

3-1 YEAR ADJUSTABLE RATE MORTGAGE DISCLOSURE

IMPORTANT MORTGAGE LOAN INFORMATION PLEASE READ CAREFULLY

This disclosure describes the features of the adjustable rate mortgage (ARM) program you are considering. Information on other ARM programs is available on request.

HOW YOUR INTEREST RATE AND MONTHLY PAYMENT ARE DETERMINED

Your interest rate will be adjusted based on an index plus a margin, rounded to the nearest one-eighth of one percentage point (0.125%). Your interest rate will be adjusted to equal this sum unless interest rate “caps” limit the amount of change in the interest rate.

Your monthly payments of principal and interest (“Monthly Payments”) will be adjusted based on the interest rate, loan balance and remaining loan term.

Your interest rate will be adjusted based on the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year (the “index”), plus our margin. This sum is rounded to the nearest one-eighth of one percentage point (0.125%). If the index is no longer available, we will choose a comparable index which is based upon comparable information. We will give you notice of this choice. Ask us for our current interest rate and margin.

You can find information about the index rate in the H-15 (519) series which is published weekly by the Federal Reserve Board. Information about the index is also published weekly in The Wall Street Journal.

Your initial interest rate is not based on the index used to make later adjustments. Your initial interest rate may be a discounted or premium rate. Ask us for the amount of our current discount or premium.

Under this ARM program, there is no option to convert your ARM to a fixed rate loan.

HOW YOUR INTEREST RATE CAN CHANGE

Your interest rate will remain fixed during the first 3 years of your loan. Your interest rate can change on your 36th Monthly Payment due date, and on that date every 12 months thereafter. The date on which the new rate is effective is called the “Change Date”. The most recent index available 45 days before the Change Date will be used to determine your new interest rate.

Your interest rate can not increase or decrease by more than 2 percentage points each year.

Your interest rate over the life of your loan will never be greater than 6 percentage points above the initial interest rate set forth in your Promissory Note. (This is your lifetime interest rate cap).

If your initial interest rate is discounted, your interest rate on the first Change Date may increase even if the index does not increase.

HOW YOUR MONTHLY PAYMENT CAN CHANGE

Your Monthly Payments can increase or decrease substantially based on annual changes in the interest rate. Payment changes will be effective with the first Monthly Payment due after each Change Date.

For example, on a \$10,000, 30-year loan with an initial interest rate of 5.875% (this is an initial interest rate that was in effect in October, 2006 the maximum amount the interest rate under this program can increase is 6 percentage points, to 11.875% The Monthly Payment can rise from a first month’s payment of \$59.15 to a maximum of \$98.24 in the sixth year.

To determine how much your monthly payment would be under the same scenario, divide your mortgage amount by \$10,000; then multiply the quotient by the monthly payment amount. For example, for a \$100,000 loan made under the conditions described above, the initial payment would be \$591.50; ($\$100,000 / \$10,000 = 10$; $10 \times \$59.15 = \591.50). The maximum payment amount would be \$982.40; ($\$100,000 / \$10,000 = 10$; $10 \times \$98.24 = \982.40).

You will be notified in writing at least 25 days before the due date of a Monthly Payment at a new level, or at such other time as may be required by applicable law. This notice will contain information about your index and interest rate, Monthly Payment amount and loan balance.
