

# 5/1 LIBOR ARM Loan Program Disclosure

(Revised November 2016)

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. The index used to determine your interest rate is the average of Interbank Offered Rates for 1 year U.S. Dollar denominated deposits in the London market (LIBOR) as published in the Wall Street Journal. The index for your loan will be that which is the most recent figure available as of the date 45 days before each change date occurs.

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 principal and interest payment will be based on the interest rate, loan balance, and remaining loan term. Changes in the interest rate will result in an increase or decrease in your monthly payment.

## **How Your Interest Rate Can Change:**

Your interest rate can change after the first 60 months and every 12 months thereafter to the index value plus the margin, subject to the following limits:

- Your interest rate cannot increase or decrease more than 2% at the initial adjustment.
- Your interest rate cannot increase or decrease more than 2% at each periodic adjustment.
- Your interest rate cannot increase or decrease more than 5% over the term of the loan.
- Your interest rate will be rounded to the nearest 1/8 percent.

## **How Your Payment Can Change:**

The periodic payment may increase or decrease substantially based on changes in the interest rate. You will be notified in writing at least 210 days, but no more than 240 days, before a payment adjustment may be made. This notice will contain information about your interest rates, payment amount, and loan balance.

## **Examples:**

These examples are based upon the following assumptions:

|                     |             |                        |  |
|---------------------|-------------|------------------------|--|
| Loan Amount         | (see below) | Margin *               | 2.25%  |
| Loan Term           | 30 years    | Initial Adjustment Cap | 2.00%  |
| Payment Adjustment  | 12 months   | Annual Cap             | 2.00%  |
| Interest Adjustment | 12 months   | Lifetime Cap           | 5.00%  |
| Index Value         | 1.57511%    | Index                  | The average of Interbank Offered Rates for 1 year U.S. Dollar denominated Deposits in the London market (LIBOR). |

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

- Initial and Maximum Rates and Payment Amounts: On a \$10,000 30 year loan with an initial interest rate of 4.500% in effect in December 2016, the maximum amount that the interest rate can rise under this program is 5.00 percentage points to 9.500%, and the periodic payment can rise from a first-year payment of \$50.67 to a maximum of \$84.09 in the sixth year.
- How to Calculate Your Payment Amount: To see what your monthly principal and interest payment would be, divide your mortgage amount by \$10,000, then multiply the monthly payment by that amount. For example, based upon the initial interest rate, the monthly payment for 30-year mortgage of \$60,000 would be:

$$\$60,000 \div \$10,000 = 6$$

$$6 \times \$50.67 = \$304.02$$

## **Additional Features of Your Adjustable – Rate Mortgage Program:**

