ADJUSTABLE RATE MORTGAGE/ARM PROGRAM
1 – YEAR LIBOR INDEX
(5 – YEAR FIXED RATE - Interest Only Payments, 30 or 40 Years)

The following describes the terms and provisions which are common to this ARM Program. Please remember, this disclosure is NOT the contract between you and the Lender and is NOT a commitment by the Lender to make a loan. Information on other adjustable rate mortgage programs is available upon request.

How Your Interest Rate and Payment Are Determined:

1. Initial Interest Rate
   Your Initial Interest Rate may be based on current market conditions instead of the Index used to make later rate adjustments. The Initial Interest Rate may be (a) equal to the Index plus the Margin (referred to as a "Fully Indexed Rate"); (b) higher than Index plus the Margin (referred to as a "Premium Rate"); or (c) lower than the Index plus the Margin (referred to as "Discounted Rate"). Be sure to ask us if your rate is Fully Indexed, a Premium Rate, or a Discounted Rate and for the amount of current interest rate discount or premium, as applicable. Your Initial Interest Rate will apply only to the first 60 monthly payments (the "Initial Period"). After the Initial Period, your interest rate will be based on the Index plus our Margin. Please note that if your initial interest rate is lower than the rate that is based on the Index plus the Margin, the interest rate may increase on the first Change Date even if the Index decreases.

2. The Index and Margin
   The "Index" is the one-year London Interbank Offered Rate ("LIBOR") which is the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market, as published in The Wall Street Journal. The "Margin" is established at the time your loan is made and will remain the same throughout the term of the loan. A margin which we have used recently is 2.250%. Ask us for the amount of our current Margin.

3. Monthly Payments
   Your monthly payments will be based on the interest rate, loan balance, and loan term.

How Your Interest Rate Can Change:

1. Rate Changes
   Your Initial Interest Rate can change on the due date of your 60th monthly payment and the interest rate can change every 12 months thereafter. We call each date on which the interest rate can change a "Change Date". Your interest rate can be adjusted on each Change Date to a new interest rate equal to the Index figure available 45 days prior to the Change Date plus the Margin (with the result rounded to the nearest 1/8th of 1 percent), except to the extent the adjustment is limited by the Rate Change Cap or the Maximum Lifetime Rate Cap.

2. Rate Caps
   Your interest rate cannot increase or decrease by more than 2% on each Change Date (the "Rate Change Cap").

3. Maximum and Minimum Rate
   Your interest rate over the term of your loan will never exceed the amount of your Initial Interest Rate plus the "Maximum Lifetime Rate Cap," which is 6 percentage points. The sum of your Initial Interest Rate and the Maximum Lifetime Rate Cap is called the Maximum Rate. For example, with your Maximum Lifetime Rate Cap at 6 percentage points and your Initial Interest Rate at 8%, your interest rate over the term of your loan will never exceed 14%. Your interest rate over the term of the loan will never be lower than the Margin specified on the loan.

How Your Payment Can Change:

1. Initial Period Payments
   During the Initial Period your payments will be interest only. This means that your monthly payment will be less during the Initial Period than for the remainder of the loan. After the Initial Period, your payments can change monthly and will consist of principal and interest. If you pay more than the interest amount indicated on the payment statement, there will be a principal reduction on your loan balance, and the new interest-only payment will be based on the remaining loan balance.

2. You will be notified at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

3. You will be notified at least 60 days, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
How To Convert Your ARM to a Fixed-Rate Loan:

1. **Conversion Period**
   You may choose to convert your ARM to a fixed-rate loan at any time during the period beginning with the first Change Date and ending on the fifth Change Date.

2. **Conditions for Exercising the Conversion Option**
   Your right to convert is subject to the following:
   a. You must notify us in advance that you wish to convert;
   b. You must not be in default under the terms of your loan;
   c. You must pay us the applicable conversion fee; and
   d. You must execute the documents we require to effect the conversion.

3. **Conversion Interest Rate**
   If you convert your ARM to a fixed-rate loan, the new fixed interest rate will be equal to:
   a. Fannie Mae’s required net yield for 30-year fixed-rate first mortgages covered by applicable 60-day mandatory commitments, plus an amount not to exceed two and one-eighth percentage points (2.125%), rounded to the nearest one-eighth of one percentage point (0.125%).
   b. The conversion interest rate will be subject to the Maximum Rate for your loan.

4. **Effects of Conversion**
   If you convert your ARM to a fixed-rate loan:
   a. Your new monthly payment will be the amount necessary to fully repay the outstanding principal balance of your loan at the new interest rate in substantially equal payments by the maturity date of the loan.
   b. Your new monthly payment will be higher than the monthly payment in effect prior to conversion if the new fixed interest rate is higher than the variable interest rate in effect prior to conversion.
   c. Your loan will no longer be assumable.

**Assumability**
This ARM is not assumable during the first 60 monthly payments (the "Initial Period"). When your interest rate starts to adjust annually (after the "Initial Period"), your loan will become assumable unless you choose to convert to a fixed-rate loan at which time your loan will not be assumable.

**Terms**
The ARM Program described is for loans which are fully amortizing with no payment caps and no negative amortization. This ARM Program is available with a term of either 30 or 40 years.

**Example with Discounted Interest Rate**

30 Year Loan Term. For example, on a $10,000 30-year loan with an Initial Interest Rate of 3.750% in effect January, 2018, the maximum amount that the interest rate can rise under this program is 6 percentage points, to 9.750%, and the monthly payment can rise from a first monthly payment of $31.25 (which is interest only) to a maximum of $87.99 (which includes both principal and interest) as soon as the 85th monthly payment.

To see what your payments would be, 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: $60,000 divided by $10,000 = 6; 6 x $31.25 [using the interest rate in the example above] = $187.50 per month.)

40 Year Loan Term. For example, on a $10,000 40-year loan with an Initial Interest Rate of 3.875% in effect January, 2018, the maximum amount that the interest rate can rise under this program is 6 percentage points, to 9.875%, and the monthly payment can rise from a first monthly payment of $32.29 (which is interest only) to a maximum of $84.35 (which includes both principal and interest) as soon as the 85th monthly payment.

To see what your payments would be, 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: $60,000 divided by $10,000 = 6; 6 x $32.29 [using the interest rate in the example above] = $193.74 per month.)