

## **ADJUSTABLE RATE MORTGAGE LOAN DISCLOSURE**

### **Non-Convertible 1 Year ARM Fixed For Five Years With 2% Annual Adjustment**

You have asked N.A. ("We", "Us" or "Our") for an application for a home loan. This disclosure describes the features of Our one year ARM, which uses the weekly average yield on U.S. Treasury securities, adjusted to a constant maturity of one year. INFORMATION ON OTHER ARM PROGRAMS AVAILABLE TO YOU UPON REQUEST.

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

Your interest rate will be based on an index rate plus a margin. Your monthly principal and interest payment will be based on the interest rate, loan balance and loan term. The interest rate will be based on the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one-year (your index), plus Our margin. ASK US FOR OUR CURRENT INTEREST RATE AND MARGIN. Information about the index rate is published by the Federal Reserve Board in its weekly press release number H.15 (519) which may be obtained by writing to the Board of Governors of the Federal Reserve System, Publication Services, Washington, D.C. 20552. Information about the index rate is also published weekly in the Wall Street Journal.

Your interest rate will equal the index rate plus Our margin, rounded to the nearest 1/8 percent, unless your interest rate "caps" limit the amount of change in the interest rate. The initial rate is not based on the index used to make later adjustments and may be discounted. ASK US FOR THE AMOUNT OF CURRENT INTEREST RATE DISCOUNTS.

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

Your interest rate can change every twelve months after the first sixty months. Your interest rate cannot increase or decrease more than two percentage points every twelve months after the first sixty months. Your interest rate cannot increase over the term of the loan to more than a rate that will be stated in your loan documents. This maximum rate will be determined at the time of closing or at the time, you enter into an interest rate lock agreement with Us. ASK US FOR THE CURRENT MAXIMUM RATE CAP FOR THIS LOAN PROGRAM.

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

Your monthly payment can change every twelve months after the first sixty months, based on changes in the interest rate. For example, on a \$10,000 loan, with an initial interest rate of 8.500% (the index rate in effect in June 2000, plus the margin, discounted by .515%), the maximum amount that the interest rate can rise under this program is five percentage points to 13.500 %. If your payments were due monthly and your loan term was for (1) 10 years, the monthly payment can rise from a first year payment of \$123.99 to a maximum of \$136.78 in the eighth year, (2) 15 years, the monthly payment can rise from a first year payment of \$98.47 to a maximum of \$119.42 in the eighth year, (3) 20 years, the monthly payment can rise from a first year payment of \$86.78 to a maximum of \$113.35 in the eighth year, (4) 25 years, the monthly payment can rise from a first year payment of \$80.52 to a maximum of \$111.28 in the eighth year, (5) 30 years, the monthly payment can rise from a first year payment of \$76.89 to a maximum of \$110.79 in the eighth year.

You will be notified in writing 25, but not more than 120, calendar days before a payment adjustment may be made. This notice will contain information, as applicable, about (i) the current and prior interest rates, (ii) the index values upon which the current and prior interest rates are based, and (iii) the contractual effects of the adjustment, including the payment due after the adjustment is made, and a statement of the loan balance.

To see what your payment is (excluding escrow fees), 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 (1) for a 15 year term;  $\$60,000 \div \$10,000 = 6$ ;  $6 \times \$98.47 = \$590.82$ , or (2) for a 20 year term;  $\$60,000 \div \$10,000 = 6$ ;  $6 \times \$86.78 = \$520.68$ , or (3) for a 30 year term;  $\$60,000 \div \$10,000 = 6$ ;  $6 \times \$76.89 = \$461.34$ .

If you make an application for this ARM 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 is 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: \_\_\_\_\_

Disclosure B13 (01/14/02)

Programs 3807 and 3808