

# Adjustable Rate Mortgage Disclosure

(This is Neither a Contract Nor a Commitment to Lend.)

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Lender	Borrower	Date
		Loan Number

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## Property Address:

Adjustable Rate Mortgage (ARM) Program:

This disclosure describes the features of the ARM loan you are considering. Information on other ARM programs is available upon request.

### **How Your Interest Rate and Payment are Determined**

- Your interest rate will be based on an index plus a margin.
- This ARM loan has a \_\_\_\_\_ feature, and your initial interest rate will not be based on the index used for later adjustments. Please ask about our current discount or premium amount.
- This type of ARM loan carries a provision for a change in:  the Interest Rate  the Monthly Payment  the Loan Term.
- Your payment will be based on the interest rate, loan balance and loan term.
- This loan program has an initial interest-only period in which the scheduled payments will only cover the amount of interest that has accrued. This means that during the interest-only period, your scheduled payments will not reduce the loan balance. The length of the interest-only period is \_\_\_\_\_ .  
After the interest-only period is over, you will begin to make payments that include principal as well as interest. The length of the principal-and-interest period is \_\_\_\_\_ .
- During the initial interest-only period, your monthly payment will be based on the interest rate and loan balance. During the principal-and-interest period, your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
- The index used to determine your initial interest rate and/or all adjustments is:

NOTE: If the index for your loan is no longer available, the Lender will choose a new index which is based on comparable information.

- Information about the index can be found:
- Your interest rate will be equal to
- Ask us for our current interest rate and margin.

## How Your Interest Rate Can Change

- Your interest rate can change \_\_\_\_\_, and every \_\_\_\_\_ thereafter.
  - Your interest rate cannot increase more than \_\_\_\_\_ percentage point(s) at the initial adjustment.
  - Your interest rate cannot decrease more than \_\_\_\_\_ percentage point(s) at the initial adjustment.
  - Your interest rate cannot increase more than \_\_\_\_\_ percentage point(s) at each periodic adjustment.
  - Your interest rate cannot decrease more than \_\_\_\_\_ percentage point(s) at each periodic adjustment.
  - Your interest rate cannot increase more than \_\_\_\_\_ percentage point(s) over the term of the loan.
  - Your interest rate cannot decrease more than \_\_\_\_\_ percentage point(s) over the term of the loan.
  - Your interest rate will never be greater than \_\_\_\_\_ % or less than \_\_\_\_\_ % over the term of the loan.
  - Your interest rate will be rounded off to  the nearest  next highest  next lowest \_\_\_\_\_ % at each adjustment.
- This ARM loan utilizes interest rate carryover.  
Example:

## How Your Payment Can Change

- Your \_\_\_\_\_ payment can increase or decrease substantially based on \_\_\_\_\_ changes in the interest rate.
- Your payment will not increase more than \_\_\_\_\_ percentage point(s) or \$ \_\_\_\_\_, at each adjustment.
- You will be notified at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
- You will be notified at least \_\_\_\_\_, but no more than \_\_\_\_\_, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
- Example: On a \$10,000, \_\_\_\_\_ year loan with an initial interest rate of \_\_\_\_\_ % in effect in \_\_\_\_\_, the maximum amount that the interest rate can rise under this program is \_\_\_\_\_ percentage points, to \_\_\_\_\_ %, and the \_\_\_\_\_ payment can rise from a first-year payment of \$ \_\_\_\_\_ to a maximum of \$ \_\_\_\_\_ in the \_\_\_\_\_ year.
- Example: On a \$10,000, \_\_\_\_\_ year loan with an initial interest rate of \_\_\_\_\_ %, the maximum amount that the interest rate can rise under the program is \_\_\_\_\_ percentage points to \_\_\_\_\_ %. The maximum interest rate could be reached in the \_\_\_\_\_.
- During the interest-only period, the interest-only payment can rise from a first year payment of \$ \_\_\_\_\_ to a maximum of \$ \_\_\_\_\_ in the \_\_\_\_\_ year.
- During the principal-and-interest period, the principal-and-interest payment can start as high as \$ \_\_\_\_\_ and can rise to a maximum of \$ \_\_\_\_\_ in the \_\_\_\_\_ year.
- To see what your payments would be, divide your mortgage amount by \$10,000; then multiply the \_\_\_\_\_ payment by that amount. (For example, the \_\_\_\_\_ payment for a mortgage amount of \$ \_\_\_\_\_ would be: \$ \_\_\_\_\_ ÷ \$10,000 = \_\_\_\_\_; \_\_\_\_\_ x \$ \_\_\_\_\_ = \$ \_\_\_\_\_ per \_\_\_\_\_.)

- Any increase in interest will take the form of  a larger amount due at maturity  higher payment amount or  more payments of the same amount.
- This ARM has a negative amortization feature. An increase in your interest rate will result in your loan being negatively amortized, and the following will apply:

### **Your Interest Rate Conversion Option**

- This ARM has an option for you to convert your variable interest rate to a fixed interest rate.
  - You should be aware that if you exercise this option, the interest rate may be increased from the rate you have been paying.
  - If you choose this conversion option, you may only convert if certain conditions are met. These conditions are:
    - 1.
    - 2.
    - 3.
    - 4.
  - You may only convert to a fixed interest rate on \_\_\_\_\_, and only during the following time period:
  - Your new fixed interest rate will be determined by:

### **Additional Features of Your ARM**

- Someone buying this property  cannot assume the remaining balance due under original mortgage terms  may assume, subject to lender's conditions, the remaining balance due under original mortgage terms.
- This ARM Program  does  does not have a Demand Feature.

The Demand Feature is subject to the following:
- Additional features:

I/We hereby acknowledge receipt of this ARM Disclosure and a copy of the Consumer Handbook on Adjustable Rate Mortgages on the date indicated below.

**Borrower**

\_\_\_\_\_ **Date**

\_\_\_\_\_ **Date**

\_\_\_\_\_ **Date**

\_\_\_\_\_ **Date**

Refer to the attached *Signature Addendum* for additional parties and signatures.