

## **Ten-Year/One-Year Conforming and Jumbo Adjustable Rate Mortgage Loan Information Statement**

**(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-Year/One-Year ARM" is a 30 year loan with annual adjustments to the interest rate and monthly payments based upon fluctuations in an Index (as defined below) after the initial ten year term. This means that, after ten 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 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 interest rate discount or premium.

### **INITIAL PAYMENT**

Your total monthly payment for the first ten 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 ten 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."

### **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 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 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 rate can increase the full five percentage points (5.00%) above the Initial Interest Rate or decrease five percentage points (5.00%) below the Initial Interest Rate set forth in your Note after ten years. 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 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 ten 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. The monthly payment on your loan could increase or decrease substantially based on the change to the interest rate.

**EXAMPLE:** On a \$10,000, 30 year loan with an Initial Interest Rate of 6.625 percent (the rate in January 2009), the interest rate could increase to a maximum of 11.625 percent after the tenth year. The principal and interest payment on this loan could rise from an initial payment of \$64.03 to a maximum payment of \$91.43 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	6.625%	11.625%	\$64.03	\$91.43	After the tenth year

The above example is based on the following assumptions:

Payment Adjustment:	Annually after remaining fixed for 10-years
Interest Rate Adjustment:	Annually after remaining fixed for 10-years
Index Value:	2.024%
Margin:	2.25%
Interest Rate Discount:	2.351%
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 monthly payment on a \$400,000, 30 year mortgage at an initial rate of 6.625 percent would be: \$400,000 divided by \$10,000 = 40; 40 x \$64.03 = \$2,561.20 per month. The maximum payment for this loan would be \$400,000 divided by \$10,000 = 40; 40 x \$91.43 = \$3,657.20 per month 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	6.625%	11.625%	\$2,561.20	\$3,657.20	After the tenth year

The above example is based on the following assumptions:

Payment Adjustment:	Annually after remaining fixed for 10-years
Interest Rate Adjustment:	Annually after remaining fixed for 10-years
Index Value:	2.024%
Margin:	2.25%
Interest Rate Discount:	2.351%
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-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.