

## ADJUSTABLE RATE MORTGAGE (ARM) DISCLOSURE

This disclosure describes the features of the Adjustable Rate Mortgage ("ARM") program you are considering. Information on other ARM programs is available upon request from your lender ("Lender").

An adjustable rate mortgage means that your interest rate and payment amount can change.

### **HOW YOUR INITIAL INTEREST RATE AND INITIAL PAYMENT ARE DETERMINED**

Your initial interest rate may not be based on the index described below which is used to make later adjustments; your initial rate may include a discount or premium based on market conditions at the time the loan is made. Ask for the current interest rate discount or premium.

Your initial payment will be based on the initial interest rate, original loan balance, and a 30-year loan term.

### **HOW YOUR INTEREST RATE AND PAYMENTS ARE DETERMINED**

The interest rate will be based on the index plus a margin, rounded to the nearest 0.125%. Ask for the current interest rate and margin.

The index is the average of Interbank offered rates for one-year U.S. dollar-denominated deposits in the London market ("LIBOR"). The LIBOR is published in The Wall Street Journal. The Lender may also use other index's depending on the loan program, such as the 1-Year Treasury, etc.

Your interest rate will equal the index rate plus the margin, rounded to the nearest 0.125%, unless your interest rate "caps" limit the amount of change in the interest rate.

Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.

### **HOW YOUR INTEREST RATE AND MONTHLY PAYMENT CAN CHANGE**

Your interest rate is fixed for the first few months' (for example; 60 months), after which your interest rate can change every 12 months.

Your interest rate cannot increase or decrease by more than 2.00 percentage points at each adjustment.

Your interest rate cannot increase by more than 5.00 percentage points over the term of the loan, or other percentage depending on the loan program.

Your interest rate will never be less than the margin.

After the first 60 payments (for example), your payment can change every 12 months. Your monthly payment may increase or decrease substantially based on changes in the interest rate.

**NOTICE OF INTEREST RATE AND PAYMENT AMOUNT CHANGES**

You will be notified in writing at least 25 days but not more than 120 days before the payment adjustment may be made. Your notice will contain the following information:

- (1) The current and prior interest rates;
- (2) The index values upon which the current and prior interest rates are based;
- (3) The extent to which Lender has foregone any increase in the interest rate;
- (4) The contractual effects of the adjustment, including the payment due after the adjustment is made and a statement of the loan balance;
- (5) The payment, if different from (4) above, that would be required to fully amortize the loan at the new interest rate over the remainder of the loan term; and
- (6) The title and telephone number of a person who will answer any questions you may have regarding the notice.

If your ARM is secured by property in **Maine**, the Lender is required to give you this Notice:  
YOU HAVE THE RIGHT TO REPAY THE LOAN AT ANY TIME WITHOUT PENALTY.

**THIS STATEMENT IS INTENDED FOR REFERENCE PURPOSES ONLY. IT IS NOT A COMMITMENT. IMPORTANT INFORMATION RELATING SPECIFICALLY TO YOUR LOAN WILL BE CONTAINED IN THE LOAN AGREEMENT.**

**YOU HAVE THE RIGHT TO SEEK LEGAL ADVICE BEFORE SIGNING ANY OF THE CONTRACT DOCUMENTS.**

**EXAMPLE**

On a \$10,000, 30-year loan with an initial interest rate of 6.000% in effect in March of 2007, the maximum amount that the interest rate can increase under this program is 5.00 percentage points to 11.0000%, and the monthly payment can increase from an initial payment of \$59.96 to a maximum of \$90.59 in the 8<sup>th</sup> year.

To see what your payments would be, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount (for example, the monthly payment for a mortgage amount of \$60,000 would be: \$60,000 /\$10,000 = 6; 6 x \$59.96 = \$359.76 per month).

Receipt of a copy of this Statement and The Consumer Handbook on Adjustable Rate Mortgages is hereby acknowledged.

Date: \_\_\_\_\_

\_\_\_\_\_  
Borrower

Date: \_\_\_\_\_

\_\_\_\_\_  
Borrower