

ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE FHA ADJUSTABLE RATE MORTGAGE

This disclosure describes the features of an Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM programs available from your lender will be provided upon request.

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 will also reflect a discount. Please ask us about our current interest rate discount.

The index rate is the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year.

Index values are published by the Federal Reserve Board in Statistical Release H.15 (519). The example below reflects the last week ending in September.

Your interest rate will equal the index rate plus our margin rounded to the nearest 1/8 percent, unless your interest rate "caps" limit the amount of change in the interest rate.

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 every 12 months to the index value plus the margin, subject to the following limits:

Your interest rate will be rounded to the nearest 1/8 percent;

Your interest rate cannot increase or decrease more than 1.000% per adjustment;

Your interest rate cannot increase by more than +5.000% over the term of the loan.

During the initial term of this mortgage, the first interest rate change may occur from 12 to 18 months after loan inception.

HOW YOUR PAYMENT CAN CHANGE:

Your payment can change with each interest rate change.

For example, on a new \$10,000, 360 month loan with an initial interest rate of 4.500% (the index shown below for 1993 plus a 2.000% margin less a 0.875% discount rounded to the nearest 1/8 percent), the maximum amount that the interest rate could rise under this program is 5.000% to 9.500%, and the payment amount could rise from a beginning payment of \$50.67 to a maximum of \$81.72 (at payment 61).

You will be notified in writing 25 days before a payment adjustment may be made. This notice will contain information about your interest rates, payment amount, and loan balance.

EXAMPLE OF A 1979 \$10,000 LOAN USING HISTORICAL INDEX VALUES

The example below shows how your payments would have changed under this ARM program based on actual changes in the index from 1979 to 1993. This does not necessarily indicate how your index will change in the future. For simplicity, the example assumes that the index changed only once per year and is based on these additional assumptions:

Loan amount:	\$10,000.00	Interest adjustment:	every 12 months
Amortization period:	360 months	Payment adjustment:	each interest rate change
*Interest rate margin:	2.000%	Initial interest rate:	11.375%

Year	Index Value	Margin	Interest Rate	Monthly Payment	Loan Balance
1979	10.810%	2.000%	11.375%*****	12 at 98.08	9958.42
1980	12.070%	2.000%	12.375%**	12 at 105.67	9920.64
1981	16.050%	2.000%	13.375%**	12 at 113.31	9885.72
1982	10.670%	2.000%	12.625%	12 at 107.63	9839.63
1983	9.890%	2.000%	11.875%	12 at 102.10	9779.69
1984	11.420%	2.000%	12.875%**	12 at 109.38	9723.00
1985	7.880%	2.000%	11.875%**	12 at 102.22	9646.91
1986	5.800%	2.000%	10.875%**	12 at 95.33	9547.18
1987	7.700%	2.000%	9.875%**	12 at 88.77	9419.03
1988	8.180%	2.000%	10.125%	12 at 90.35	9282.28
1989	8.380%	2.000%	10.375%	12 at 91.90	9135.68
1990	7.790%	2.000%	9.750%	12 at 88.16	8960.81
1991	5.500%	2.000%	8.750%**	12 at 82.52	8746.17
1992	3.150%	2.000%	7.750%**	12 at 77.27	8487.71
1993	3.390%	2.000%	6.750%**	12 at 72.41	8182.38

* This is a margin we have used recently. Your margin may be different

** This interest rate reflects an interest maximum adjustment cap of 1.000%

***** This interest rate reflects an initial discount of 1.375%. Your discount may be different.

To see what your payments (excluding escrow fees) would have been during that period, divide your mortgage amount by \$10,000; then multiply the loan payment by that amount. (For example, in 1993 the loan payment for a mortgage amount of \$60,000 taken out in 1979 would be: $\$60,000 / \$10,000 = 6$; $6 \times \$72.41 = \434.46).

Initials _____

FHA ADJUSTABLE RATE MORTGAGE DISCLOSURE (Continued)

LATE CHARGE:

A late charge of 4% will be charged if a payment is received after the 15th of the month due.

PREPAYMENT:

If you pay off the loan early, you will not have to pay a penalty.

ASSUMPTION:

Someone buying your home may, subject to conditions, be allowed to assume the remainder of the mortgage on the original terms.

ESCROW PAYMENT COLLECTIONS

MONTHLY PAYMENTS OF TAXES, INSURANCE PREMIUMS AND OTHER CHARGES.

Borrower shall include in each monthly payment, together with principal and interest as set forth in the Note and any late charges, an installment of any (a) taxes and special assessments levied or to be levied against the Property, (b) leasehold payments or ground rents on the Property, (c) premiums for insurance required by the Security Instrument, and (d) mortgage insurance premium to be paid by Lender to the Secretary (as defined below), or a monthly charge instead of a mortgage insurance premium if the Security Instrument is held by the Secretary. Item (d) is not required if Borrower paid the entire mortgage insurance premium when the Security Instrument was signed. As used herein, "Secretary" means the Secretary of Housing and Urban Development or his or her designee.

Each monthly installment for items (a), (b) and (c) shall equal one-twelfth of the annual amounts, as reasonably estimated by Lender, plus an amount sufficient to maintain an additional balance of not more than one-sixth of the estimated amounts. The full amount for each item shall be accumulated by Lender within a period ending one month before an item would become delinquent. Lender shall hold the amounts collected in trust to pay items (a), (b) and (c) before they become delinquent.

Each monthly installment for item (d) shall be either (i) in an amount sufficient to accumulate the full annual mortgage insurance premium with Lender one month prior to the date the full annual mortgage insurance premium is due to the Secretary, or (ii) if the Security Instrument is held by the Secretary, in an amount equal to one-twelfth of one-half percent of the average outstanding principal balance due on the Note for the twelve-month period that ends one month before the next anniversary date of the first monthly payment. The principal balance shall be calculated according to the original amortization schedule without taking into account any delinquent payments, prepayments, agreements to postpone payments, or agreements to recast the mortgage.

If the total of the payments made by Borrower for item (a), (b) or (c) exceeds the amount of payments actually made by Lender for item (a), (b) or (c) respectively, and if payments on the Note are current, then the Lender shall either refund the excess to the Borrower or credit the excess to subsequent payments by Borrower, at the option of Borrower. If the total of the payments made by Borrower for item (a), (b) or (c) is insufficient to pay the item when due, then Borrower shall pay to Lender any amount necessary to make up the deficiency, in one or more payments as required by Lender, on or before the date the item becomes due.

If Borrower tenders to Lender the full payment of all sums secured by the Security Instrument, Borrower's account shall be credited with any balance remaining for all installments for items (a), (b) and (c) and any mortgage insurance premium installment that Lender has not become obligated to pay to the Secretary, and Lender shall promptly refund any excess funds to Borrower.

Immediately prior to a foreclosure sale of the Property or its acquisition by Lender, Borrower's account shall be credited with any balance remaining for all installments for items (a), (b) and (c).

DUE ON SALE CLAUSE

SALE WITHOUT CREDIT APPROVAL. Lender shall, with the prior approval of the Secretary, require immediate payment in full of all sums secured by the Security Instrument if all or a part of the Property is sold or otherwise transferred (other than by devise, descent or operation of law) by the Borrower, unless the credit of the purchaser has been approved in accordance with the requirements of the Secretary.

BORROWER

DATE CONSUMER HANDBOOK AND DISCLOSURE RECEIVED

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