Date:

5/1, 7/1, and 10/1 LIBOR - INTEREST ONLY ADJUSTABLE RATE LOAN DISCLOSURE

The information contained in this ARM disclosure relates to:

Applicant's Name:

Property Address: Loan Amount:

LENDER:

THIS DISCLOSURE DESCRIBES THE FEATURES OF THE ADJUSTABLE RATE MORTGAGE ("ARM") LOAN PROGRAM WITH AN INITIAL INTEREST ONLY PAYMENT PERIOD. DISCLOSURES ON OTHER ARM PROGRAMS OFFERED BY LENDER ARE AVAILABLE UPON REQUEST.

A Consumer Handbook is also provided to you by Lender. It provides you with additional information about Adjustable Rate Mortgages.

This disclosure statement is not a contract and does not constitute a commitment on the part of Lender to make a loan to you.

I. INTEREST RATE

A. How Your Interest Rate Is Determined

Your interest rate will be based on the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London Interbank Market "LIBOR" (the "Index") plus an amount called a "Margin". Ask us for our current Margin and interest rate. Information about the Index is published in *The Wall Street Journal*. The Index and Margin will be specified in the promissory note (the "Note") which evidences your ARM loan. If at some point in the future this Index is no longer available, the Lender will use an alternative Index that is based on information the Lender believes to be comparable. The interest rate you will pay until the first Rate Change Date is called the Initial Interest Rate.

B. How Your Interest Rate Can Change

Your interest rate is subject to change and can be adjusted up or down, based on movements, if any, in your Index. The date each year on which your interest rate can be adjusted is called a "Rate Change Date" Your first Rate Change Date will occur on:

5/1: the first day of the 61st full month after your loan closing
7/1: the first day of the 85th full month after your loan closing
10/1: the first day of the 121st full month after your loan closing

Subsequent Rate Change Dates will occur on the first day of every 12th calendar month thereafter.

Forty-five (45) days before each Rate Change Date, your new interest rate will be determined by adding the Margin to the then-current Index. This sum will be rounded to the nearest 1/8 of 1%. At the first Rate Change date, your Initial Interest Rate will be adjusted to reflect your new interest rate, subject to the following interest rate caps.

1. **Interest Rate Caps:** Your interest rate cannot increase or decrease by more than five percentage points (5.0%) on the First Rate Change Date and will not increase or decrease by more than two percentage points (2.0%) at any subsequent Rate Change Date. In addition, your interest rate over the life of the loan cannot increase by more than five percentage points (5.0%) over your Initial Interest Rate and cannot decrease below the margin.

2. **Premiums and Discounts:** Depending on market conditions at the time you lock your Initial Interest Rate, as well as the point option you select, your Initial Interest Rate may not be based on the index used to make later adjustments. Instead, your Initial Interest Rate may have a discount or premium. A "premium" occurs when the Initial Interest Rate is more than the sum of the Index plus Margin. A "discount" occurs when the Initial Interest Rate is less than the sum of the Index plus Margin. Your Interest Rate may not move in the same direction as the Index. For example, if your loan has a premium, your Interest Rate may decline on the First Rate Change Date even if the index remains the same or increases. If you choose a rate lock option that provides for a floating rate, your Initial Interest Rate at closing may be different from the interest rate in effect at the time you apply for your loan . The amount of the premium or discount may change as a result. ***Ask us whether our current interest rate has a discount or premium and if so, the amount of the discount or premium.***

II. PAYMENT

A. How Your Initial Interest-Only Monthly Payment Is Determined

5/1: Your first 60 payments will be based on the interest rate and loan balance. Payments will be calculated to pay only the accruing monthly interest at the Initial Interest Rate and outstanding loan balance.

7/1: Your first 84 payments will be based on the interest rate and loan balance. Payments will be calculated to pay only the accruing monthly interest at the Initial Interest Rate and outstanding loan balance.

10/1: Your first 120 payments will be based on the interest rate and loan balance. Payments will be calculated to pay only the accruing monthly interest at the Initial Interest Rate and outstanding loan balance.

B. How Your Monthly Payment Can Change

Depending on whether you selected the 5/1, 7/1 or 10/1 product, starting with your 61st, 85th or 121st payment, your monthly loan payment will consist of principal and interest and can increase or decrease substantially every twelve months based on changes in the interest rate. Your monthly payment amount is subject to change and will be changed to an amount that will fully pay the accruing monthly interest and reduce the principal so as to pay off the outstanding loan balance by the end of the loan term in equal monthly installments at the then-applicable interest rate. Your new payment amount will be due on the first monthly payment date after a Rate Change Date.

The following examples are based on a $10,000 loan with a 30 Year Term and an initial interest rate that we've used in April 2004. ***Ask us whether our current interest rate has a discount or premium and if so, the amount of the premium or discount.***

5/1 Example at Premium Interest Rate: For a loan with an initial interest rate of 4.50%, the maximum amount the interest rate can rise under this program is 5 percentage points to 9.50 percent, and the monthly payment can rise from an **interest only payment** of $37.50 for the first 5 years to a **maximum principal and interest payment** of $87.37 in the 6th year. To see what your interest only payment would be, divide your mortgage amount by $10,000; then multiply the interest only payment by that amount. (For example, the monthly interest only payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $37.50 = $225.00 per month). To see what your maximum principal and interest payment would be, divide your mortgage amount by $10,000; then multiply the maximum principal and interest payment by that amount. (For example, the maximum principal and interest payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $87.37 = $524.22 per month).

5/1 Example at Discounted Interest Rate: For a loan with an initial interest rate of 3.75%, the maximum amount the interest rate can rise under this program is 5 percentage points to 8.75 percent, and the monthly payment can rise from an **interest only payment** of $31.25 for the first 5 years to a **maximum principal and interest payment** of $82.21 in the 6th year. To see what your interest only payment would be, divide your mortgage amount by $10,000; then multiply the interest only payment by that amount. (For example, the monthly interest only payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $31.25 = $187.50 per month). To see what your maximum principal and interest payment would be, divide your mortgage amount by $10,000; then multiply the maximum principal and interest payment by that amount (For example, the maximum principal and interest payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $82.21 = $493.26 per month).

7/1 Example at Premium Interest Rate: For a loan with an initial interest rate of 4.875%, the maximum amount the interest rate can rise under this program is 5 percentage points to 9.875 percent, and the monthly payment can rise from an **interest only payment** of $40.63 for the first 7 years to a **maximum principal and interest payment** of $91.86 in the 8th year. To see what your interest only payment would be, divide your mortgage amount by $10,000; then multiply the interest only payment by that amount. (For example, the monthly interest only payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $40.63 = $243.78 per month). To see what your maximum principal and interest payment would be, divide your mortgage amount by $10,000; then multiply the maximum principal and interest payment by that amount. (For example, the maximum principal and interest payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $91.86 = $551.16 per month).

7/1 Example at Discounted Interest Rate: For a loan with an initial interest rate of 3.75%, the maximum amount the interest rate can rise under this program is 5 percentage points to 8.75 percent, and the monthly payment can rise from an **interest only payment** of $31.25 for the first 7 years to a **maximum principal and interest payment** of $84.26 in the 8th year. To see what your interest only payment would be, divide your mortgage amount by $10,000; then multiply the interest only payment by that amount. (For example, the monthly interest only payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $31.25 = $187.50 per month). To see what your maximum principal and interest payment would be, divide your mortgage amount by $10,000; then multiply the maximum principal and interest payment by that amount. (For example, the maximum principal and interest payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $84.26 = $505.56 per month).

10/1 Example at Premium Interest Rate: For a loan with an initial interest rate of 5.375%, the maximum amount the interest rate can rise under this program is 5 percentage points to 10.375 percent, and the monthly payment can rise from an **interest only payment** of $44.79 for the first 10 years to a **maximum principal and interest payment** of $99.00 in the 11th year. To see what your interest only payment would be, divide your mortgage amount by $10,000; then multiply the interest only payment by that amount. (For example, the monthly interest only payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $44.79 = $268.74 per month). To see what your maximum principal and interest payment would be, divide your mortgage amount by $10,000; then multiply the maximum principal and interest payment by that amount. (For example, the maximum principal and interest payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $99.00 = $594.00 per month).

10/1 Example at Discounted Interest Rate: For a loan with an initial interest rate of 3.75%, the maximum amount the interest rate can rise under this program is 5 percentage points to 8.75 percent, and the monthly payment can rise from an **interest only payment** of $31.25 for the first 10 years to a **maximum principal and interest payment** of $88.37 in the 11th year. To see what your interest only payment would be, divide your mortgage amount by $10,000; then multiply the interest only payment by that amount. (For example, the monthly interest only payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $31.25 = $187.50 per month) To see what your maximum principal and interest payment would be, divide your mortgage amount by $10,000; then multiply the maximum principal and interest payment by that amount. (For example, the maximum principal and interest payment for a mortgage amount of $60,000 would be: $60,000 ÷ $10,000 = 6, 6 x $88.37 = $530.22 per month).

You will be notified in writing at least 25 but not more than 120 calendar days before each payment adjustment will be made. This notice will contain information about your Index, interest rate, payment amount, loan balance, and the date on which your first payment is due at the new amount.

APPLICANT ACKNOWLEDGEMENTS

You acknowledge that you must qualify for the proposed loan. Should you not qualify, your loan will not be approved to close.

You and Lender become bound to the terms of the Note and Security Instrument upon signing these documents. Although either party subsequently may request modification of the contract, neither party is bound to agree to such a request. Since the Note and Security Instrument establish your rights, you should understand and become familiar with the provisions of these documents.

After having read the contents of the above ARM Disclosure, you acknowledge receipt of a copy of this ARM Disclosure and further acknowledge that this ARM Disclosure was completed in full prior to its receipt. You also acknowledge receipt of the Consumer Handbook on Adjustable Rate Mortgages.

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