

Suggested Form of Annual Disclosure ARM Notice

Mortgagee Name

Date

Address

Telephone No.

Mortgagor(s) Name

Address

Re:Annual Notice of Changes in Interest Rate and Monthly Installment Payments on Your Adjustable Rate Mortgage

Dear Mortgagor:

On ____ (date) ____, the interest rate on your Adjustable Rate Mortgage (ARM) will (increase/decrease) from ____% to ____%, and your monthly installment payments will (increase/decrease) from \$_____ to \$_____. Beginning with your ____ (date) ____ payment, please pay the new amount. New payment coupons (or monthly billings) reflecting the new amount will be sent shortly.

Your present interest rate was based on an Index Value of ____%.

To determine your new interest rate we added the Current Index Value of ____ % as of ____ (date) ____ to the agreed upon Margin of ____ % for a total of ____ % (rounded to the nearest 1/8th percent).

The new Existing Interest Rate of ____ % may not be more than one percent higher or lower than the prior Existing Interest Rate of ____%. The original Interest Rate of your mortgage was ____% which may not be increased or decreased beyond five percent during the life of the mortgage.

The new monthly installment was determined by computing the monthly payment to principal and interest necessary to pay off the principal balance of the mortgage (\$ _____) over the remaining term of the mortgage (____ yrs.) at the new Existing Interest Rate, without taking into account delinquent payments, and crediting any prepayments to principal. The required monthly escrow payment (\$ _____) was then added to the required principal and interest payment.

If you have any questions, please call _____ at the telephone number listed above, or you may use the toll-free numbers previously provided.

Sincerely,

NOTE: If the annual ARM Notice is designed to include all the essential factors for calculation of the new interest rate and monthly payment, a file copy should be sufficient to reflect the computation.