

****IMPORTANT INFORMATION ABOUT ADJUSTED RATE MORTGAGE LOAN****

GENERAL DESCRIPTION OF ADJUSTABLE RATE MORTGAGE LOAN

You are applying for an Adjustable Rate Mortgage (ARM) loan. This means that your interest rate and monthly payments may change during the life of your loan. Your monthly principal and interest payments will increase or decrease if the interest rate changes accordingly.

KEY TERMS OF YOUR LENDER'S ADJUSTABLE RATE MORTGAGE LOAN

The following is a description of basic features contained in an Adjustable Rate Mortgage loan. This description is intended for reference purposes only. Important information relating specifically to your loan will be contained in the loan contract and security instrument, which alone will establish the rights under this loan plan.

HOW YOUR ADJUSTABLE RATE MORTGAGE LOAN WILL WORK

There are four important factors in an ARM loan. They are initial interest rate, margin, index used to calculate interest rate adjustments and caps on interest rate changes.

INITIAL INTEREST RATE

This is the interest rate that you will be charged for a specific time depending on the terms of your particular loan. The date on which the interest rate changes is called the 'Change Date'.

After the initial period, the interest rate on your mortgage loan may change on the specified 'Change Date' and for the rest of the time period that you have the loan. However, you must be notified at least 25 days before you must pay any changed amount in your monthly payment. In this notice, the lender must tell you the amount of the index and how your interest rate and monthly payments will be affected.

MARGIN

The Margin is a percentage that is added to the current index to establish the interest rate on your ARM loan. The amount of the Margin will remain constant for the life of the mortgage. The higher the Margin, the more the interest rate can change. Since the Margin affects the interest rate for every 'Change Date', you should make certain that the being charged is reasonable.

INDEX

After the specified initial interest rate period, the changes in the interest rate charged on your ARM loan will be tied to a pre-disclosed fixed index (Treasure, LIBOR, COFI, MTA, etc.)

CAPS ON THE INTEREST RATE

The maximum that your interest rate can increase or decrease on the 'Change Date' and the maximum that your interest rate can increase or decrease, from the initial interest rate, during the life of the loan will be disclosed to you by your lender.

METHOD OF CALCULATING INTEREST RATE ADJUSTMENTS

On the 'Change Date', the lender will adjust the interest rate on your loan. The lender will check the most recent index value available 30 days before the 'Change Date' and add it to the pre-disclosed Margin (Index plus Margin equals the Fully Indexed Interest Rate). Unless your mortgage documents provide otherwise, the calculated interest rate will be rounded up to the nearest .125%. The newly calculated rate is compared to the existing/current rate that you have been paying and is then subject to the established Caps of your ARM loan.

1. If the newly calculated rate is less than the existing rate, your interest rate will decrease. The amount of the decrease will depend on the established Caps.
2. If the newly calculated rate is higher than the existing rate, your interest rate will increase. The amount of the increase will depend on the established Caps.
3. If the newly calculated rate is the same as the existing interest rate, the interest rate will not change.

LATE CHARGE

If the scheduled monthly payment is not received by the end of the 15th day after the date it is due, you will be required to pay a late charge to the note holder. The amount of the charge will be lesser of 5% of your overdue principal and interest payment amount or the maximum amount allowed per state law.

ESCROW/IMPOUND ACCOUNT

In addition to the monthly required principal and interest amount due, the loan documents may contain provisions that would required you to pay monthly amounts to an impound/escrow account. Each month, you may be obligated to pay an amount equal to one-twelfth (1/12) of the annual property taxes, assessments, homeowners insurance and other charges related to the property, the purpose of which is to ensure that sufficient funds will be available to pay these charges as they become due. Your impound/escrow account will be reviewed periodically. If, at any time, a surplus of funds exists, you will be entitled to a refund of that surplus amount. This refund may be used as a credit towards future regular monthly payments or sent as a check payable to you. If, upon review, the impound account has insufficient funds to meet payments due or coming due, the lender may advance funds to make those payments but will required that you cure the deficiency with a lump-sum payment or increase your monthly impound payment amount to have sufficient funds available in the future. In the case of such a deficiency, the lender will send you written notification of the deficiency including instructions on how you must cure the deficiency amount.

Failure to make these payments is a default under the terms of the loan documents and may result in the lender declaring the loan immediately due and payable in full, or in the forced sale of the property.

THE INFORMATION SUPPLIED HEREIN IS FOR COMPARISON PURPOSES ONLY AND SHALL NOT BE BINDING IN ANY WAY ON YOUR LENDER.

“THIS IS NOT A LOAN COMMITMENT”.

YOU MUST READ AND UNDERSTAND ALL OF YOUR LOAN DOCUMENTS TO UNDERSTAND THE TERMS OF YOUR LOAN.

 CPA Mortgage Services Date

 Borrower Date

 Borrower Date

 Borrower Date

 Borrower Date