Ten/One-Year Adjustable Rate Mortgage - 10 Year Interest Only Loan Information Statement With Low Down Payment Fee

(Please Read Carefully)

PLEASE NOTE: This information statement is only intended to give you a general description of the Adjustable Rate Mortgage (ARM) you are considering. This is not a contract document and should not be used to interpret any provisions of your Note or Deed of Trust or Mortgage (the Security Instrument). You will be bound by the provisions of your Note and Security Instrument and should become familiar with and understand these documents before signing them. If there is any conflict between this information statement and your Note and Security Instrument, your obligations will be established by your Note and Security Instrument. You have the right to seek legal advice before signing the loan documents. Information about other ARM programs we offer is available upon request.

SUMMARY OF PRODUCT

The "Ten/One-Year Adjustable Rate Mortgage **-** 10 Year Interest Only" with Low Down Payment Fee is a loan where the interest rate remains fixed for ten years. After the first ten years, your interest rate will adjust every year.

During the first ten years, you will make monthly payments of interest only based on the outstanding balance of the mortgage. While you are not required to make additional payments towards the principal of the loan during the first ten years you may, at your discretion, do so. If you pay additional principal payments, this will reduce your outstanding balance and you will pay less interest over the life of the loan. If you choose not to make payments toward the principal you will not reduce your principal balance during the first ten years of the loan. Starting in the 11th year of the loan, you will make monthly payments of principal and interest in the amount sufficient to completely repay the unpaid principal balance, at the current interest rate, by the end of the 30 year term.

In addition, you will pay a Low Down Payment Fee each month in lieu of paying premiums for private mortgage insurance, which Lender would otherwise require. The Low Down Payment Fee will be added to the amount of your monthly payment. Ask us about our current Low Down Payment Fees. Lender agrees to eliminate the Low Down Payment Fee under certain circumstances as described in the Low Down Payment Fee section below.

INITIAL INTEREST RATE

Your Initial Interest Rate for the first ten years of the loan is established prior to closing at the time of rate lock. Your Initial Interest Rate is not based on the Index used to make later adjustments. Your Initial Interest Rate may reflect a discount or premium. Please ask us about our current Initial Interest Rate and our current interest rate discount or premium.

INITIAL PAYMENTS OF INTEREST ONLY

Your first 120 monthly payments will consist of interest on the unpaid balance, plus the Low Down Payment Fee and any other payments required for taxes and insurance. You will not reduce the principal balance during the first ten years of the loan.

HOW YOUR INTEREST RATE CAN CHANGE

Your Initial Interest Rate will remain in effect for ten years. Thereafter, your interest rate may change on the date specified in your Note and every year thereafter. Each date on which the interest rate could change is called a "Change Date."

LIBOR INDEX

Adjustments to the interest rate will be based on an Index plus our margin. The Index is the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market (LIBOR) as published in *The Wall Street Journal*. To compute adjustments to the interest rate, Noteholder will use the most recent Index figure available as of 45 days prior to the Change Date. This Index is called the "Current Index." The margin is the percentage stated in your Note.

If the Index is no longer available, the Noteholder will choose a new index that is based upon comparable information.

CALCULATION OF INTEREST RATE CHANGES

Prior to each Change Date, Noteholder will calculate the new interest rate by adding the margin to the Current Index and rounding the result of the addition to the nearest one-eighth of one percent (0.125%). Subject to the limits stated below, this rounded amount will be the new interest rate until the next Change Date.

Ask us about the Current Index and the margins.

LOW DOWN PAYMENT FEE

The Low Down Payment Fee you are charged each month will be cancelled if certain conditions are satisfied with respect to the value of your property as compared with the loan amount. The cancellation will occur on the earlier of the First Cancellation Date, the Second Cancellation Date or the Termination Date, provided that the conditions stated in the Note and summarized below are satisfied. The First Cancellation Date is the earlier of the date after which the mortgage balance is first scheduled to reach 80 percent of the original property value under the original amortization schedule or the mortgage balance actually reaches 80 percent of the original property value, in each case calculated by using the original property value used by the Lender in approving your loan. Once that occurs, you must request cancellation in writing, you must have demonstrated a good payment history, and the current value of your property must be at least as high as the original property value. The Borrower will have demonstrated a good payment history if Borrower has had neither (1) a payment thirty (30) days or more past due in the twelve (12) months preceding the payment due date immediately prior to the First Cancellation Date, nor (2) a payment sixty (60) days or more past due in the twenty-four (24) months preceding the payment due date immediately prior to the First Cancellation Date. If Borrower has had the mortgage loan for less than twenty-four (24) months, this payment history requirement will be based on the length of time Borrower has had the mortgage loan. If you do not qualify under the First Cancellation Date, then you can still qualify under the Second Cancellation Date. The Second Cancellation Date is the earlier of the date that the mortgage balance has been paid down to 75 percent of the current property value, if it is within two to five years after the date of your Note, or 80 percent of the current property value, if it is more than five years after the date of your Note. Once that occurs, you must request cancellation, the property value must be verified by an appraisal at your expense, you must have at least a 24 month payment history, and you must have a good payment history. Even if you do not qualify under the First or Second Cancellation Date, you can still qualify for a cancellation on the Termination Date. This is the earlier of the date that your mortgage balance is first scheduled to reach 78 percent of the original value of the property or the first day of the month after the date that is the midpoint of the original amortization period of your Note. You also must be current on all your payments due under the Note and other loan documents and must not otherwise be in default of any of the provisions of your loan documents.

If and when the conditions for a cancellation are satisfied, your monthly payment will be reduced by the amount of the Low Down Payment Fee.

If the cancellation occurs on a Change Date, the reduction in your monthly payment resulting from the cancellation may be offset by an increase in the interest rate and monthly payment that is otherwise required on and following the Change Date.

INTEREST RATE CHANGE LIMITS (CAPS AND FLOORS)

After ten years, the interest rate can increase to no more than five percentage points (5.00%) above the Initial Interest Rate or decrease to no less than five percentage points (5.00%) below the Initial Interest Rate.

Thereafter, the interest rate established as of any given Change Date cannot be increased or decreased more than two percentage points (2.00%) from the interest rate in effect immediately preceding such Change Date. The interest rate on your loan cannot increase or decrease in the aggregate over the full 30 year term of your loan by more than five percentage points (5.00%) above or below the Initial Interest Rate set forth in your Note. The interest rate will never go below your margin. This is known as the "Floor."

HOW YOUR MONTHLY PAYMENT CAN CHANGE

- Your monthly payment can change after ten years and every year thereafter based on the change to the interest rate.
- After ten years, your monthly payment will also change because you will be required to make monthly payments of both principal and interest in an amount sufficient to fully amortize the unpaid principal, at the new interest rate, over the remaining term of the loan.
- Your monthly payment will continue to change every year based on the interest rate and the unpaid balance at that time.
- Your monthly payment will be modified if your Low Down Payment Fee is cancelled as described in the Low Down Payment Fee section above.

Changes in the monthly payment will occur one month following the interest rate change. Your monthly payment could increase or decrease substantially depending on changes to the interest rate.

EXAMPLE: On a $10,000, 30 year loan with an Initial Interest Rate of 6.96 percent (the rate in January 2007), the interest rate could increase to the maximum interest rate of 11.96 percent after the tenth year. The payments on the loan could increase from a monthly payment (of interest only) in the amount of $58 to a maximum payment (of principal and interest) of $109.83 after the tenth year.

Term (yrs.)	Initial interest rate	Maximum interest rate	First-year monthly payment	Maximum monthly payment	When maximum interest rate is reached
30	6.96%	11.96%	$58	$109.83	Eleventh year

The above example is based on the following assumptions:

Payment Adjustment:	Annually after remaining fixed for 10-years Payment adjusts to full P&I beginning with the 11th year
Interest Rate Adjustment:	Annually after remaining fixed for 10-years
Index Value:	5.34%
Margin:	2.25%
Interest Rate Discount:	.63%
Caps:	
Periodic:	2.000
Lifetime:	5.000

To see what your payments might be for a mortgage of a larger amount, divide your mortgage amount by $10,000; then multiply the monthly payment by that amount. For example, the initial monthly interest only payment on a $400,000, 30 year mortgage at an initial rate of 6.96 percent would be $400,000 divided by $10,000 = 40; 40 x $58 = $2,320 per month. The maximum payment for this loan would be $400,000 divided by $10,000 = 40; 40 x $109.83 = $4,393.20 per month in the 11th year.

Term (yrs.)	Initial interest rate	Maximum interest rate	First-year monthly payment	Maximum monthly payment	When maximum interest rate is reached
30	6.96%	11.96%	$2,320	$4,393.20	Eleventh year

The above example is based on the following assumptions:

Payment Adjustment:	Annually after remaining fixed for 10-years Payment adjusts to full P&I beginning with the 11th year
Interest Rate Adjustment:	Annually after remaining fixed for 10-years
Index Value:	5.34%
Margin:	2.25%
Interest Rate Discount:	.63%
Caps:	
Periodic:	2.000
Lifetime:	5.000

NOTICE OF CHANGES

You will be sent a notice that your interest rate and monthly payment will be adjusted at least 25 calendar days but no more than 120 calendar days before each Change Date. The notice will contain the following information: (a) your new interest rate; (b) your new payment amount; (c) loan balance; (d) the date the new interest rate and new payment amount will become effective; (e) the title and telephone number of a person who will answer any questions you may have regarding the notice and; (f) any other information required by law to be given.

This summary of the "Ten/One-Year Adjustable Rate Mortgage - 10 Year Interest Only" is for informational purposes only. It is not a loan commitment. Specific information regarding your loan will be contained in the loan documents.

I certify that I have received this information along with the Consumer Handbook on Adjustable Rate Mortgages and the Interest-Only and Reduced Documentation Mortgages disclosure, if applicable.