

## EARLY ARM DISCLOSURE STATEMENT

Lender Name  
Lender Address  
Lender Address

Loan No.

PROGRAM NAME:

### IMPORTANT LOAN INFORMATION – PLEASE READ CAREFULLY

*You should carefully read this disclosure, the promissory note, deed of trust or mortgage, any riders, and all other documents that you will be asked to sign if you accept an ARM loan.*

**ADJUSTABLE RATE MORTGAGE MEANS YOUR PAYMENT MAY CHANGE IN THE FUTURE.** You are applying for an Adjustable Rate Mortgage (ARM) loan. This means that your interest rate and monthly payment may change during the life of your loan. Your monthly payments will increase if the interest rate rises and decrease if it falls. The date or dates on which changes can occur (referred to in this disclosure as “Change Date”) will be specified in the ARM loan documents. This ARM is based on the terms and conditions set forth in this disclosure and in the loan documents. We have based this disclosure on recent interest rates, index and margin values, and fees. Ask us for our current interest rate and margin.

An ARM is different from a fixed-rate mortgage loan. For a fixed-rate loan, the monthly payments of principal and interest do not change during the life of the loan. You should consider carefully which type of loan is best for you.

**HOW YOUR INTEREST RATE IS DETERMINED.** Your interest rate will be determined by means of an index that may change from time to time.

**The Index.** The interest rate change on this ARM will be based on an interest rate index (referred to in this disclosure as the “Index.”) **The index is the average of Interbank offered rates for one year U. S. dollar-denominated deposits in the London Market (LIBOR).** Information about the Index is available in the Wall Street Journal.

**Interest Rate.** Your interest rate is based on the Index plus a margin, rounded to the nearest 0.125 percent. A change in the Index generally will result in a change in the interest rate. The amount that your interest rate may change also may be affected by the period interest rate change limitations and the lifetime rate limits, as discussed below.

**Initial Interest Rate.** The initial Interest Rate (referred to as the “Start Rate”) on your loan will be disclosed to you prior to the time you obligate yourself to repay the loan. Your Start Rate may not be based on the Index used to make later adjustments, and during the life of your loan the Interest Rate shall not decrease to less than the Start Rate.

**Interest Rate Adjustments.** Your interest rate under this ARM can change after \_\_\_\_\_ months and every 12 months thereafter. Your interest rate cannot increase more than \_\_\_\_\_ percentage point at the first adjustment and cannot increase or decrease more than \_\_\_\_\_ percentage points per subsequent adjustments, excluding any buydown. Your interest rate will never be greater than \_\_\_\_\_ percentage points above the Start Rate or never be less than the Start Rate over the life of the loan.

**HOW YOUR PAYMENTS ARE DETERMINED.** Your initial monthly payment of principal and interest will be determined based on the interest rate, loan term, and balance when your loan is closed. Your payment will be set to amortize the loan over a period of \_\_\_\_\_ payments.

**Frequency of Payment Changes.** Based on increases or decreases in the Index, payment amounts under this ARM loan can change after \_\_\_\_\_ months and every \_\_\_\_\_ month thereafter. However, your monthly payment amount could change more frequently if there is a change in the taxes, assessments, insurance premiums, or other charges required to be made into an escrow or impound account.

**Limitations on Interest Rate Payment Changes.** Your interest rate will not increase on the first change date by more than \_\_\_\_\_ percentage points from the Start Rate excluding any buydown. After the initial adjustment period, your interest rate will not increase or decrease by more than \_\_\_\_\_ percentage points per year. Your interest rate cannot increase more than \_\_\_\_\_ percentage points above the Start Rate, excluding any buydown or never be less than the Start Rate over the life of the loan.

**Adjustment Notices.** You will be notified at least annually if interest rate changes occur. When an interest rate change will also involve a change in your monthly payment, you will be notified in writing (at least 60 calendar days, but not more than 120 calendar days) before the payment at the new level is due. The notice will indicate the adjusted payment amount, interest rate, Index value, and the outstanding loan balance at the time.

**HOW YOUR PAYMENT CAN CHANGE (“Worst Case Scenario”).** Your payment can change every **12** month(s) based on changes in the loan term, interest rate, or loan balance. For example, on a \$10,000 loan with a **360** month term and an initial rate of **5.375** (with a margin of **3.875** and Index of **0.750** rounded to the nearest **0.125%**), the maximum amount that the interest rate can rise under this ARM program is **5.000** percentage points above the start rate and the payment can rise from a first-year payment of **\$56.00** to a maximum of **\$92.84** in the **8th** year. The periodic payment may increase or decrease substantially depending on changes in the rate.

To see what your payment would be, divide your mortgage amount by \$10,000, then multiply the monthly payment by that amount. For example, the monthly payment for a new loan amount of \$60,000 would be \$60,000 divided by \$10,000 = 6. Multiply the payment amount by this number, e.g. 6 x **\$56.00 = \$336.00**

**DEMAND FEATURE.** During the initial fixed period on the loan there is no demand feature; however, when the fixed interest rate changes to an adjustable interest rate a Demand Feature applies as described in the Borrower(s) Note.

**DISCLOSURES FOR OTHER ARM PROGRAMS** are available on request.

**BORROWER ACKNOWLEDGEMENT**

After having read the contents of the above disclosures, I/we acknowledge receipt of this disclosure and further acknowledge that this disclosure was completed in full prior to its receipt. I/we also acknowledge receipt of the handbook entitled “Consumer Handbook on Adjustable Rate Mortgages.”

_____	_____	_____	_____
Borrower	Date	Borrower	Date
_____	_____	_____	_____
Borrower	Date	Borrower	Date
_____	_____	_____	_____
Borrower	Date	Borrower	Date