

**3/1 Year Non-Convertible
LIBOR – based Adjustable Rate
Mortgage Loan Program Disclosure**

This disclosure describes the features of the Adjustable Rate Mortgage (“ARM”) program you are considering. Information on other ARM programs offered by the Lender is available upon request. This disclosure statement is not a contract and does not constitute a commitment on the part of the Lender to make a loan to you.

How Your Interest Rate & Payment Amount Are Determined

Your interest rate will be based on an Index plus a margin, rounded to the nearest one-eighth of one percentage point (0.125%), unless your interest rate “caps” limit the amount of change in your interest rate.

The interest rate will be based on the one year London Interbank Offered Rate (“LIBOR”) (your index), plus the Lender’s margin. Ask the Lender for information on its current interest rate discount, current interest rate without the discount and its current margin for this product.

Information about the index is published daily in the Wall Street Journal.

The payment amount will be the amount required to fully amortize your loan balance over its term at the interest rate plus required escrow amounts. The actual amount of your monthly payment will be determined by three factors: (a) the interest rate, (b) your loan amount, and (c) the remaining term of your loan.

How Your Interest Rate Can Change

Your interest rate can change yearly beginning on the first day of the month in which your 37th payment is due. Your interest rate cannot increase or decrease by more than **2%** at this first adjustment. For each interest rate adjustment, your interest rate cannot increase or decrease by more than **2%**. Over the term of your loan, the maximum interest rate will not exceed **6%** over the initial interest rate. The minimum change in the Index which will affect the interest rate is one-eighth of one percentage point (0.125%).

How Your Monthly Payment Can Change

Your payment can change one month after each interest rate change, based on changes in the interest rate. For example, on a \$10,000, 30 year loan with an initial interest rate of 5.50 percent in effect March 2005, the maximum amount that the interest rate can rise under this program is 6 percentage points, to 11.50 percent, and the monthly payment can rise from a first-year payment of \$56.78 to a maximum of \$95.25 in the sixth year. The periodic payment may increase or decrease substantially depending on changes in the interest rate.

To see what your payments would have been, divide your mortgage amounts by \$10,000, then multiply the monthly payments by that amount. (For example, the monthly payment for a mortgage amount of \$60,000 would be: \$60,000 divided by \$10,000 = 6; 6 x 56.78 = \$340.68 per month for a 30 year term.)

The Lender will send you notice of any interest rate and payment amount change (“Notice of Periodic Adjustment”) at least 25 but no more than 120 days before each payment change date. The notice will tell you how the Index has changed, how your interest rate and payment schedule will be affected and your loan balance.

Acknowledgment

Borrower hereby acknowledges the Borrower has received a copy of this Description of the 3/1 Year LIBOR-based Non-Convertible ARM loan on the earlier of: the date the Borrower paid a non-refundable fee or on the date that the Borrower received a loan application form from the Lender. Borrower also acknowledges receipt of the CONSUMER HANDBOOK ON ADJUSTABLE RATE MORTGAGES.

Date

Borrower

Borrower

Borrower

Borrower