

# 10/6 SOFR ARM Disclosure (5/1/5 Caps)

---

## IMPORTANT LOAN INFORMATION – PLEASE READ CAREFULLY

**THIS DISCLOSURE PROVIDES SOME OF THE FEATURES OF AN ADJUSTABLE RATE MORTGAGE (“ARM”) LOAN PROGRAM CURRENTLY BEING OFFERED BY THE LENDER IN WHICH YOU HAVE EXPRESSED AN INTEREST.**

This disclosure is not a contract and does not constitute a commitment by the lender to make a Loan to you.

### **AN ADJUSTABLE RATE MORTGAGE MEANS YOUR PAYMENT MAY CHANGE IN THE FUTURE.**

The type of loan you have expressed interest in is called an Adjustable Rate Mortgage (“ARM”) loan. This means that the interest rate and monthly payments may change (increases or decreases) during the life of your loan. The monthly payments will increase if the interest rate rises and decrease if it falls. The date or dates on which changes can occur (referred to in this disclosure as “Change Date”) will be specified in the ARM loan documents. This ARM is based on the terms and conditions set forth in this disclosure and in the loan documents. We have based this disclosure on recent interest rates, index and margin values, discounts, and fees. Ask us for our current interest rate and margin.

An ARM is different from a fixed-rate mortgage loan. For a fixed-rate loan, the monthly payments of principal and interest do not change during the life of the loan. You should consider carefully which type of loan is best for you.

**HOW YOUR INTEREST RATE IS DETERMINED.** Your interest rate will be determined by means of an index that may change from time to time.

**The Index.** The interest rate change on this ARM will be based on an interest rate index (referred to in this disclosure as the “Index.”) The Index is **30 Day Average SOFR** (Secured Overnight Financing Rate). Information about the index is currently published by the Federal Reserve Bank of New York. The most recent index figure available as of the date 45 days before each Change Date is called the Current Index. If the Index is no longer available the Lender will choose a new Index, which is based on comparable information.

**Interest Rate.** Your interest rate is based on the Index value plus a margin, rounded to the nearest **0.125** percent, unless your interest rate “caps” limit the amount of change in your interest rate. A change in the Index generally will result in a change in the interest rate. The amount that your interest rate may change also may be affected by the periodic interest rate change limitations and the lifetime interest rate limits, as discussed below.

**Initial Interest Rate.** Your initial interest rate is based on market conditions and not based on the index used to make later adjustments. Your initial rate may be discounted, equal to, or higher than the rate based on the index. Ask us for the current amount of our adjustable rate mortgage discounts or premiums.

**Interest Rate Adjustments.** Your interest rate under this ARM can change after **120** month(s) and every **6** months thereafter. Your interest rate cannot increase or decrease more than **5.000** percentage points at first adjustment and **1.000** percentage points per subsequent adjustment from the initial interest rate excluding any buydown. Your interest rate will never be greater than **5.000** percentage points above the initial interest rate or lower than **2.750**.

# 10/6 SOFR ARM Disclosure (5/1/5 Caps)

**HOW YOUR PAYMENTS ARE DETERMINED.** Your initial monthly payment of principal and interest will be determined based on the interest rate, loan term, and balance when your loan is closed. Your payment will be set to amortize the loan over a period of **360** payments.

**Frequency of Payment Changes.** Based on increases or decreases in the Index, payment amounts under this ARM loan can change after **120** month(s) and every **6** months thereafter. Any increase in the interest rate will take the form of a HIGHER payment amount. Your new payment amount will be due on the first monthly payment date after a 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. However, your monthly payment amount could change more frequently if there is a change in the taxes, assessments, insurance premiums, or other charges required to be made into an escrow or impound account.

**Limitations on Interest Rate Payment Changes.** Your interest rate will not increase or decrease on the first change date by more than **5.000** percentage points from the initial interest rate excluding any buydown. After the initial adjustment period, your interest rate will not increase or decrease by more than **1.000** percentage points per year. Your interest rate cannot increase more than **5.000** percentage points above the initial interest rate (excluding any buydown) over the life of the loan.

**HOW YOUR PAYMENT CAN CHANGE EXAMPLE <sup>4</sup>:** To give you an example of how this loan program would work for a \$10,000 loan.

| 10/6 ARM            |                    |                       |                         |                       |                         |                                                   |
|---------------------|--------------------|-----------------------|-------------------------|-----------------------|-------------------------|---------------------------------------------------|
| Margin <sup>1</sup> | Index <sup>2</sup> | Initial Interest Rate | Initial Monthly Payment | Maximum Interest Rate | Maximum Monthly Payment | Loan Year in Which Maximum Payment May Be Reached |
| 2.750%              | 0.736%             | 5.75%                 | \$58.36 <sup>3</sup>    | 10.750%               | \$84.38                 | 11 <sup>th</sup>                                  |

1. This is a Margin we have used recently; your margin may be different.
2. The Index value is as of 06/01/2022.
3. The monthly payment may increase or decrease substantially based on changes in the annual interest rate
4. No interest rate premium or discount was considered in these examples

The above example calculates the Maximum Interest Rate and Maximum Payment based on the following assumptions:

- **Initial Rate Cap** - 5.000%
- **Periodic Cap** - 1.000%
- **Life Cap** - 5.000%
- **Index** - The 30 day Average SOFR Index is currently published by the Federal Reserve Bank of New York
- **Term** – 30 years
- **Payment Adjustment** – 10/6 ARM: every six months, after first 10 years
- **Interest Adjustment** – 10/6 ARM: every six months, after first 10 years

## CALCULATION YOUR PAYMENTS FOR A 30 YEAR LOAN

To see what your payment would be, divide your mortgage amount by \$10,000, then multiply the monthly payment by that amount.

For example, the monthly payment for a new loan amount of \$60,000 would be \$60,000 divided by \$10,000 = 6. Multiply the payment amount by this number, e.g., 6 x **\$58.36** = **\$350.16**

## 10/6 SOFR ARM Disclosure (5/1/5 Caps)

---

### **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 interest rate adjustment of the loan. This notice will contain information about the adjustment, including the rate, payment amount, and loan balance. You will also 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 adjustments resulting in a corresponding payment change. This notice will contain information about the adjustment, including the rate, payment amount, and loan balance.

### **ADDITIONAL FEATURES OF THIS ADJUSTABLE RATE MORTGAGE**

- **PREPAYMENT.** You may pay this ARM loan in whole or part without penalty at any time. If you are paying more than your regularly scheduled payment, you must notify us as to how you want the funds applied.
- **ASSUMPTION OPTION.** Someone buying your principal dwelling may, subject to conditions, be allowed to assume the remaining balance of your loan based upon the original terms.
- **DEMAND FEATURE.** This loan **does not** include a demand feature.
- **CONVERSION OPTION.** This adjustable rate mortgage may not be converted to a fixed interest rate.

**DISCLOSURES FOR OTHER ARM PROGRAMS ARE AVAILABLE UPON REQUEST.**

**THIS PROGRAM MAY BE DISCONTINUED OR CHANGED IN WHOLE OR PART AT ANY TIME AT LENDER'S OPTION.**