FHA AND VA 5/1 ARM 1/5 CAPS

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

This description is for informational purposes only and does not constitute a commitment on the part of the Lender to provide financing. Please be aware that unless you enter a lock-in agreement once you have made your application, there is no guarantee the interest rate quoted will be available to you when your loan is ready for settlement. You are not required to close this loan application merely because you have received these disclosures or signed a loan application.

How Your Interest Rate and Payment Are Determined

ARMs ("Adjustable Rate Mortgages") are so named because their interest rates are adjusted periodically. At each interest rate adjustment, the new interest rate is based on an index plus a margin.

Each interest rate adjustment will be based on an index plus a margin. The index is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year. The current value of the index is published weekly by the Federal Reserve Board in Statistical Release H.15(519), and is also commonly published in financial publications such as the Wall Street Journal. At each interest rate adjustment, the value of the index most recently available as of 30 days prior to the date of your interest rate adjustment will be added to the margin, and the resulting interest rate will be rounded up or down to the nearest 0.125 percentage point (0.125%). This will be your new interest rate unless the "caps" on your interest rate, as described below, limit the amount your interest rate will change.

You may obtain further information about the index by writing to: Federal Reserve Board Publication Services, Mail Stop 138, Board of governors of the Federal Reserve System, Washington, D.C. 20551. If the index for your ARM is no longer available, the Lender or the transferee of the Note and Security Instrument, who is entitled to receive payments under the Note, will choose a new index based on comparable information.

The initial interest rate is not based on the index used to make later adjustments. A "discount" interest rate means the initial interest rate is lower than the rate that would be offered based on the current index; a "premium" interest rate means that the rate is higher. Ask us for the amount of current interest rate discounts or premiums.

The loan payments are adjusted in response to adjustments of the interest rate. At each adjustment the new loan payment is the amount that will fully amortize the current outstanding principal balance of the loan in the remaining loan term at the new interest rate. The initial loan payments will be based on the initial interest rate, loan term and loan amount.

How Your Interest Rate Can Change

The interest rate can change after the first 5 - 5.5 years (on the due date of the 60th – 66th payment, depending on when the loan closes) and every twelve (12) months thereafter.

The interest rate cannot increase or decrease more than 1 percentage point at any single subsequent adjustment.

The interest rate will never be more than 5 percentage points higher than the original interest rate. It will never be less than the margin.

How Your Payment Can Change

The payment can change after the first 60-66 payments and annually thereafter based on changes in the interest rate.

You will be notified in writing at least 25 but not more than 120 days before the due date of a payment at a new level. Payment changes are effective one month after an adjustment to the interest rate. This notice will contain information about your interest rates, payment amount, and loan balance.

Example:

For example, on a $10,000 30-year loan with an initial interest rate of 3.1% (in effect in January 2013) the maximum amount that the interest rate can rise under this program is 5 percentage points, to 8.1%, and the monthly payment can rise from a first-year payment of $42.70 to a maximum of $67.21 in the 10^{th} year. To see what your payments 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 would be: $60,000 ÷ $10,000 = 6; 6 x 42.70 = $325.74 per month.)

I acknowledge that I received a copy of this program disclosure and a copy of the Consumer Handbook on Adjustable Rate Mortgages prior to making my mortgage loan application.

Applicant signature	date	Applicant signature	date
Applicant signature	date	Applicant signature	date