

ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE

7/1 CONSTANT MATURITY TREASURY ARM PROGRAM

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

GENERAL DESCRIPTION OF ADJUSTABLE RATE MORTGAGE LOANS

The loan offered by N.I.H. Federal Credit Union (“NIHFCU” 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 Deed of Trust, Mortgage or Security Deed (the Security Instrument). You will be bound by the provisions of your Note and Security Instrument and should become familiar with and understand these documents before signing them. If NIHFCU agrees to make you a loan, your obligations will be established by your Note and Security Instrument.

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%). Please ask us for our current interest rate and margin.
- Your initial interest rate will be fixed for the first eighty four (84) months of your loan.
- Your initial interest rate will not be based on the index used to make later adjustments. If your initial interest rate is less than the sum of the margin plus the index in effect at the time your interest rate is determined, the loan is described as “discounted”. Ask us for the amount by which our ARMs are currently discounted.
- The index rate for this program is the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year, as made available by the Federal Reserve Board. Index values are published weekly in The Wall Street Journal. You may obtain Federal Reserve Statistical Release H.15 (519), which contains information about the index, by writing the Federal Reserve Bank of San Francisco, Reference Library, 101 Market Street, San Francisco, CA 94150. Or visit their web site at: www.federalreserve.gov/releases/h15/. If this index is no longer published or is otherwise unavailable at any change date, the Note Holder 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.

HOW YOUR INTEREST RATE CAN CHANGE

- Your first interest rate change will occur on your 84th month. (The first payment adjustment will occur on the 85th month). Thereafter, your interest rate can change every 12 months. 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 5.000% above the initial interest rate. Please ask about our current initial interest rates, lifetime rate caps and margins for this program.

