

# ADJUSTABLE RATE MORTGAGE LOAN INFORMATION STATEMENT

## THREE-YEAR/ONE-YEAR

(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-Year/One-Year ARM” is a 30-year loan with annual adjustments to the interest rate and monthly payment based upon fluctuations in an Index (as defined below) after the initial three-year term. This means that after three years your interest rate and payment may change. The monthly payment is adjusted along with the interest rate to provide positive amortization so that the loan will be completely repaid over the 30-year term. The interest rate will adjust on the Change Dates (as defined below). The interest rate will equal the Index Rate plus a margin unless your interest rate “caps” limit the amount of change in the interest rate.

### 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 interest rate discount or premium.

### INITIAL PAYMENT

Your total monthly payment for the first three years of the loan is established by determining the amount it will take to repay the original principal balance and interest over the term of the loan in substantially equal payments at the Initial Rate plus additional payments required for tax and insurance escrows, as appropriate. The term of your loan is 30 years.

### 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 annually thereafter on each one-year anniversary.

Each date on which the interest rate could change is called a “Change Date.”

Rev.03/07/2015

Loan origination organization  
NMLS ID

## 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)

The interest rate can increase the full two percentage points (2.000%) above the Initial Interest Rate set forth in your Note after three years.

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

## EXAMPLE

On a \$10,000.00 loan originated at 3.750 percent (the rate in January 2015), the interest rate could increase to a maximum of 9.750 percent after the fifth year. The principal and interest payment on this loan could rise from an initial payment of \$46.31 to a maximum payment of \$81.65 after the fifth year.

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 payment on a \$400,000.00, 30-year mortgage at an initial rate of 3.750 percent would be:  $\$400,000.00 \div \$10,000.00 = 40$ ;  $40 \times \$46.31 = \$1,852.40$  per month. The maximum payment for this loan would be  $\$400,000.00 \div \$10,000.00 = 40$ ;  $40 \times \$81.65 = \$3,266.00$  per month after the fifth 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.

This summary of the "Three-Year/One-Year ARM" loan 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.



PLEASE SIGN HERE

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Date

**Provided by:**

**Address:**

**Date:**