

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Please note that after the initial fixed rate period your interest rate may adjust annually. Lender reserves the right to make changes to this loan program for any reason at any time. **Before completing an application for this adjustable rate mortgage loan, carefully read this disclosure to gain an understanding of the loan for which you are applying.** This is not a commitment to make a loan to you, nor does it describe the specific terms of the loan the Lender may offer you. Those terms will be described in your Note and Deed of Trust or Mortgage. Information on other ARM programs is available upon request.

How Your Interest Rate and Payment Are Determined

- Your initial interest rate is not based on the formula used to make later adjustments. Ask us for the current initial interest rate on this Program and our current discount or premium.
- Your payment will be based on the interest rate, loan balance, and remaining loan term.
- Following the initial period, your interest rate will be based on an "Index" rate plus a "Margin." The result of this addition will then be rounded to the nearest one-eighth of one percentage point (0.125%) and is called the "Fully Indexed Rate."
- 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*. If for any reason the Index is not available, the Lender will choose a new index that is based upon comparable information. The most recent Index figure available as of the date 45 days before each Change Date is called the "Current Index."
- Your Fully Indexed Rate will equal the Index rate plus our Margin (as stated above) unless your interest rate "caps" limit the amount of change in the interest rate. Ask us for our current Margin, interest rate and rate caps.
- The date you will make a payment consisting of both principal and interest (the "First Principal and Interest Payment Due Date") will be that date which is the 10th anniversary date of the first payment due date.

Payment Shock:

- Payment shock refers to a substantial increase in your monthly mortgage payment compared to the interest only payment you may be accustomed to. To avoid payment shock, pay the interest only payment and a portion of the principal throughout the initial fixed rate period.

No Documentation/Low or reduced Documentation Loans

- If you are considering a loan with a reduced or no documentation feature, ask if you'll be required to pay more (in interest and/or fees) for not submitting income and asset documentation to determine if this is the best choice for you.

How Your Interest Rate Can Change

- Your initial interest rate will remain the same (fixed) for the first five years (60 months). Your rate can change in the 61st month and every twelve months thereafter ("adjustment"). The date on which your initial fixed interest rate changes to an adjustable interest rate, and each date on which your adjustable rate can change is called a "Change Date."
- Your interest rate cannot increase or decrease more than five (5) whole percentage points on the First Rate Change Date and will not increase or decrease by more than two (2) whole percentage points at any subsequent Rate Change Date.

- Your interest rate cannot increase to more than a certain percentage over the term of the loan. This rate is called the "Lifetime Cap." Our current Lifetime Cap is five (5) percentage points above the initial interest rate.

How Your Monthly Payment Can Change

- For example, on a \$10,000, 30-year loan with an initial interest rate of 6.625% in effect July, 2007, the maximum amount that the interest rate can rise under this program is 5 percentage points, to 11.625%, and the monthly interest only payment can rise from \$55.21 during the initial term to a maximum interest only payment of \$96.88 in the 61st month. (In this example, the maximum monthly interest only payment for a mortgage amount of \$200,000 would be: $\$200,000 \div \$10,000 = 20$; $20 \times \$96.88 = \$1,937.60$)
- You will be notified in writing at least 25 days before each payment adjustment caused by an interest rate adjustment. That notice will contain information about your interest rate, payment amount and loan balance.

IMPORTANT – SIGNATURE

I/We each hereby acknowledge that I/We have read and received a copy of this Loan Program Disclosure describing the 5/1 LIBOR Interest-Only ARM Program and the *Consumer Handbook on Adjustable Rate Mortgages*.

I/We also understand that this disclosure is not a commitment to make a loan.

Print Name Property Address

Signature Date

Print Name Property Address

Signature Date

(Please return a signed copy of the disclosure to with your completed application and retain a copy for your records.)