

3/1 ARM LOAN PROGRAM DISCLOSURE (1% / 5% Caps)

Lender: _____

This adjustable rate mortgage program disclosure describes the features of the adjustable rate mortgage (ARM) program you are considering. The interest rate and payment amount of your loan are subject to change. The loan will have a term of 30 years. Information on other ARM programs is available upon request.

No changes in interest rate or monthly principal and interest payments during the first 3 years.

How Your Interest Rate is Determined

- Your initial interest rate has discounted and is not based on the index and margin used to make later adjustments. Ask us about our current interest rate and the amount of any Premium or Discount.
- At the first, and subsequent, Change Date(s), your interest rate will be based on the sum of the index plus our margin, rounded to the nearest one-eighth of one percent (.125%), unless "caps" limit the amount of change in the interest rate. The most recent Index figure available 45 days before each Change Date is called the "Current Index". Ask us for the most current interest rate, index and margin.
- The index is the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year, as published in the Federal Reserve Board's Statistical Release H.15 (519), available at <http://www.federalreserve.gov/releases/h15/>. If the index is no longer available, we may choose a new index that is based on comparable information. You will be given notice of any change of index.

Changes in Your Interest Rate

- Your interest rate can change yearly, beginning with the first Change Date (36th payment).
- Your interest rate cannot change more than 1 percentage points per year (annual cap) nor increase more than 5 percentage points over the term of the loan (lifetime cap).

Changes in Your Monthly Payment

- Your monthly payment (principal and interest) can increase or decrease substantially (after the third year) based on annual changes in the interest rate, the loan balance, and remaining loan term.
- There are no limits on the increases or decreases to your monthly payments other than limits on changes in the interest rate.
- You will be notified in writing at least 25, but no more than 120 days before the due date of a payment at a new level. This notice will contain information about the index and interest rate, payment amount, and loan balance.

"Worst Case" Example

Below is a worst case example showing the maximum interest rate and monthly payments if a \$10,000, 30 year loan was originated at the initial (discounted) interest rate of 4.500% on October 10, 2005. This example assumes that the 4.500% initial interest rate increases to the maximum interest rate of 9.500% as rapidly as possible.

The example is based on the following assumptions:

Loan amount.....	\$10,000	Caps	No interest rate or monthly payment change during initial 3 years
Term.....	30 years		1% annual interest rate
Change date.....	October 31		5% lifetime interest rate
Payment adjustment.....	annually, after 3 years	Index	Weekly average yield on 1-year US Treasury securities
Interest adjustment.....	annually, after 3 years		
Margin.....	2.750%		

Period	Index (%)	Margin (%)	Interest Rate (Rounded to nearest 1/8 of 1%)	Monthly Payment (\$)	End of Period Remaining Principal (\$)
1 st	4.080*	2.750	4.500**	50.67	9,838.66
2 nd	5.080	2.750	4.500	50.67	9,669.90
3 rd	6.080	2.750	4.500	50.67	9,493.38
4 th	7.080	2.750	5.500	56.31	9,335.86
5 th	8.080	2.750	6.500	62.08	9,193.54
6 th	9.080	2.750	7.500	67.94	9,063.37
7 th	10.080	2.750	8.500	73.87	8,942.68
8 th	11.080	2.750	9.500***	79.86	8,829.05

*Index as of 10/07/2005

**Initial interest rate discounted and payment fixed for the first 3 years.

***5% Lifetime cap attained

To calculate what your monthly payments would have been during this period, divide the amount of your mortgage by \$10,000, then multiply the monthly payment shown above by that amount.

The below signed borrower(s) acknowledge that they have received a copy of the 3/1 Adjustable Rate Mortgage loan program disclosure and the handbook entitled "Consumer Handbook on Adjustable Rate Mortgages" prior to submitting an ARM loan application or payment of any non-refundable fee.

Borrower's Signature

Date

Co-Borrower's Signature

Date