



# ADJUSTABLE RATE MORTGAGE LOAN INFORMATION STATEMENT

## THREE/ONE-YEAR - 10-YEAR INTEREST ONLY

(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 “Three/One-Year Adjustable Rate Mortgage - 10-Year Interest Only” is a loan where the interest rate remains fixed for three years. After the first three 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 toward 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.

### INITIAL INTEREST RATE

Your Initial Interest Rate for the first three 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 PAYMENT OF INTEREST ONLY

Your first 120 monthly payments will consist of interest on the unpaid principal balance (plus additional payments required for tax and insurance payments as appropriate). 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 three 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.”

Rev. 03/08/2014

Loan origination organization  
NMLS ID



## 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, we 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, we will choose a new index that is based upon comparable information.

## CALCULATION OF INTEREST RATE CHANGES

Prior to each Change Date, we will calculate the new interest rate by adding the margin to the Current Index and rounding the result of this 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 our current interest rate and margin.

## INTEREST RATE CHANGE LIMITS (CAPS AND FLOORS)

After three years, the interest rate can increase two percentage points (2.000%) above the Initial Interest Rate or decrease two percentage points (2.000%) 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 (2.000%) 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 six percentage points (6.000%) above or below the Initial Interest Rate set forth in your Note. The interest rate will never go below the margin set forth in your Note. This is known as the "Floor."

## HOW YOUR MONTHLY PAYMENT CAN CHANGE

- ▶ Your monthly payment can change after three years and every year thereafter based on the change to the interest rate.
- ▶ After the tenth year, 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.

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 \$10,000.00, 30-year loan with an Initial Interest Rate of 2.375 percent (the rate in January 2014), the interest rate could increase to the maximum interest rate of 8.375 percent after the fifth year. The payments on the loan could increase from a monthly payment (of interest only) in the amount of \$19.79 to a maximum payment (interest only) of \$69.79 after the fifth year. The maximum (principal and interest) payment of \$86.00 could be reached in the 11th year of the loan.

To see what your payments might be for a mortgage of a larger amount, divide your mortgage amount by \$10,000.00; then multiply the monthly payment by that amount. For example, the monthly interest-only payment on a \$400,000.00, 30-year mortgage at an initial rate of 2.375 percent would be \$400,000.00 divided by \$10,000.00 = 40; 40 x \$19.79 = \$791.60 per month. The monthly interest-only payment on a \$400,000.00, 30-year mortgage at an interest rate of 8.375 percent would be \$400,000.00 divided by \$10,000.00 = 40; 40 x \$69.79 = \$2,791.60 per month. The maximum principal and interest payment for this loan would be \$400,000.00 divided by \$10,000.00 = 40; 40 x \$86.00 = \$3,440.00 per month in the 11th year.



## NOTICE OF CHANGES

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. If the notice we provide is an estimate because the actual new interest rate and payment amount is not known at that time, we will provide you with another notice with the actual new interest rate and new payment amount between two and four months before the first payment at the adjusted level is due. For **subsequent** interest rate adjustments you will be notified at least 60, 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.



PLEASE SIGN HERE

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Date

**Provided by:**

**Address:**

**Date:**

