

Loan Number:

Today's Date:



VARIABLE RATE MORTGAGE PROGRAM DISCLOSURE

LENDER:

VARIABLE RATE LOAN PROGRAM:

*One (1) Year LIBOR ARM Fixed for the First **Ten (10)** Years*

This variable rate loan program disclosure describes the features of the adjustable rate mortgage ("ARM") program you are considering. Information on other ARM programs is available upon request. This is neither a contract nor a commitment to lend. If you do obtain a loan from the Lender, the Note, Security Instrument and related documents will establish your legal rights and obligations.

Because the Lender may sell any loan it makes, the purchaser of the loan ("Noteholder") may enforce the terms of any loan obtained from the Lender. You will be required to make payments to the Noteholder or a Servicer the Noteholder designates. For purposes of easy reference, the term Lender is used below and refers to the initial Lender or purchaser of the Note.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- Your interest rate will be based on an index rate plus a margin.
- Your payment will be based on the interest rate, loan balance, and loan term.
- The index upon which the interest rate will be based is the average of interbank offered rates for 1 year U.S. Dollar denominated deposits in the London market ("LIBOR").
- Information about the current index is published in *The Wall Street Journal*.
- This ARM loan may have a discount feature, and your initial interest rate may not be based on the index used to make later adjustments. Ask about our current discount rate.
- Your interest rate will equal the index rate plus your margin unless your interest rate "caps" limit the amount of change in the interest rate. Your margin is **2.250%**.

HOW YOUR INTEREST RATE CAN CHANGE

- Your interest rate can change every year beginning approximately **10** years after your loan closes. These are known as the "Change Dates."
- Your new interest rate will be equal to the sum of the margin and index value published on the first business day of the month in the month prior to the Change Date subject to the restrictions described below.
- Your interest rate cannot increase more than **Five** percentage point(s) (**5.000%**) at the first adjustment (a "cap").
- Your interest rate cannot increase or decrease more than **Two** percentage point(s) (**2.000%**) at each adjustment thereafter (a "cap").
- Your interest rate can never be less than your margin (a "cap").
- Your interest rate can never increase by more than **Five** percentage point(s) (**5.000%**) above the start rate (a "cap").
- Your interest rate will be rounded to the nearest 0.125% at each adjustment.

HOW YOUR MONTHLY PAYMENT CAN CHANGE

- Your monthly payment can increase or decrease substantially every year beginning approximately **10** years after your loan closes based on changes to the interest rate. You will begin making your new monthly payments on the first payment due date after each Change Date.
- At each change Date, the Lender will recalculate your monthly payment based on an amount necessary to fully repay the remaining loan balance at the new interest rate on the maturity date in substantially equal monthly payments.
- You will be notified in writing at least 25 calendar days before the monthly adjustment is made. This notice will contain information about your index, interest rate, payment amount and loan balance.
- For example, on a new \$10,000, 30 year loan with an initial interest rate of 4.000% in effect in August, 2013, the maximum amount that the interest rate could rise under this program is **5.000%** over the start rate to **9.000%**, and the payment amount could rise from a beginning payment of \$47.74 to a maximum of \$ **70.89** in the **11th** year. (For example, the monthly payment for a mortgage amount of \$60,000/\$10,000=6; 6 x \$47.74=\$286.44.) **To compute the above example, we used a margin value and interest rate we have used recently. Your margin value and interest rate may be different and you should ask about what is the current margin value and interest rate.**

I/We hereby acknowledge receipt of this variable rate program disclosure and a copy of the Consumer Handbook on Adjustable Rate Mortgages on the date indicated below.

Borrower

Date

Borrower

Date