

ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE

5/5 ARM PROGRAM

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

GENERAL DESCRIPTION OF ADJUSTABLE RATE MORTGAGE LOANS

The loan offered by Hayward Community Credit Union (“HCCU” or “The Lender”) is an adjustable rate mortgage. It is different from a fixed rate loan in that the interest rate and monthly principal and interest payments can change during the life of the loan. Because future movements of the index are related to market conditions that cannot be predicted, it is impossible to know in advance how much you will have to pay either each month or over the life of the loan. Interest rate and payment changes will be made according to certain rules that are explained in more detail below.

This is not a contract document, and should not be used to interpret any provisions of your Note or Mortgage. You will be bound by the provisions of your Note and Mortgage and should become familiar with and understand these documents before signing them. If HCCU agrees to make you a loan, your obligations will be established by your Note and Mortgage.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- Your interest rate will be based on an index plus a margin, rounded to the nearest 1/8 percent (0.125%).
- Your initial interest rate will be fixed for the first sixty months of your loan. Your interest rate can change every fifth year thereafter.
- The index is the 10 Year United States Treasury Note yield as published in the Wall Street Journal on the last day of the previous month. If this index is no longer published or is otherwise unavailable at any change date, HCCU will choose a new index rate based on comparable information and will give you notice of this choice.
- The margin is a specified number of percentage points, which is added to the index rate to calculate your new interest at each change date.
- When your interest rate adjusts, it will equal the “current index”, which is the most recent index figure available as of 45 days prior to the change date, plus the margin, rounded to the nearest 1/8 percent (0.125%), unless your interest rate “cap” or “floor” limit the amount of change in the interest rate.
- When your interest rate adjusts, your principal and interest payment will be based on the new interest rate, loan balance and remaining loan term. The new payment will be an amount sufficient to repay the loan balance at the new interest rate in substantially equal payments over the remaining loan term.
- The margin used in this disclosure is 2.90%
- Please ask us for our current interest rate and margin.

HOW YOUR INTEREST RATE CAN CHANGE

- Your initial interest rate can change every 60 months (5 years). Each date on which your interest rate can change is called a “Change Date.”
- Your interest rate cannot increase or decrease more than two percentage points (2.000%) at each Change Date. This limitation is called your “Periodic Rate Cap.”
- Your loan will have a “lifetime rate cap,” which is the maximum loan interest rate expressed as a specified number of percentage points above your initial rate. The lifetime rate cap for this program is 6.000% above the initial interest rate.
- This program contains a floor. The interest rate on your loan will never be less than the initial rate.
- Please ask about our current initial interest rates, lifetime rate caps and margins for this program.

HOW YOUR PAYMENT CAN CHANGE

- Your monthly payment (principal and interest) can increase or decrease substantially at each rate change date.
- Your first monthly payment change will occur one month after the first interest rate change. Thereafter, your monthly payment can change every 60 months (5 years) based on changes in the interest rate. The new payment will be an amount which would be sufficient to repay the loan balance and interest due on your loan in substantially equal payments each month over the remaining loan term.

EXAMPLE OF MAXIMUM PAYMENT AMOUNT UNDER THE PLAN

For example, on a \$10,000 loan with an initial interest rate of 4.75% (in effect April 1, 2016) the maximum amount the interest rate can rise under this program is 6.000 percentage points to 10.75% for a 30 year term loan; 8.75% for a 15 year term loan; and not rise for a 5 year term loan. If your loan term was for 30 years, your monthly payment can rise from a first-year payment of \$52.18 to a maximum of \$93.40 in the beginning of the sixteenth year. If your loan term was for 15 years, your monthly payment can rise from a first-year payment of \$77.80 to a maximum of \$99.98 beginning in the eleventh year. If your loan term was for 5 years, your monthly payment would be \$187.58 and would not rise.

To see what your payment is, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. For example, in April 2016 the initial monthly payment for a mortgage amount of \$60,000 would be $\$60,000 \div \$10,000 = 6$; $6 \times \$52.18 = \313.08 per month for a 30 year mortgage, $6 \times \$77.80 = \466.80 per month for a 15 year mortgage; and $6 \times \$187.58 = \$1,125.48$ per month for a 5 year mortgage.

NOTICE OF INTEREST RATE AND PAYMENT CHANGES

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 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 **every** 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.

This ARM Disclosure and Consumer Handbook on Adjustable Rate Mortgages were hand delivered to the applicant on:

Date

Loan Officer Initials