

# **Adjustable Rate Mortgage Program Disclosure**

## **THREE-ONE YEAR ARM 2/6 CONSTRUCTION**

**Program Code:** 040

This disclosure describes the features of the adjustable rate mortgage (ARM) program you are considering. Disclosures and further information on other ARM programs are available upon request

### **HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED**

Your interest rate and payment can change. Starting with your first change, your interest rate will be based on the Index rate plus a margin, and will be rounded. Your payment will be based on the interest rate, loan balance and remaining loan term. Ask us for our current interest rate and margin.

Many of the terms used here, such as "Index" and "Margin" are explained in the attached booklet entitled 'Consumer Handbook on Adjustable Rate Mortgages', which we have given to you in our application package.

Your index is the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year, published weekly (usually Tuesday) in the Wall Street Journal.

Each time we change your interest rate, it will be set to equal the index plus a margin, and rounded to the nearest 1/8th of one percentage point. This will equal your new interest rate unless your interest rate "caps" limit the amount of change in the interest rate. See the description of the "caps" in the section below.

Please note, however, that your initial interest rate is not based on the index used to make later adjustments. Initial interest rates which have been set in this manner are being offered with a discount or a premium. Ask us for the amount of the current discount or premium for this adjustable rate mortgage program .

### **HOW YOUR INTEREST RATE CAN CHANGE**

Your interest rate can change yearly after the initial 3 year period.

Your interest rate cannot increase or decrease more than 2 percentage points at each adjustment, or increase or decrease more than 6 percentage points over the term of the loan. (These are called interest rate 'caps'.)

### **HOW YOUR PAYMENT CAN CHANGE**

Your monthly payment can change yearly after the initial 3 year period based on changes in the interest rate. (The amounts and changes in any tax escrows or insurance escrows are not described in or taken into account in this advanced disclosure.)

We will send you a written notice at least 30, but not more than 60 days before a change in rate takes effect. Once the rate is changed, the payment first due after the rate change will reflect the new payment level. This is caused by the fact that mortgage interest is charged for the month immediately past. This notice will contain information about your index, interest rates, payment amount and loan balance.

### **SPECIAL FEATURES OF THIS ADJUSTABLE RATE MORTGAGE PROGRAM**

This loan does have a prepayment penalty.

