

VARIABLE RATE MORTGAGE PROGRAM DISCLOSURE

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

This Variable Rate Mortgage program Disclosure describes the features of the adjustable rate mortgage(ARM) you are considering. Information on other variable(ARM) rate mortgage programs is available upon request.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- Your interest will be based on an index plus a margin, rounded to the nearest 0.125%.
- This type of ARM loan carries a provision for a change in the Interest Rate and the Monthly payment.
- Your payment will be based on the interest rate, loan balance and loan term.
- The index used to determine your initial interest rate and/or all adjustments is based on the weekly average yield of the United States Treasury Securities adjusted to a constant maturity of 1 year, made available by the Federal Reserve Board, Statistical Release #h.15 (519).

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 in all Seattle Metropolitan Credit Union offices, it is also published weekly in the *Wall Street Journal*.
- Your interest rate will be equal to the index rate plus our margin rounded to the nearest (0.125%) 1/8 of 1%, unless your interest rate "caps" limit the amount of changes in the interest rate.
- The initial interest rate may not be based upon the full margin plus the index used to make later adjustments. Ask us for the amount of the current interest rate discount.

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HOW YOUR INTEREST RATE CAN CHANGE

- Your Interest rate can change after the first year and once every 12 months thereafter.
- Your interest rate cannot increase more than 2-percentage point(s) at each adjustment.
- Your interest rate cannot decrease more than 2-percentage point(s) at each adjustment.
- Your interest rate cannot increase more than 6-percentage point(s) over the term of the loan.
- Your interest rate will be rounded off to the nearest (0.125%) 1/8 of 1% at each adjustment.

HOW YOUR PAYMENT CAN CHANGE

- Your payment can change after the first year, and once every 12 months thereafter, based on changes in the interest rate.
- You will be notified in writing 45 days before the due date of a payment at a new level. This notice will contain information about your interest rate, payment amount, and loan balance.

EXAMPLE: On a \$10,000, 30 year loan with an initial interest rate of 10.00 percent, the maximum amount that the interest rate can rise under this program is 6 percentage points, to 16.00%, and the monthly payment can rise from a first year payment of \$87.76 to a maximum of \$134.48 in the 4th year.

- Any increase in the interest rate will take the form of a higher payment amount.

ADDITIONAL FEATURES OF YOUR VARIABLE RATE MORTGAGE PROGRAM

You have the option to convert your interest to a fixed rate. This is called a "conversion option." Your new fixed rate will be determined by adding **.375% (3/8%)** to the FHLMC 60 day required net yield. You should be aware that if you exercise this option, the interest rate may be increased from the variable rate you have been paying. You will be allowed to convert your rate only on the first day of a month beginning on the first change date and ending on the fifth change date (conversion date). If you choose to execute this conversion option, you must meet certain conditions. These conditions are as follows:

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- You must give the lender notice that you are doing so at least **15** days before the next conversion date.
- On the conversion date, you are not in default under any documents executed in connection with your loan.
- You must sign and give the lender any documents the lender requires to effect the conversion.

Assumptions:

- Someone buying this property **may** be able to assume, subject to lender's conditions.

Demand Feature:

- This Variable Rate Mortgage Program Disclosure does have a Demand Feature. The Demand Feature is subject to the following: If all or any part of the property or an interest therein is sold or transferred by the borrower without the Lenders prior written consent, the loan balance is due and payable.

Late Payment Charge:

- If the full payment amount of any monthly payment has not been received by the end of **15** calendar days after its due date, a late charge will be incurred. The amount of the charge will be **5%** of the overdue principal and interest.

Prepayment Option:

- The borrower has the right to make additional principal payments at any time before they are due without penalty. A prepayment may be a lump sum payment, part of the remaining balance, or in the form of larger than required monthly payments.

Reserve Requirements:

- In addition to the monthly principal and interest payment, your loan document will contain a provision requiring you to pay a monthly amount equal to 1/12 of the estimated annual taxes, assessments, insurance premiums and other costs related to your home. These reserve funds will be deposited in an **interest bearing** reserve account for you. Seattle Metropolitan Credit Union **may** waive the reserve requirement if the total loan to value is 80% or less. The reasons for including reserves in your payment are to ensure the priority to the mortgage, to maintain the security for the loan and to help a borrower budget the costs of these **required** payments each year.
- If you fail to make these payments, Seattle Metropolitan Credit Union may advance the amounts due, and you would be required to repay any advance within 30 days. If you fail to repay these amounts, a default would occur and the Seattle Metropolitan Credit Union could declare the loan due and payable. If the default is not timely, Seattle Metropolitan Credit Union could exercise other

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rights under the loan terms. This could result in the forced sale of your home, in accordance with applicable laws and regulations.

Fees & Closing Costs:

- You will incur certain charges by Seattle Metropolitan Credit Union and others in originating a mortgage. Some examples of these costs:
 - Appraisal fee
 - Title insurance fee
 - Escrow Fee
 - Origination fee(points)
- Seattle Metropolitan Credit Union will give you a good faith estimate of these charges within three days of application

Your Obligation

Your loan documents will contain promises and obligations requiring you to do certain things in a timely fashion. Some examples of those promises and obligations:

- You promise to pay all sums under the loan documents; this includes all monthly payments of principal and interest, and all payments of monthly reserves.
- You promise to pay all taxes, assessments and other charges and liens connected with the property securing the loan.
- Your obligation to keep the property securing the loan in good repair, and to maintain adequate insurance on the property.
- Your obligation to comply with all other terms and conditions in the loan documents.

If you violate any promises or obligations in the loan documents, a default will SMCU. This means all sums owed could become immediately due and payable. In addition, if the default is not promptly cured, other remedies per the loan documents may be exercised. For example, funds for unpaid taxes or insurance may be advanced, to repay the loan, in accordance with applicable laws and regulations.

HISTORIC EXAMPLE

The example below shows how your payments would have changed under this variable rate mortgage program based on actual changes in the index from 1987 to 2001. This does not necessarily indicate how your index will change in the future. The example is based on the following assumptions:

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• Amount of Loan	\$10,000	• Margin*	2.875
• Term	30 years	• Caps:	
• 1st Change Date	12months	periodic	2 percentage
• 2nd change Date thereafter	12months	lifetime	6 percentage
• 1st Payment Adjustment	12months	• Index:	The weekly average yield United States Treasury
• 2nd Pmt Adjustment thereafter	12months	securities	Adjusted to a constant maturity of one year.

Year As of Dec 31	Index	Margin*	Interest Rate	Monthly Payment	Remaining Balance
1988	9.00	2.875	11.875	101.71	9902.54
1989	7.72	2.875	10.625	92.46	9,842.28
1990	6.82	2.875	9.750	86.23	9,763.70
1991	4.12	2.875	7.750**	72.83	9,642.17
1992	3.72	2.875	6.625	65.86	9,485.94
1993	3.60	2.875	6.500	65.13	9,315.97
1994	7.12	2.875	8.500**	76.96	9,179.04
1995	5.21	2.875	8.125	74.73	9,022.32
1996	5.50	2.875	8.375	76.17	8,857.69
1997	5.55	2.875	8.375	76.17	8,678.72
1998	4.63	2.875	7.500	71.52	8,464.12
1999	5.95	2.875	8.875	78.60	8,264.11
2000	5.34	2.875	8.250	75.47	8,031.61
2001	2.28	2.875	6.250**	66.28	7,729.68
2002	1.41	2.875	4.250	58.15	7,353.13

To see what your payments would have been during that period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, in 1996 the monthly payment for a mortgage amount of \$60,000 taken out in 1985 would be \$60,000 divided by \$10,000 = 6; 6 x 76.17=\$457.02).

* This is a margin we have used recently; your margin may be different
 **This interest rate reflects 2-percentage point annual interest rate cap.
 ***This interest rate reflects a 6-percentage point lifetime interest rate cap.

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This is not a commitment to make a loan. You hereby acknowledge receipt of this ARM program Disclosure and a copy of the Consumer Handbook on Adjustable Rate Mortgages on today's date.

Date

Borrower

Borrower

Borrower

Borrower

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