

THREE/ONE 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.

The "Three/One 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. Ask us for the current interest rates and margins on our ARM loans.

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 the 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."

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."

If the Index is no longer available, the Note Holder 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 up to the nearest one-eighth of one percent (0.125%). Subject to the limits stated below, this rounded amount will be the new interest until the next Change Date.

INTEREST RATE CHANGE LIMITS (CAPS AND FLOORS)

The 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 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.

The monthly payment on your loan could increase or decrease substantially based on the change to the interest rate. For example, on a \$10,000 loan originated at 4.375% (the rate in January 2004) the interest rate could increase to a maximum of 10.375% after the fifth year. The principal and interest payment on this loan could rise from an initial payment of \$49.93 to a maximum payment of \$86.43 in the sixth year.

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 \$175,000 30 year mortgage at an initial rate of 4.375% would be: \$175,000 divided by \$10,000 = 17.5; $17.5 \times \$49.93 = \873.78 per month. The maximum payment for this loan would be \$175,000 divided by \$10,000 = 17.5; $17.5 \times \$86.43 = \$1,512.53$ per month in the sixth year.

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 Three/One 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.

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