

Your Lender's ARM Disclosure and Description of Programs

This disclosure describes the features of the adjustable-rate mortgage (ARM) programs your lender offers. This disclosure is not a commitment by the lender to make you a loan on any of the terms described in this disclosure. It is intended solely to provide you with a general description of your lender's loan programs. If you eventually obtain a loan from the lender, the loan note, security instrument and related documents ("loan documents") will establish your legal rights and obligations. Information on any other ARM programs we may have is available on request.

STANDARD ARM PROGRAM

How Your Interest Rate and Payments are Determined

Your interest rate will be based on an index plus a margin. Your payment will be based on the interest rate, loan balance, and loan term.

The initial interest rate may be a discount rate or premium rate and may not be based on the index used to make later adjustments. A premium interest rate is one that is greater than the interest rate calculated by adding the index and the margin. A discount interest rate is one that is less than the interest rate calculated by adding the index and the margin. Ask us for the amount of any current interest rate discounts or premiums. After the initial period, your interest rate will equal the current index rate plus the margin rounded to the nearest 1/8 of one percentage point (0.125%), unless an Adjustment Cap or the Lifetime Cap limits the amount of change in the interest rate. Ask us for our current interest rate and margin.

The index will depend on which ARM program you select. We offer ARM programs with the following indexes:

United States Treasury Securities

The index is the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one or three years. Information about this index is published by the Federal Reserve Board in publication H.15 (519). You may request to be placed on the mailing list to receive copies of this weekly publication by writing: Publications Services, Mail Stop 127, Board of Governors, Federal Reserve System, Washington, D.C. 20551. If for any reason this index is not available, the Lender will use a new index based on comparable information.

London Interbank Offered Rates (LIBOR)

The index is the average of interbank offered rates for one-year or six-month U.S. dollar denominated deposits in the London market ("LIBOR"), as published in The Wall Street Journal. If for any reason this index is not available, the Lender will use a new index based on comparable information.

How Your Interest Rate Can Change

Your interest rate can change every twelve to thirty six months after the first interest rate change date ("First Change Date"). The First Change Date and Subsequent change Dates will depend on which ARM program you select as set forth in the following chart:

| Program | First Change Date | Subsequent Change Date |
|---------|--|---|
| 10-1 | 119 months from the 1st payment date | Every 12 months after the 1st change date |
| 7-1 | 83 months from the 1st payment date | Every 12 months after the 1st change date |
| 5-1 | 59 months from the 1st payment date | Every 12 months after the 1st change date |
| 3-1 | 35 months from the 1st payment date | Every 12 months after the 1st change date |
| 3-3 | 35 months from the 1st payment date | Every 36 months after the first change date |
| 1-1 | 11 months from the 1st payment date | Every 12 months after the 1st change date |
| FHA 1-1 | 12-14 months from the 1st payment date | Every 12 months after the 1st change date |
| 6 month | 5 months from the 1st payment date | Every six months after the 1st change date |

At the First Change Date, your interest rate cannot increase or decrease more than the First Adjustment Cap. No interest rate change after the First Change Date will be more than the Subsequent Adjustment Cap. Your First Adjustment Cap will be set at an amount between 1 and 5 percentage points, depending on the ARM program. Your subsequent Adjustment CAP will be set at an amount between 1 and 4 percentage points for each adjustment, depending on the ARM program. There is no limitation on the total amount by which your interest rate can decrease over the life of your loan except that your interest rate can never be lower than the margin, regardless of how low the index may drop.

Regardless of the current value of the index plus margin, your interest rate can never exceed the Lifetime Cap which will be established when you "lock-in" or price protect with your lender the initial interest rate and discount points applicable to your loan. Your Lifetime Cap will be set at 5 or 6 percentage points above your initial rate, depending on the ARM program. Ask for our current First and Subsequent Adjustment Caps and Lifetime Cap information.

How Your Monthly Payment Can Change

Your monthly payment can increase or decrease substantially based on the annual changes in the interest rate. The amount of your new payments will be due starting on the first monthly payment date after the Change Date until the amount of your monthly payment changes again.

The following examples demonstrate how your monthly payment can change.

A. ARM Programs with Indexes Based on U.S. Treasury Securities

On a \$10,000 loan with the terms and the initial interest rates shown below (minus a discount or plus a premium recently used for the program, which discount or premium is set forth below), the maximum amount that the interest rate can rise under the program is shown below. The monthly payment can increase from the initial payment shown below to the maximum payment shown in the year indicated.

You will be notified in writing at least 25 days, but not more than 120 days, before the due date of a payment at a new level. This notice will contain information about your interest rates, payment amount, and loan balance.

To see what your payment would have been for any program during any period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the initial monthly payment on a 5-1 ARM loan for a mortgage amount of \$60,000 with a 30 year term would be: $\$60,000/\$10,000 = 6$; $6 \times \$53.68 = \322.08 . The initial monthly payment for the same loan with a 20 year term would be: $\$60,000/\$10,000 = 6$; $6 \times \$66.00 = \396.00).

| Program | Amortization (years) | Index Value (%) | Margin (%) (3) | Discount (d) Premium (p) (%) (4) | Initial Rate (%) (5) | Initial Payment | Adjustment Caps (6) (%) | Max Rate (7) (%) | Max Payment | Yr. of Max. Paymnt |
|---------|----------------------|-----------------|----------------|----------------------------------|----------------------|-----------------|-------------------------|------------------|-------------|--------------------|
| 10-1 | 30 | 1.41 (1) | 2.750 | 1.625 (p) | 5.750 | 58.36 | 5/2/5 | 10.750 | 84.39 | 11 |
| 10-1 | 20 | 1.41 (1) | 2.750 | 1.625 (p) | 5.750 | 70.21 | 5/2/5 | 10.750 | 87.20 | 11 |
| 7-1 | 30 | 1.41 (1) | 2.750 | 1.125 (p) | 5.250 | 55.22 | 5/2/5 | 10.250 | 83.48 | 8 |
| 7-1 | 20 | 1.41 (1) | 2.750 | 0.875 (p) | 5.000 | 66.00 | 5/2/5 | 10.000 | 86.77 | 8 |
| 5-1 | 30 | 1.41 (1) | 2.750 | 0.875 (p) | 5.000 | 53.68 | 5/2/5 | 10.000 | 83.44 | 6 |
| 5-1 | 20 | 1.41 (1) | 2.750 | 0.875 (p) | 5.000 | 68.00 | 5/2/5 | 10.000 | 89.68 | 6 |
| 3-1 | 30 | 1.41 (1) | 2.750 | 0.500 (p) | 4.625 | 51.41 | 2/2/6 | 10.625 | 88.37 | 6 |
| 3-1 | 20 | 1.41 (1) | 2.750 | 0.500 (p) | 4.625 | 63.94 | 2/2/6 | 10.625 | 94.16 | 6 |
| 3-3 | 30 | 2.24 (2) | 4.000 | 1.750 (p) | 8.000 | 73.38 | 4/4/6 | 14.000 | 115.56 | 7 |
| 3-3 | 15 | 2.24 (2) | 4.000 | 1.750 (p) | 8.000 | 95.57 | 4/4/6 | 14.000 | 124.73 | 7 |
| 1-1 | 30 | 1.41 (1) | 2.750 | 0.375 (p) | 4.500 | 50.67 | 2/2/6 | 10.500 | 89.60 | 4 |
| 1-1 | 15 | 1.41 (1) | 2.750 | 0.375 (p) | 4.500 | 76.50 | 2/2/6 | 10.500 | 106.38 | 4 |
| FHA 1-1 | 30 | 1.41 (1) | 2.000 | 1.375 (p) | 4.750 | 52.16 | 1/1/5 | 9.750 | 83.59 | 6 |

(1) One year Treasury constant maturity for first full week in January 2003 - week ending 1/10/2003 (Fed Pub H.15, released 1/13/2003)

(2) Three year Treasury constant maturity for first full week in January 2003 - week ending 1/10/2003 (Fed Pub H.15, released 1/13/2003).

(3) This is a margin we have used recently for this program; your margin may be different.

(4) This is the amount of a discount (d) or a premium (p) used recently for this program; your initial rate may be discounted or priced at a premium by a different amount.

(5) Index Value plus Margin less Discount or plus Premium, rounded to the nearest one eighth of one percent.

(6) First Adjustment Cap/Subsequent Adjustment Cap/Lifetime Cap. Adjustment Caps limit upward or downward interest rate movement.

(7) Initial Rate plus Lifetime Cap.

B. ARM Programs with Indexes Based on London Interbank Offered Rates (LIBOR)

On a \$10,000 loan with the terms and the initial interest rates shown below (minus a discount or plus a premium recently used for the program, which discount or premium is set forth below), the maximum amount that the interest rate can rise under the program is shown below. The monthly payment can increase from the initial payment shown below to the maximum payment shown in the year indicated.

You will be notified in writing at least 25 days, but not more than 120 days, before the due date of a payment at a new level. This notice will contain information about your interest rates, payment amount, and loan balance.

To see what your payment would have been for any program during any period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the initial monthly payment on a 3-1 LIBOR ARM loan for a mortgage amount of \$60,000 with a 30 year term would be: $\$60,000/\$10,000 = 6$; $6 \times \$50.67 = \304.02 . The initial monthly payment for the same loan with a 20 year term would be: $\$60,000/\$10,000 = 6$; $6 \times \$63.26 = \379.56).

| Program | Amortization (years) | Index Value (%) | Margin (%) (3) | Discount (d) Premium (p) (%) (4) | Initial Rate (%) (5) | Initial Payment | Adjustment Caps (6) (%) | Max Rate (7) (%) | Max Payment | Yr. of Max. Paymnt |
|---------|----------------------|-----------------|----------------|----------------------------------|----------------------|-----------------|-------------------------|------------------|-------------|--------------------|
| 5-1 | 30 | 1.54625 (1) | 2.250 | 1.250 (p) | 5.000 | 53.68 | 5/2/5 | 10.00 | 83.44 | 6 |
| 5-1 | 20 | 1.54625 (1) | 2.250 | 1.250 (p) | 5.000 | 66.00 | 5/2/5 | 10.00 | 89.68 | 6 |
| 3-1 | 30 | 1.54625 (1) | 2.250 | 0.750 (p) | 4.500 | 50.67 | 2/2/6 | 10.50 | 87.40 | 6 |
| 3-1 | 20 | 1.54625 (1) | 2.250 | 0.750 (p) | 4.500 | 63.26 | 2/2/6 | 10.50 | 93.31 | 6 |
| 6-month | 30 | 1.40000 (2) | 2.750 | 0.125 (d) | 4.000 | 47.74 | 1/1/6 | 10.00 | 86.11 | 4 |

II. ARM PROGRAM - ALTERNATIVE CREDIT

How Your Interest Rate and Payments are Determined

Your interest rate will be based on an index plus a margin. Your payment will be based on the interest rate, loan balance, and loan term.

The initial rate may be a discount rate or premium rate and may not be based on the index used to make later adjustments. A premium interest rate is one that is greater than the interest rate calculated by adding the index and the margin. A discount interest rate is one that is less than the interest rate calculated by adding the index and the margin. Ask us for the amount of any current interest rate discounts or premiums. After the initial period, your interest rate will equal the current index rate plus the margin rounded to the nearest 1/8 of one percentage point (0.125%), unless an Adjustment Cap or Lifetime Cap limits the amount of change in the interest rate. Ask us for our current interest rate and margin.

The index will depend on which ARM program you select as set forth below:

1/1 ARM

The index is the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year. Information about this index is published by the Federal Reserve Board in publication H.15 (519). You may request to be placed on the mailing list to receive copies of this weekly publication by writing: Publications Services, Mail Stop 127, Board of Governors, Federal Reserve System, Washington, D.C. 20551. If for any reason this index is not available, the Lender will use a new index based on comparable information.

2/6 ARM, & 3/6 ARM

The index is the average of interbank offered rates for six-month U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in The Wall Street Journal. If for any reason this index is not available, the Lender will use a new index based on comparable information.

How Your Interest Rate Can Change

Your interest rate can change every six to twelve months after the first interest rate change date ("First Change Date"). The First Change Date will depend on which ARM program you select as set forth in the following chart:

| Program | First Change Date | Subsequent Change Date |
|---------|-------------------------------------|--|
| 1-1 | 11 months from the 1st payment date | Every 12 months after the first change date |
| 2-6 | 23 months from the 1st payment date | Every six months after the first change date |
| 3-6 | 35 months from the 1st payment date | Every six months after the first change date |

At the First Change Date, your interest rate cannot increase or decrease more than the First Adjustment Cap. No interest rate change after the First Change Date will be more than the Subsequent Adjustment Cap. Your First Adjustment Cap will be set at an amount between 1 and 3 percentage points, depending on the ARM program. Your subsequent Adjustment Cap will be set at an amount between 1 and 2 percentage points for each adjustment, depending on the ARM program. There is no limitation on the total amount by which your interest rate can decrease over the life of your loan except that your interest rate can never be lower than your initial interest rate, regardless of how low the index may drop.

Regardless of the current value of the index plus the margin, your interest rate can never exceed the Lifetime Cap, which will be established when you "lock-in" or price protect with your lender the initial interest rate and discount points applicable to your loan. Your Lifetime Cap will be 6 percentage points above your initial rate. Ask for our current First and Subsequent Adjustment Caps information.

How Your Monthly Payment Can Change

Your monthly payment can increase or decrease substantially based on the semi-annual and annual changes in the interest rate. The amount of your new payments will be due starting on the first monthly payment date after the Change Date until the amount of your monthly payment changes again.

For example, on a \$10,000 loan with the terms and the initial interest rates shown below (minus a discount or plus a premium recently used for the program, which discount or premium is set forth below), the maximum amount that the interest rate can rise under the program is shown below. The monthly payment can increase from the initial payment shown below to the maximum payment shown in the year indicated.

| Program | Amortization (years) | Index Value (%) | Margin (%) (3) | Discount (d) Premium (p) (%) (4) | Initial Rate (%) (5) | Initial Payment | Adjustment Caps (6) (%) | Max Rate (7) (%) | Max Payment | Yr. of Max. Paymnt |
|-------------------|----------------------|-----------------|----------------|----------------------------------|----------------------|-----------------|-------------------------|------------------|-------------|--------------------|
| 1-1 | 30 | 1.410 (1) | 6.750 | 0.625 (p) | 8.750 | 78.67 | 2/2/6 F | 14.75 | 123.25 | 4 |
| 3 Yr - 6 mo LIBOR | 30 | 1.400 (2) | 6.375 | 1.500 (p) | 9.250 | 82.27 | 3/1/6 F | 15.25 | 126.21 | 5 |
| 2 Yr - 6 mo LIBOR | 30 | 1.400 (2) | 6.375 | 1.000 (p) | 8.750 | 78.67 | 3/1/6 F | 14.75 | 122.84 | 4 |

(1) One year Treasury constant maturity for first full week in January 2003- week ending 1/10/2003 (Fed Pub H.15, released 1/13/2003).

(2) London Interbank Offered Rates - six months, 01/10/2003, Wall Street Journal, Money Rates -01/13/2003.

(3) This is the margin we have used recently for this program; your margin may be different.

(4) This is the amount of a discount (d) or a premium (p) used recently for this program; your initial rate may be discounted or priced at a premium by a different amount.

(5) Index Value plus Margin less Discount or plus Premium, rounded to the nearest one eighth of one percent.

(6) First Adjustment Cap/Subsequent Adjustment Cap/lifetime Cap/Floor (Floor = Initial Interest Rate). Adjustment Caps limit upward or downward interest rate movement.

(7) Initial Rate plus Lifetime Cap.

To see what your payment would have been for any program during any period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the initial monthly payment on a 3 Year-6 Month LIBOR ARM loan for a mortgage amount of \$60,000 with a 30 year term would be: $\$60,000/\$10,000 = 6$; $6 \times \$82.27 = \493.62)

III. ADDITIONAL INFORMATION CONCERNING PROGRAM FEATURES

A. Buydown Option

As a separate feature of our loan programs, we may offer you, in connection with your ARM loan, a buydown option. If you choose to take advantage of the buydown option, you or a third party, such as a seller or builder, may agree to "buydown" your loan payments for a period of years. This means that someone pays a lump sum at closing which we agree to apply as a "subsidy" towards the full monthly payment due under your note for a specified period of time. This lowers your actual out-of-pocket monthly payment during that period of time. A buydown is simply an alternative repayment method for the first few years of your loan.

The following example shows how your monthly payment can change if you have a buydown. For example, a 2-1 buydown over two years, on a \$10,000, 30-year 3-1 ARM, using the rate shown for the 3-1 ARM Program Example, using the U.S. Treasury based index, would work this way:

| Payment Number | Interest Rate | Bought down rate (off initial) | Bought down Payment (off initial) | Monthly Subsidy Amount | P & I Pmnt | Borrower Payment (P&I Pmt less Subsidy) |
|----------------|---------------|--------------------------------|-----------------------------------|------------------------|------------|---|
| 1 | 4.625 | 2.625 | 40.17 | 10.75 | 50.92 | 40.17 |
| 13 | 4.625 | 3.625 | 45.45 | 5.47 | 50.92 | 45.45 |
| 25 | 4.625 | 4.625 | 50.92 | 0.00 | 50.92 | 50.92 |

Your monthly payments in year one would have \$10.75 subtracted as the "bought down payment subsidy" and your monthly payments in year two would have \$5.47 subtracted. At the end of the buydown period, you are obligated to make payments based on the interest rate contained in the loan documents.

Remember that the terms of the ARM programs described in this disclosure have been described without reference to the buydown option

B. "Builders Best" Program

As a separate feature of our 3/1, 5/1, 7/1, or 10/1 Builders Best ARM programs, we may offer you an option that allows you to "lock-in" or price protect your interest rate for 90 to 360 days in 30-day increments of your choice.

At initial lock-in and any additional lock-in periods, you will be required to remit an up-front fee of the greater of 1% of your loan amount or \$1,000. These up-front fees will be applied to your closing costs (or refunded) upon your loan closing. In the event that your loan does not close with the lender, the upfront fees are non-refundable.

The Builder Best Program provides a one-time option to switch products. During the 60 days immediately prior to your closing date, you can switch your existing lock and "re-lock" at current available rate at no additional cost to any eligible Non-Builders Best product. This one-time option to switch products cannot be used to switch to another Builder Best product.

C. Conversion Feature

If your ARM program has a conversion option, you have the option of converting your loan to a fixed rate loan. Please note that your interest rate may increase if you choose to convert to a fixed rate.

You can exercise this conversion option only once during the term of your loan. The conversion may only take place on dates specified by the Lender between the 13th and 60th payments. To exercise the conversion option you must provide the Lender with notice of your intention to convert. In addition, you may not be currently in default under the loan documents and you must pay a conversion fee. If requested, the Lender will provide you with the current amount of the conversion fee. You must also sign any documents which the Lender requires to effect the conversion.

If you exercise the conversion option, and your original loan term is greater than 15 years, your new fixed interest rate will be based upon the FNMA required net yield as of a date and time specified by the Lender for 30 year fixed rate mortgages covered by applicable 60 day mandatory delivery commitments, plus a margin. For loans with an original term of 15 years, your new fixed interest rate will be based upon the FNMA required net yield as of a date and time specified by the Lender for 15 year fixed rate mortgages covered by applicable 60 day mandatory delivery commitments, plus a margin. This sum will then be rounded to the nearest 1/8th of 1 percent (.125%). The Lender has recently used a margin of .625%. If requested, the Lender will provide you with the current amount of this margin. If for any reason this net yield is not available, the Lender will determine your new fixed interest rate by using a comparable figure. However, your new fixed interest rate will never exceed the Lifetime Cap disclosed to you when you priced protect your loan.

If you exercise your conversion option, you will be notified in writing at least 25 days, but not more than 120 days, before the due date of the first fixed monthly payment. This notice will contain information about your new fixed interest rate, new fixed payment amount, and loan balance.

Date: _____
