

# VARIABLE RATE MORTGAGE PROGRAM DISCLOSURE

(This is neither a contract nor a commitment to lend.)

LENDER: Leominster Credit Union

VARIABLE RATE MORTGAGE PROGRAM: 3 Year Fixed, 1 Year Adjustable, 30 year Maturity

This disclosure describes the features of the adjustable rate mortgage (ARM) you are considering. Information on other ARM programs is available upon request.

## HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- Your interest rate will be based on an index plus a margin.
- This variable rate mortgage loan has a discount feature, and your initial interest rate will not be based on the index used for later adjustments. Please ask about our current discount or premium amount.
- This type of ARM loan carries a provision for a change in:  the Interest Rate  the Monthly Payment  the Loan Term.
- Your payment will be based on the interest rate, loan balance and loan term.
- This loan program has an initial interest-only period in which the scheduled payments will only cover the amount of interest that has accrued. This means that during the interest-only period, your scheduled payments will not reduce the loan balance. The length of the interest-only period is \_\_\_\_\_.  
After the interest-only period is over, you will begin to make payments that include principal as well as interest. The length of the principal-and-interest period is \_\_\_\_\_.
- During the initial interest-only period, your monthly payment will be based on the interest rate and loan balance. During the principal-and-interest period, your monthly payment will be based on the interest rate, loan balance, and remaining loan term.

The index used to determine your initial interest rate and/or all adjustments is: The weekly average yield on United States Treasury Securities adjusted to a constant maturity of 1 year

NOTE: If the index for your variable rate mortgage loan is no longer available, the Lender will choose a new index which is based on comparable information.

Information about the index can be found: Made available by the Federal Reserve Board in the Selected Interest Rate Publication H15 and as published in The Wall Street Journal.

Your interest rate will be equal to index plus a margin

Ask us for our current interest rate and margin.

## HOW YOUR INTEREST RATE CAN CHANGE

- Your interest rate can change after 36 months, and every 12 months thereafter.
- Your interest rate cannot increase more than 2 percentage point(s) at the initial adjustment.
- Your interest rate cannot decrease more than 2 percentage point(s) at the initial adjustment.
- Your interest rate cannot increase more than 2 percentage point(s) at each periodic adjustment.
- Your interest rate cannot decrease more than 2 percentage point(s) at each periodic adjustment.
- Your interest rate cannot increase more than 6 percentage point(s) over the term of the loan.
- Your interest rate cannot decrease more than 6 percentage point(s) over the term of the loan.
- Your interest rate will never be greater than \_\_\_\_\_ % or less than \_\_\_\_\_ % over the term of the loan.
- Your interest rate will be rounded off to  the nearest  next highest  next lowest 1/8 of 1 % at each adjustment.

This variable rate loan utilizes interest rate carryover.

EXAMPLE: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**HOW YOUR PAYMENT CAN CHANGE**

Your monthly payment can increase or decrease substantially based on periodic changes in the interest rate.

Your payment will not increase more than 2 percentage point(s) or \$ \_\_\_\_\_, at each adjustment.

You will be notified in writing at least 30 days before the interest adjustment may be made. This notice will contain information about your interest rates, payment amount and loan balance.

EXAMPLE: On a \$10,000, 30 year loan with an initial interest rate of 5.75 % in effect in April, 2008, the maximum amount that the interest rate can rise under this program is 6 percentage points, to 11.75 %, and the monthly payment can rise from a first-year payment of \$ 58.36 to a maximum of \$ 98.08 in the 6th year.

EXAMPLE: On a \$10,000, \_\_\_\_\_ year loan with an initial interest rate of \_\_\_\_\_ %, the maximum amount that the interest rate can rise under the program is \_\_\_\_\_ percentage points to \_\_\_\_\_ %.

The maximum interest rate could be reached in the \_\_\_\_\_ year. During the interest-only period, the interest-only payment can rise from a first year payment of \$ \_\_\_\_\_ to a maximum of \$ \_\_\_\_\_ in the \_\_\_\_\_ year.

During the principal-and-interest period, the principal-and-interest payment can start as high as \$ \_\_\_\_\_ and can rise to a maximum of \$ \_\_\_\_\_ in the \_\_\_\_\_ year.

To see what your payments would be, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the monthly payment for a mortgage amount of \$ 60000 would be: \$ 60000 ÷ \$10,000= 6 ; 6 x \$ 58.36 = \$ 350.16 per month.)

Any increase in interest will take the form of  a larger amount due at maturity  higher payment amount or  more payments of the same amount.

This variable rate loan program has a negative amortization feature. An increase in your interest rate will result in your loan being negatively amortized, and the following will apply: \_\_\_\_\_

**YOUR INTEREST RATE CONVERSION OPTION**

This variable rate mortgage loan program has an option for you to convert your variable interest rate to a fixed interest rate. You should be aware that if you exercise this option, the interest rate may be increased from the variable rate you have been paying.

If you choose this conversion option, you may only convert if certain conditions are met. These conditions are:

- 1.
- 2.
- 3.
- 4.

You may only convert to a fixed interest rate on \_\_\_\_\_, and only during the following time period: \_\_\_\_\_

Your new fixed interest rate will be determined by: \_\_\_\_\_

**ADDITIONAL FEATURES OF YOUR VARIABLE RATE MORTGAGE PROGRAM**

Someone buying this property  cannot assume the remaining balance due under original mortgage terms  may assume, subject to lender's conditions, the remaining balance due under original mortgage terms.

This Variable Rate Mortgage Program Disclosure  does  does not have a Demand Feature.

The Demand Feature is subject to the following: \_\_\_\_\_

\_\_\_\_\_

Additional features: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

I/We hereby acknowledge receipt of this Variable Rate Mortgage Program Disclosure and a copy of the Consumer Handbook on Adjustable Rate Mortgages on the date indicated below.

\_\_\_\_\_  
Borrower Date Borrower Date

\_\_\_\_\_  
Borrower Date Borrower Date