

**ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE
12-MONTH AVERAGE OF MONTHLY 1-YR CONSTANT MATURITY INDEX
PAYMENT-CAPPED NON-CONVERTIBLE ARM**

Date:

Loan #:

This disclosure describes the features of an Adjustable Rate Mortgage (ARM) program you are considering, which is called the "12 MAT Payment-Capped Non-Convertible ARM." The interest rate and payment of this loan may each change during the term of this loan. **THIS LOAN ALLOWS FOR NEGATIVE AMORTIZATION.** Information on other ARM programs available from the lender will be provided upon request. This disclosure is not a commitment on the part of the lender to make a loan to you.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- Your interest rate will be based on an index rate plus a Margin. Please ask us for our current interest rate and margin.
- Your initial interest rate may not be equal to an index rate plus a Margin. If the initial interest rate is below the then current index rate plus Margin (the "fully-indexed interest rate"), then the initial interest rate will be a "Discounted" interest rate. If the initial interest rate is above the then current fully-indexed interest rate, then the initial interest rate will be a "Premium" interest rate. Please ask us about the current discount or premium.
- The index rate is based on the twelve-month average of monthly yields on actively traded United States securities, adjusted to a constant maturity of one year. The index rate is calculated by adding together the monthly yields on Treasury securities of one-year constant maturity, as published in the Federal Reserve Board Statistical Release H.15, for the preceding available 12 months and dividing the result by twelve. If the index is no longer available, the lender will choose a new index based on comparable information. Since movement of the index is usually related to market conditions that cannot be predicted, it is impossible to know in advance exactly how much interest you will have to pay over the life of the loan. The index rate used in the examples below was in effect on December 1, 2006.
- When your interest rate changes, your new interest rate will equal the index rate plus our Margin unless your lifetime interest rate cap limits the amount of change in the interest rate.
- Your initial payment will be based on the starting interest rate on the loan, the loan amount and the term of the loan. Your payment is subject to change after the initial payment. How your payment can change is described in the section entitled "How Your Payment Can Change."

HOW YOUR INTEREST RATE CAN CHANGE

Your interest rate will adjust monthly after the first payment date and will be equal to the sum of the index rate plus the Margin, subject to the following limits:

- Your interest rate may increase or decrease substantially over the life of the loan.
- If an interest rate change results in an increase in the interest rate, your monthly payment may not be sufficient to cover the interest due and may not fully amortize your loan.
- Your interest rate over the life of the loan cannot exceed an interest rate between 8.00 and 12.95%. Please ask us about our current maximum interest rate. Your interest rate will never be lower than the Margin.
- Approximately 15 days before each interest rate adjustment date, your new interest rate will be determined by adding the Margin to the then current index rate.

HOW YOUR PAYMENT CAN CHANGE

Your payment may increase or decrease substantially over the life of the loan.

- Your payment may change 12 months after your first payment date and annually thereafter.
- Your payment cannot be increased or decreased by:
more than 7.5% of the existing payment of principal and interest; or
an amount sufficient to pay the unpaid balance in full by the maturity date at the interest rate effective for that month, whichever is less.

The above does not apply if your outstanding balance reaches 110% or 115% of the original loan amount or at the time of each 5th scheduled payment adjustment. This is called the Minimum Monthly Payment.

IF YOU MAKE ONLY THE MINIMUM MONTHLY PAYMENT, YOUR PAYMENT MAY INCREASE SUBSTANTIALLY AT THE 5TH SCHEDULED PAYMENT OR YOU MAY REACH THE 110% OR 115% MAXIMUM BALANCE AT WHICH TIME YOUR PAYMENT WILL INCREASE SUBSTANTIALLY.

- If the monthly payment is not sufficient to cover the interest due, the difference will be added to your loan amount and will accrue additional interest. This is called "negative amortization."

Loan Term	Initial Payment	Maximum Payment	Month in which Maximum Payment is reached
30 years	\$33.33	\$126.58	Payment 14

To see what your payments (excluding impounds or escrow payments for taxes, insurance and other purposes relating to the security property) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by the amount. For example, the initial monthly payment for a \$100,000 loan would be: $\$100,000 \div \$10,000 = 10$
 $10 \times \$33.33 = \333.30

Seventh Example: Lifetime interest rate cap of 12.95%, 40 year term using 110% Maximum Negative Amortization Limit

On a \$10,000, 480-month loan with an initial interest rate of 1.250% in effect on December 1, 2006, the interest rate could rise to a maximum of 12.950%. The initial interest rate reflects a recent Discount of 6.277% and a Margin of 2.700% (your initial interest rate, Discount or Premium and Margin may be different). The following worse case example illustrates what would happen to your payments if the interest rate increased at the first adjustment to the maximum lifetime interest cap of 12.950% and remained there for the term of the loan. The example uses a \$10,000 loan amount, an initial interest rate of 1.250%, a lifetime interest cap of 12.950%, a Discount of 6.277% and a Margin of 2.700%.

Loan Term	Initial Payment	Maximum Payment	Month in which Maximum Payment is reached
30 years	\$26.49	\$118.71	Payment 13

To see what your payments (excluding impounds or escrow payments for taxes, insurance and other purposes relating to the security property) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by the amount. For example, the initial monthly payment for a \$100,000 loan would be: $\$100,000 \div \$10,000 = 10$
 $10 \times \$26.49 = \264.90

Eighth Example: Lifetime interest rate cap of 12.95%, 40 year term using 115% Maximum Negative Amortization Limit

On a \$10,000, 480-month loan with an initial interest rate of 1.250% in effect on December 1, 2006, the interest rate could rise to a maximum of 12.950%. The initial interest rate reflects a recent Discount of 6.277% and a Margin of 2.700% (your initial interest rate, Discount or Premium and Margin may be different). The following worse case example illustrates what would happen to your payments if the interest rate increased at the first adjustment to the maximum lifetime interest cap of 12.950% and remained there for the term of the loan. The example uses a \$10,000 loan amount, an initial interest rate of 1.250%, a lifetime interest cap of 12.950%, a Discount of 6.277% and a Margin of 2.700%.

Loan Term	Initial Payment	Maximum Payment	Month in which Maximum Payment is reached
40 years	\$26.49	\$124.75	Payment 19

To see what your payments (excluding impounds or escrow payments for taxes, insurance and other purposes relating to the security property) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by the amount. For example, the initial monthly payment for a \$100,000 loan would be: $\$100,000 \div \$10,000 = 10$
 $10 \times \$26.49 = \264.90

NOTICE OF CHANGE:

You will be notified in writing at least 25, but no more than 120, days before the due date of the first payment that will be at the new level. This notice will contain information about the current and prior index rates on which your current and prior interest rates are based, your current and prior interest rates, new payment amount and loan balance.

ASSUMPTION OF LOAN:

Although the loan contains a due-on-sale clause, the Lender will consent to a transfer of the property, provided the transferee meets Lender's current loan underwriting criteria. The transferee will be required to execute a written assumption agreement and pay Lender an assumption fee in an amount not to exceed the amount Lender requires for other similar transactions. All original loan terms will remain the same.

PREPAYMENT FEE:

Depending upon the interest rate and terms of your loan, your loan may have a prepayment fee. A prepayment fee is a charge that may be incurred for paying off your loan during the first three years or less of your loan term. **THE PREPAYMENT FEE MAY BE SUBSTANTIAL. REQUIRE THAT YOUR LENDER PROVIDE YOU WITH LOAN TERM QUOTES FOR A LOAN WITH AND WITHOUT A PREPAYMENT PENALTY.** Please ask us if your loan has a prepayment fee.

To see what your payments (excluding impounds or escrow payments for taxes, insurance and other purposes relating to the security property) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by the amount. For example, the initial monthly payment for a \$100,000 loan would be:

$$\begin{aligned} \$100,000 \div \$10,000 &= 10 \\ 10 \times \$33.33 &= \$333.30 \end{aligned}$$

Third Example: Lifetime interest rate cap of 8.00%, 40 year term using 110% Maximum Negative Amortization Limit

On a \$10,000, 480-month loan with an initial interest rate of 1.250% in effect on December 1, 2006, the interest rate could rise to a maximum of 8.000%. The initial interest rate reflects a recent Discount of 6.277% and a Margin of 2.700% (your initial interest rate, Discount or Premium and Margin may be different). The following worse case example illustrates what would happen to your payments if the interest rate increased at the first adjustment to the maximum lifetime interest cap of 8.000% and remained there for the term of the loan. The example uses a \$10,000 loan amount, an initial interest rate of 1.250%, a lifetime interest cap of 8.000%, a Discount of 6.277% and a Margin of 2.700%.

Loan Term	Initial Payment	Maximum Payment	Month in which Maximum Payment is reached
40 years	\$26.49	\$77.04	Payment 26

To see what your payments (excluding impounds or escrow payments for taxes, insurance and other purposes relating to the security property) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by the amount. For example, the initial monthly payment for a \$100,000 loan would be:

$$\begin{aligned} \$100,000 \div \$10,000 &= 10 \\ 10 \times \$26.49 &= \$264.90 \end{aligned}$$

Fourth Example: Lifetime interest rate cap of 8.00%, 40 year term using 115% Maximum Negative Amortization Limit

On a \$10,000, 480-month loan with an initial interest rate of 1.250% in effect on December 1, 2006, the interest rate could rise to a maximum of 8.000%. The initial interest rate reflects a recent Discount of 6.277% and a Margin of 2.700% (your initial interest rate, Discount or Premium and Margin may be different). The following worse case example illustrates what would happen to your payments if the interest rate increased at the first adjustment to the maximum lifetime interest cap of 8.000% and remained there for the term of the loan. The example uses a \$10,000 loan amount, an initial interest rate of 1.250%, a lifetime interest cap of 8.000%, a Discount of 6.277% and a Margin of 2.700%.

Loan Term	Initial Payment	Maximum Payment	Month in which Maximum Payment is reached
40 years	\$26.49	\$80.76	Payment 37

To see what your payments (excluding impounds or escrow payments for taxes, insurance and other purposes relating to the security property) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by the amount. For example, the initial monthly payment for a \$100,000 loan would be:

$$\begin{aligned} \$100,000 \div \$10,000 &= 10 \\ 10 \times \$26.49 &= \$264.90 \end{aligned}$$

Fifth Example: Lifetime interest rate cap of 12.95%, 30 year term using 110% Maximum Negative Amortization Limit

On a \$10,000, 360-month loan with an initial interest rate of 1.250% in effect on December 1, 2006, the interest rate could rise to a maximum of 12.950%. The initial interest rate reflects a recent Discount of 6.127% and a Margin of 2.550% (your initial interest rate, Discount or Premium and Margin may be different). The following worse case example illustrates what would happen to your payments if the interest rate increased at the first adjustment to the maximum lifetime interest cap of 12.950% and remained there for the term of the loan. The example uses a \$10,000 loan amount, an initial interest rate of 1.250%, a lifetime interest cap of 12.950%, a Discount of 6.127% and a Margin of 2.550%.

Loan Term	Initial Payment	Maximum Payment	Month in which Maximum Payment is reached
30 years	\$33.33	\$120.78	Payment 14

To see what your payments (excluding impounds or escrow payments for taxes, insurance and other purposes relating to the security property) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by the amount. For example, the initial monthly payment for a \$100,000 loan would be:

$$\begin{aligned} \$100,000 \div \$10,000 &= 10 \\ 10 \times \$33.33 &= \$333.30 \end{aligned}$$

Sixth Example: Lifetime interest rate cap of 12.95%, 30 year term using 115% Maximum Negative Amortization Limit

On a \$10,000, 360-month loan with an initial interest rate of 1.250% in effect on December 1, 2006, the interest rate could rise to a maximum of 12.950%. The initial interest rate reflects a recent Discount of 6.127% and a Margin of 2.550% (your initial interest rate, Discount or Premium and Margin may be different). The following worse case example illustrates what would happen to your payments if the interest rate increased at the first adjustment to the maximum lifetime interest cap of 12.950% and remained there for the term of the loan. The example uses a \$10,000 loan amount, an initial interest rate of 1.250%, a lifetime interest cap of 12.950%, a Discount of 6.127% and a Margin of 2.550%.

- At every 5th scheduled payment adjustment, your payment calculation will only be based on the then current interest rate, remaining balance and remaining term of the loan. The 7.5% payment cap will not apply to those adjustments.
- The unpaid principal balance of your loan can never exceed either 110% or 115% of the original amount borrowed. This is called the Maximum Negative Amortization Limit. If that limit is reached, your monthly payment amount will be changed to an amount sufficient to pay off the unpaid principal balance over the remaining life of the loan at the interest rate then in effect. Please ask us about our current Maximum Negative Amortization Limit.

DEFERRED INTEREST

Deferred interest (also known as negative amortization) may occur in two ways:

- Because the interest rate has the potential to increase each month but the payment changes are generally limited to once every twelve months, the monthly payment may be insufficient to pay the interest which is accruing; and/or
- When normal payment changes occur every twelve months, the payment is limited to an increase of 7.500% from the previous payment amount, which may be less than the interest that is accruing.

If the interest due on your loan for a month is more than the required monthly payment, the entire payment will be applied to interest and any unpaid interest will be added to the loan balance. The interest for the next month is then calculated on the new increased loan balance.

"Accelerated amortization" may occur if the interest rate decreases in those months that the interest rate changes but the payment does not change or if the interest rate decreases more than the payment changes due to the 7.500% payment cap when the payment changes at each twelve-month interval. "Accelerated amortization" means you may pay more per month than what is required to pay off the loan in the remaining term. Therefore, you may possibly pay the loan off earlier than the original maturity of the loan.

In addition to the Minimum Monthly Payment, you have two other options in making your payment. You may make a fully amortizing payment that is a payment that pays all the interest owed for the month plus principal or you may also choose to make a monthly "interest-only" payment. The fully amortizing payment and the interest-only payment are available only if the payment amount is greater than the Minimum Monthly Payment option. An interest-only payment amount will cover the full interest costs for that month; therefore, no additional (deferred) interest will be added to your loan balance. Your principal balance will not be increased or reduced. An interest-only payment is allowed until a fully amortizing payment is required as described above.

EXAMPLES:

First Example: Lifetime interest rate cap of 8.00%, 30 year term using 110% Maximum Negative Amortization Limit

On a \$10,000, 360-month loan with an initial interest rate of 1.250% in effect on December 1, 2006, the interest rate could rise to a maximum of 8.000%. The initial interest rate reflects a recent Discount of 6.127% and a Margin of 2.550% (your initial interest rate, Discount or Premium and Margin may be different). The following worse case example illustrates what would happen to your payments if the interest rate increased at the first adjustment to the maximum lifetime interest cap of 8.000% and remained there for the term of the loan. The example uses a \$10,000 loan amount, an initial interest rate of 1.250%, a lifetime interest cap of 8.000%, a Discount of 6.127% and a Margin of 2.550%.

Loan Term	Initial Payment	Maximum Payment	Month in which Maximum Payment is reached
30 years	\$33.33	\$82.33	Payment 31

To see what your payments (excluding impounds or escrow payments for taxes, insurance and other purposes relating to the security property) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by the amount. For example, the initial monthly payment for a \$100,000 loan would be: $\$100,000 \div \$10,000 = 10$
 $10 \times \$33.33 = \333.30

Second Example: Lifetime interest rate cap of 8.00%, 30 year term using 115% Maximum Negative Amortization Limit

On a \$10,000, 360-month loan with an initial interest rate of 1.250% in effect on December 1, 2006, the interest rate could rise to a maximum of 8.000%. The initial interest rate reflects a recent Discount of 6.127% and a Margin of 2.550% (your initial interest rate, Discount or Premium and Margin may be different). The following worse case example illustrates what would happen to your payments if the interest rate increased at the first adjustment to the maximum lifetime interest cap of 8.000% and remained there for the term of the loan. The example uses a \$10,000 loan amount, an initial interest rate of 1.250%, a lifetime interest cap of 8.000%, a Discount of 6.127% and a Margin of 2.550%.

Loan Term	Initial Payment	Maximum Payment	Month in which Maximum Payment is reached
30 years	\$33.33	\$87.36	Payment 46

I/We acknowledge receipt and have read the Adjustable Rate Mortgage Program Disclosure and the Consumer Handbook on Adjustable Rate Mortgages.

Borrower Date

Borrower Date

Borrower Date

Borrower Date

Borrower Date

Borrower Date