

# ADJUSTABLE RATE MORTGAGE LOAN INFORMATION STATEMENT

## FIVE-YEAR/ONE-YEAR CONFORMING AND JUMBO

(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.

### FHA FIVE-YEAR/ONE-YEAR ARM SUMMARY OF PRODUCT

The "Five-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 period of an approximate five-year term (60 to 66 months based on the date of your loan closing). This means that after approximately five-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 60 to 66 months of your loan, depending on your first payment date, 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 60 to 66 months of your loan, depending on your first payment date, 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 a minimum of 60 monthly payments, and a maximum of 66 monthly payments, depending on your first payment due date. 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 weekly average of United States Treasury Securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board. Information about the index is published in *The Wall Street Journal*. To compute adjustments to the interest rate, we will use the most recent Index figure available as of 30 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 CHANGES (CAPS AND FLOORS)

The interest rate can increase the full one percentage point (1.000%) above the Initial Interest Rate set forth in your Note after five years. Thereafter, the interest rate established as of any given Change Date cannot be increased or decreased more than one percentage point (1.000%) 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 five percentage points (5.000%) 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 five 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, 30-year loan with an Initial Interest Rate of 4.000 percent (the rate in January 2011), the interest rate could increase to a maximum of 9.000 percent after the ninth year. The principal and interest payment on this loan could rise from an initial payment of \$47.74 to a maximum payment of \$74.15 after the ninth 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 4.000 percent would be: \$400,000.00 divided by \$10,000.00 = 40; 40 x \$47.74 = \$1,909.60 per month. The maximum payment for this loan would be \$400,000.00 divided by \$10,000.00 = 40; 40 x \$74.15 = \$2,966.00 after the ninth 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 "Five-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.



	Date
	Date
	Date
	Date

