

**CONVENTIONAL BALLOON
(7/23 CONDITIONAL RIGHT TO REFINANCE) MORTGAGE LOAN DISCLOSURE**

You have asked _____ ("We", "Us" or "Our") for an application for a home loan. This disclosure describes the features of Our Seven-year Balloon, which has a Conditional Right to Refinance option available.

BALLOON

The monthly payments on your loan would be calculated as if your loan had a term of 30 years, **YOUR LOAN WOULD HAVE A TERM OF 7 YEARS**. The entire loan balance will be due on month 84 (the loan maturity date), resulting in a substantially larger final payment.

CONDITIONAL RIGHT TO REFINANCE

At Note Maturity, if you meet certain conditions listed below, you will have the option to obtain a New Loan with a New Maturity Date and a New Loan Rate. Your payment can change at that time. You will be notified in writing at least 60 days before the Note Maturity Date advising you of the principal, accrued but unpaid interest, and any other sums you are expected to owe on the Note Maturity Date.

CONDITIONS TO OPTION

If you want to exercise the option, the following conditions must be met as of the Note Maturity Date:

- A. You must be the owner/occupant of the property;
- B. You must be current in your monthly payments and cannot have been more than 30 days delinquent on any of the last 12 scheduled monthly payments;
- C. There can be no liens, defects, or encumbrances on the property, or other adverse matters affecting title to the property (except for taxes and special assessments not yet due and payable) arising after the Security Instrument was recorded;
- D. The New Loan Rate cannot be more than five (5%) percentage points above the Note Rate;
- E. You must notify Us, in writing, no later than 45 days prior to the Note Maturity Date, that you are exercising this option; and
- F. You must pay a processing fee of \$250.00 and the costs associated with exercising the Conditional Refinance Option, including but not limited to the cost of updating the title insurance policy.

CONDITIONS OF NEW LOAN RATE

Your New Loan Rate will be a fixed rate of interest equal to the Federal Home Loan Mortgage Corporation's required net yield for 30-year fixed rate mortgages subject to a 60-day mandatory delivery commitment, plus one-half of one percent (0.5%), rounded to the nearest one-eighth (0.125%). If the required net yield is not available, We will determine the New Loan Rate by using a comparable figure.

CALCULATION OF NEW PAYMENT AMOUNT

We will determine the amount of the new monthly payment that will be sufficient to repay in full (a) the unpaid principal, plus (b) accrued but unpaid interest, plus; (c) all other sums you owe under the Note and Security Instrument on the Note Maturity Date, over the term of the New Loan at the New Loan Rate in equal monthly payments. The result of this calculation will be the amount of your new principal and interest payment every month until the New Loan is fully paid.

For example, a \$10,000 loan with an interest rate of 6.250% (THIS IS AN INTEREST RATE WE HAVE OFFERED RECENTLY, YOUR INTEREST RATE MAY BE DIFFERENT) will equal a payment of \$61.58 for 83 months and a final balloon payment of \$9,064.06. At that time you can either pay the balloon or modify the note rate according to the current yield and extend the term. To see what your payment is, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. For example, in 2000, the loan payment for a mortgage amount of \$60,000 taken out in 1993 amortized over 23 years at would be \$60,000 divided by \$10,000 equals six; six times \$61.99 equals \$371.94).

This loan is payable in full at maturity. You must repay the entire principal balance of the loan and unpaid interest then due. **We are under no obligation to refinance the loan.** You will, therefore, be required to make payment out of other assets that you may own, or you will have to find a Lender, which may be Us, willing to lend you the money. If you refinance this loan at maturity, you may have to pay some or all of the closing costs normally associated with a new loan even if you obtain refinancing from Us.

If you make an application for this BALLOON program, or any other loan available from Us, We recommend that you also read the provisions of the promissory note and the security instrument (which may be a deed of trust, mortgage, security deed, or other security instrument) as well as all other related loan documents, because you will be bound by the terms, promises, and obligations contained in those documents (which will be called "Loan Documents") once they have been signed.

Please remember that this disclosure is not a contract between you and Us and it is not a commitment by Us to make a loan to you on any of the terms described in this disclosure. This disclosure is intended solely to provide you with a general description of this loan program. We reserve the right to make changes at any time with regard to any matter covered in this disclosure as a result of a change in policy, law, regulation, or otherwise.

I/We acknowledge receiving a copy of and reading the above program disclosure.

Borrower _____

Date: _____

Borrower _____

Date: _____