

# ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE

## FHA ARM 3/1 (2.25 Margin) Year Without Conversion

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

### How Your Interest Rate and Payment Are Determined

Your interest rate will be based on an index rate plus our margin.

Your payment will be based on the interest rate, loan balance, and remaining loan term.

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. Please ask us for our current interest rate and margin.

Information about the index rate is published weekly by the Federal Reserve Board in Statistical Release H.15 (519).

Your interest rate will equal the index rate plus our margin, rounded to the nearest 1/8 percentage point, unless your interest rate "caps" limit the amount of change in the interest rate.

### How Your Interest Rate Can Change

Your interest rate can change yearly after the 3<sup>rd</sup> loan year.

Your interest rate cannot increase or decrease more than 1.000 percentage points per year.

Your interest rate cannot increase more than 5.000 percentage points over the term of the loan.

Your interest rate will never be lower than 2.250 percentage points.

### How Your Monthly Payment Can Change

Your monthly payment can increase or decrease substantially based on annual changes in the interest rate.

For example, on a new \$10,000, 30-year loan with an initial interest rate of 4.250 percent in effect in April, 2004, the maximum amount that the interest rate can rise under this program is 5.000 percentage points, to 9.250 percent, and the monthly payment can rise from a first-year payment of \$49.19 to a maximum of \$77.98 (at payment 85). To see what your payment would be (excluding escrow), divide your mortgage amount by \$10,000; then multiply the loan payment by that amount. (For example, the monthly payment for a mortgage amount of \$60,000 would be: \$60,000 divided by \$10,000 = 6; 6 x \$49.19 = \$295.14.)

You will be notified in writing at least 25 days before a payment adjustment may be made. This notice will contain information about your interest rates, payment amount and loan balance.

I/We hereby acknowledge receipt of this disclosure as well as other ARM program disclosures for which I/We have expressed an interest prior to application.

I/We hereby acknowledge receipt of the Adjustable Rate Mortgage Disclosure Booklet.

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Borrower

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Date

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Borrower

\_\_\_\_\_  
Date