

**FHA 5/1 Adjustable Rate Disclosure**  
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 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 interest rate will be based on an index rate plus a margin. Please ask for our current interest rate and margin.
- The index is the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year. Index values are published by the Federal Reserve in Statistical Release H.15 (519)
- Your initial interest rate is not based on the index plus the margin. However, the initial interest rate may be equal to the index plus the margin or may include a discount or may include a premium. If your initial interest rate includes a discount, the initial rate will be lower than the sum of the index plus the margin. If your initial interest rate includes a premium, the initial rate will be higher than the sum of the index plus the margin. Please ask for the initial interest rate, discount or premium.
- Your payment will be based on the interest rate, loan balance and remaining loan term.

**HOW YOUR INTEREST RATE CAN CHANGE:**

The first interest rate change will occur no sooner than the January 1, April 1, July 1, or October 1 on or immediately following the date of your sixtieth (60th) monthly payment and no later than the date of your sixty-sixth (66th) monthly payment. After the first interest rate change, your interest rate will change annually. Each time your interest rate changes, the new interest rate will equal the sum of the index 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 points (1.00%) per adjustment.
- Your interest rate cannot increase by more than five percentage points (5.00%) over the term of the loan.
- 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), but not more than one hundred twenty (120) days before the due date of a payment at a new level. 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 (30) year loan with an initial interest rate of 4.125% (index<sup>1</sup> plus the margin<sup>2</sup> rounded to the nearest .125%), the maximum amount that the interest rate can rise under this program is five percentage points (5.00%) to 9.125%, and the monthly payment can rise from a first (1st) year payment of \$48.47 to a maximum of \$75.08 in the tenth (10th) year.

1. *The index in effect on August 28, 2009 is 2.48. 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 plus the margin.*
2. *Using a margin of two and one-quarter percentage points (2.250%). This is a margin your lender has used. 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 amount by that amount. For example, the monthly payment for a mortgage amount of \$100,000 would be:

$$\$100,000 / \$10,000 = 10; 10 \times \$48.47 = \$484.70$$

I/We acknowledge receipt of a copy of this disclosure as well as the "Consumer Handbook on Adjustable Rate Mortgage" on this \_\_\_\_\_ day of \_\_\_\_\_