



For the teacher in you.

ADJUSTABLE RATE MORTGAGE DISCLOSURE - 2 YEAR INDEX ARM

This disclosure describes the features of the adjustable-rate Mortgage (ARM) program you are considering.

How Your Interest Rate and Payment Are Determined

- At the time of your interest rate adjustment, your interest rate will be based on the 1 year Constant Maturity Treasury rate plus a 2.75% margin rounded to the nearest eighth (.125) of a percent. However your rate will never go below than 2.5%.
- Your payment will be based on the interest rate, loan balance, and remaining loan term.

How Your Interest Rate Can Change

- Your interest rate can change yearly, after the first initial Adjustable Rate Period (2 years)
- Your interest rate cannot increase (or decrease) more than 1 percentage point per year
- Your interest rate cannot increase (or decrease) more than 8 percentage points over the term of the loan.

How Your Monthly Payment Can Change

- Your monthly payment can increase or decrease substantially based on the annual changes in the interest rate.
- For example, on a \$10,000.00, 2-year adjustable rate loan with an initial interest rate of 3.25 percent in effect January, 2016 the maximum interest rate is 4.25 percent and the monthly payment can rise from the first year payment of \$43.53 to a maximum of \$49.11 in the year. To determine your payment, divide your mortgage amount by \$10,000.00; then multiply the monthly payment by the amount. (For example, the monthly payment for a mortgage amount of \$60,000.00 would be: $\$60,000.00 / \$10,000.00 = 6$; $6 \times \$49.11 = \294.66 per month.)
- You will be notified at least 210, but not more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. You will be notified at least 60, but not more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. These notices will contain information about the adjustment, including the interest rate, payment, and loan balance.
- There will not be a pre-payment penalty you may prepay your loan at any time in whole or in part. However if you pay your loan early in part or in whole you will not receive a refund on any interest previously paid.

I acknowledge receipt of a copy of this ARM application disclosure and the Consumer Handbook on Adjustable Rate Mortgages.

Borrower

Date

Co-Borrower

Date