

Loan Number:

**Six Month LIBOR Adjustable-Rate Loan Program Disclosure-Interest-Only, with Caps
Important Mortgage Loan Information
Please read carefully**

This disclosure describes the features of the Adjustable-Rate Mortgage (ARM) program you are considering. Information on other ARM programs available from your lender will be provided upon request.

This disclosure does not constitute a commitment to make a loan to you. If you eventually obtain a loan, the note, security instrument and related documents will establish your legal rights and obligations regarding the loan.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED:

- * Your initial interest rate for the loan will be established by us based on market conditions. As a result, your initial interest rate will not be based on the index used to make later adjustments. Your initial interest rate may be lower than, equal to or higher than the rate that is based on the index. Please ask us for the current initial interest rate, and whether it is lower than, equal to or higher than the rate based on the index.
- * Your interest rate will be periodically adjusted based on an index rate plus a margin. Please ask us for the current index rate and margin.
- * The index rate is the average of interbank offered rates for six months U.S. Dollar-denominated deposits in the London market, commonly referred to as the "LIBOR" index, as published in the *Wall Street Journal*. If this index is no longer available a comparable index will be substituted.
- * The effective date of a change in interest rate is the Change Date.
- * Except for your initial interest rate, which may be lower than, equal to or higher than the rate that is based on the index, your interest rate will equal the index rate plus the margin, rounded to the nearest one-eighth of one percentage point (.125%), unless your interest rate "caps" limit the amount of change in the interest rate on a Change Date.
- * Please note that if your initial interest rate is lower than the rate that is based on the index, your interest rate may increase on the first Change Date even if the index decreases.
- * Payments made during the first ten (10) years will be applied towards interest only. This means that the regular monthly payments will not reduce the principal balance during the first ten (10) years of your loan.
- * Beginning in year eleven (11), payments will be applied towards principal and interest.
- * During the period that you make payments of interest only, your payment will be based on the interest rate and loan balance. After that period, your payment will be based on the interest rate, loan balance and remaining loan term.

HOW YOUR INTEREST RATE CAN CHANGE:

Your interest rate is fixed for the first six (6) months, after which the interest rate can change every six (6) months to the index rate plus the margin, subject to the following limits:

- * Your interest rate will be rounded to the nearest one-eighth of one percentage point (.125%).
- * Your interest rate cannot increase or decrease more than one percentage point (1.00%) per adjustment.
- * Your interest rate can never be greater than twelve (12%) percent.
- * Your interest rate cannot decrease to be less than the margin over the term of the loan.

HOW YOUR PAYMENT CAN CHANGE:

- * Your payment can change each time your interest rate changes.
- * You will be notified in writing at least twenty-five (25) days before the due date of each adjustment. This notice will contain information about your interest rate, payment amount and loan balance.
- * Your payment may increase or decrease substantially depending on changes in the interest rate.

INITIAL AND MAXIMUM INTEREST RATE:

For example, on a \$10,000 thirty-year loan with an initial interest rate of 3.50% (index (1) plus the margin (2) rounded to the nearest .125%), the maximum amount that the interest rate can rise under this program is twelve percentage points (12%), and the monthly payment can rise from the first six (6) months payment of \$29.16 to a maximum of \$100.00 in the 5th year.

1. An index in effect in January 2003 is 1.38. The index in effect at the time the initial interest rate is established for your loan may be different. The initial interest rate on your loan may be lower than, equal to or higher than the rate that is based on the index.
2. Margin of 2.25 percentage points. This is a margin we have used recently. Your margin may be different.

CALCULATING YOUR PAYMENTS:

To see what your payments (excluding escrow payments) would be, divide your mortgage amount by \$10,000; then multiply the loan payment by that amount. (For example, the monthly payment for a mortgage amount of \$60,000 would be $\$60,000/\$10,000 = 6$; $6 \times \$29.16 = \174.96)

Borrower

Borrower

Borrower

Borrower

Borrower

Borrower