), the maximum amount that the interest rate can rise under this program is five percentage points to 10.250%. If your payments were due monthly and your loan term was for 30 years, the monthly payment could rise from a first year payment of \$55.22 to a maximum of \$87.37 in the fifth year.
- o To see what your payments (excluding escrow fees) would be, 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 with a 30 year term would be:  $\$60,000 \div \$10,000 = 6$ ;  $6 \times \$55.22 = \$331.32$ .)

### ADDITIONAL FEATURES OF THIS ADJUSTABLE RATE MORTGAGE

- o Someone buying your principal dwelling may, subject to conditions, be allowed to assume the remaining balance of your Loan based upon the original terms.
- o This loan product can be prepaid in whole or in part without penalty; however, you will be required to pay interest on the unpaid principal balance until the end of the month in which the payoff is received by the noteholder.

**\*\*\*IMPORTANT\*\*\***

Please sign one copy of this Disclosure and return it to Lender.

### APPLICANT(S) ACKNOWLEDGEMENT

By signing below you acknowledge that you have received on the date indicated below a copy of this ARM Program Disclosure and a copy of the booklet titled *Consumer Handbook on Adjustable Rate Mortgages*. You further acknowledge that this Disclosure does not obligate us to make any loan and that you must provide us with a completed loan application before being considered for loan approval.

Applicant's Signature \_\_\_\_\_

Applicant's Signature

Date \_\_\_\_\_

Date