

# Adjustable-Rate Mortgage Loan Disclosure

## (No Fixed Rate Conversion Option)

This disclosure describes the features of the Adjustable-Rate Mortgage (ARM) program you are considering. Information on other ARM programs that the Lender offers are available upon request.

### NATURE OF AN ADJUSTABLE-RATE MORTGAGE LOAN

- The type of Loan you have expressed interest in is what is called an “Adjustable-Rate Mortgage”, or an ARM. This loan type is not a fixed rate loan where your payments remain the same throughout the life of your loan, The interest rate varies in relation to changes (increases or decreases) in an interest rate index. Interest Rate changes may cause changes in scheduled payments and/or in the term of your loan. **This ARM Disclosure is not a commitment by us to make a Loan to you and is made available to you for understanding your loan terms.**

### HOW YOUR INTEREST RATE AND PAYMENTS ARE DETERMINED

- Your interest rate will be based on an index plus a margin.
- Your payment will be based on the interest rate, loan balance, and loan term.
- The interest rate will be based on the index plus our margin. The index is the Weekly Average Yield on US Treasury Securities adjusted to a constant maturity of 1 year(s) commonly referred to as the “US 1 YR CMT”.
- Information about the index is published in the Federal Reserve of the United States Statistical Release (H15).
- Your initial interest rate **IS NOT** based on the index used to make later adjustments. **Ask us for the current amount of our adjustable-rate mortgage discounts and premiums.**
- If the Index is no longer available, the Lender will choose a new Index, which is based on comparable information.

### HOW YOUR INTEREST RATE CAN CHANGE

- Your interest rate will not change for the first **ONE HUNDRED TWENTY (120)** months of your loan.
- After the first **ONE HUNDRED TWENTY (120)** months, your interest rate and payment can change every **TWELVE (12)** months.
- Each date on which your interest rate can change is called a “**Change Date**” and will be described in your loan documents.
- On each Change Date, your interest rate will equal the index plus the margin, rounded up or down to the nearest 0.125%, unless your interest rate “caps” or “floors” (described below) limit the amount of change in interest rate.
- Your interest rate cannot increase by more than **FIVE** percentage points (**5.000%**) above the initial interest rate over the term of the loan.
- Your interest rate cannot decrease below **TWO AND SEVEN EIGHTHS** percentage points (**2.875%**) over the term of the loan.
- On the **first** Change Date, your interest rate cannot increase more than **TWO** percentage points (**2.000%**) above the initial interest rate.
- On the second Change Date and every Change Date thereafter, your interest rate cannot increase or decrease more than **TWO** percentage points (**2.000%**).

### HOW YOUR PAYMENT CAN CHANGE

- Following the initial **ONE HUNDRED TWENTY (120)** months of your loan, your monthly payment can increase or decrease substantially every **TWELVE (12)** months based on changes in the interest rate.
- Your new payment will be due beginning with the first payment due date after the Change Date on which the related interest rate change occurred and will be your payment until the first payment due date after the next Change Date.
- In any event, if on the Maturity Date you still owe amounts on your Loan, you will pay those amounts in full on that date.

- INITIAL INTEREST RATE CHANGE EXAMPLE - (PRINCIPAL AND INTEREST PAYMENT OPTION):**  
 If you had a \$10,000 30-year loan with an initial rate of 2.875% (based on the 0.140% index value rate in effect on February, 2022, plus a margin of 2.875% and,  less a discount  plus a premium of 0.140%, rounded as provided above), the maximum amount that the interest rate can rise under this program is FIVE percentage points (5.000%) to 7.875% and the monthly payment can rise from a first year payment of \$41.49 to a maximum of \$61.95 in the 13th year. To see what your monthly payments would be, divide your mortgage amount by \$10,000.00; then multiply the monthly payment by the resulting amount. (For example, the monthly payment for a mortgage amount of \$60,000 would be \$60,000.00 divided by \$10,000.00= 6; 6 times \$41.49 = \$248.94 per month.)
- INITIAL INTEREST RATE CHANGE EXAMPLE - (INTEREST ONLY PAYMENT OPTION):**  
 If you had a \$10,000 30-year loan with an initial rate of 2.875% (based on the 0.140% index value rate in effect on February, 2022, plus a margin of 2.875% and,  less a discount  plus a premium of 0.140%, rounded as provided above), the maximum amount that the interest rate can rise under this program is FIVE percentage points (5.000%) to 7.875% and the monthly payment can rise from a first year payment of \$23.96 to a maximum of \$81.89 in the 13th year. To see what your monthly payments would be, divide your mortgage amount by \$10,000.00; then multiply the monthly payment by the resulting amount. (For example, the monthly payment for a mortgage amount of \$60,000 would be \$60,000.00 divided by \$10,000.00= 6; 6 times \$23.96 = \$143.76 per month.) \*The maximum payment amount reflects principal and interest. The initial payment reflects interest only. You will begin making payments of principal and interest after the 10<sup>th</sup> year of the loan.

The above examples use an initial maximum change cap of 2.000%, a periodic maximum change cap of 2.000% and a life of loan maximum cap of 5.000% in calculating the maximum interest rate and resulting maximum payment.

**INTEREST ONLY PAYMENT FEATURE**

If your loan features an option to make interest only payments this means you will not be required to make principal payments during the interest only period of the loan term. *During the interest only period, your principal balance will remain the same as when you closed unless you make a principal curtailment(s).* At the end of the interest only period, your loan payment is then calculated as a principal and interest payment based on the remaining terms of your loan and is also subject to change annually thereafter in response to index changes. It is at this time that your principal balance will begin to amortize, and a portion of your payment will be used to reduce the principal balance each month. You should review the interest only feature carefully and will find more information about interest only payment features from the Federal Deposit Insurance Corporation here: [https://www.fdic.gov/consumers/consumer/interest-only/mortgage\\_interestonly.pdf](https://www.fdic.gov/consumers/consumer/interest-only/mortgage_interestonly.pdf)

**NOTICE OF INTEREST RATE AND PAYMENT ADJUSTMENTS**

You will be notified at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount and loan balance. You will be notified at least 60, but no 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. This notice will contain information about the adjustment, including the interest rate, payment amount and loan balance.

**OTHER INFORMATION**

This obligation  does  does not have a demand feature.

**ACKNOWLEDGMENT**

The Undersigned hereby acknowledge receipt of a copy of this Disclosure, and attached exhibits (if any are referenced), along with a copy of The Consumer Handbook on Adjustable-Rate Mortgages.

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Applicant	(Date)	Applicant	(Date)
FLCBank 10/1 2-2-5 ARM -Combined- P&I Option and IO Option			Rev. 2.11.2022