

Loan Program Disclosure for:

7 Year Fixed/1 year LIBOR ARM Loan (7/1)
10 Year Fixed/1 year LIBOR ARM Loan (10/1)

IMPORTANT INFORMATION – PLEASE READ CAREFULLY

Lender: **U.S. Bank National Association ND**

This disclosure describes the features of the adjustable rate mortgage (ARM) program you are considering. Information on other ARM programs is available upon request. This disclosure statement is not a contract and does not constitute a commitment to make a loan to you.

The **7/1 ARM and 10/1 ARM** products are fully amortized over the full term of the loan.

What is an Adjustable Rate Mortgage?

An Adjustable Rate Mortgage (ARM) is a loan in which the interest rate and monthly payment (principal and interest) may change over the life of the loan. If the interest rate increases from the time you make your loan, your monthly payment will increase. If the interest rate decreases, your payment will decrease.

How Your Interest Rate and Payment Are Determined

Interest Rate: Your interest rate will be based on an index plus a margin.

Initial Interest Rate: Your initial interest rate may not necessarily be tied to the Index and margin for your loan. Please ask us for the current amount of our interest rate discounts or premiums. Your interest rate can increase even if the index plus your margin rounded to the nearest one-eighth of one percent (0.125%) has remained constant or has decreased.

Subsequent interest rate: Subsequent interest rates will be based on the average of interbank offered rates for one year U.S. dollar-denominated deposits in the London Market ("LIBOR"), as published in the *Wall Street Journal*, plus our margin rounded to the nearest one-eighth of one percent (0.125%), unless your interest rate "caps" limit the amount of change in the interest rate. Please ask for our current interest rate and margin.

Index: The "Index" is the average of interbank offered rates for one year U.S. dollar-denominated deposits in the London Market ("LIBOR"), as published in the *Wall Street Journal*. If this Index is no longer available, a comparable index will be substituted.

Payment for 7/1 and 10/1 ARMs: Your principal and interest payment will be based on the interest rate, loan balance and loan term. In addition, you may be required to make monthly escrow deposits for real estate taxes and/or hazard insurance.

How Your Interest Rate Can Change

Interest Rate Change Date for 7/1 ARM: Your interest rate will not change for the first 7 years of the loan. Thereafter, the interest rate may change every year. Each date on which your interest rate can change is called a "Change Date."

Interest Rate Change Date for 10/1 ARM: Your interest rate will not change for the first 10 years of the loan. Thereafter, the interest rate may change every year. Each date on which your interest rate can change is called a "Change Date."

Interest Rate Change: Starting with the first Change Date, your interest rate will equal the sum of the current Index (which is the most recent Index available **45 days** before each Change Date) plus a margin, rounded to the nearest one-eighth of one percent (0.125%), unless the interest rate "cap" on your loan limits the change in your interest rate.

Interest Rate Caps for 7/1 ARM: Your interest rate is subject to the following limits:

- At the first Change Date, your interest rate cannot increase by more than 5% from the Initial Interest Rate.
- At each subsequent Change Date, your interest rate cannot increase or decrease more than 2% from the interest rate from the preceding period.
- Over the term of the loan, your interest rate cannot increase more than 6% from the Initial Interest Rate.
- Over the term of the loan, your interest rate cannot decrease to a rate less than your Initial Interest Rate.

Interest Rate Caps for 10/1 ARM: Your interest rate is subject to the following limits:

- At the first Change Date, your interest rate cannot increase by more than 6% from the Initial Interest Rate.
- At each subsequent Change Date, your interest rate cannot increase or decrease more than 2% from the interest rate from the preceding period.
- Over the term of the loan, your interest rate cannot increase more than 6% from the Initial Interest Rate.
- Over the term of the loan, your interest rate cannot decrease to a rate less than your Initial Interest Rate.

Because of the effect of interest rate caps on the method of calculating your new interest rate at each Change Date, your new interest rate may not correspond directly to changes in the Index.

How Your Monthly Payment Can Change

Payment Change Dates: Your monthly payment can change at the first Change Date and every year thereafter, based on changes in the interest rate. If the interest rate changes, you will pay a new monthly payment on the first payment due date after the Change Date.

Payment Change: At each Change Date, the Lender will recalculate your monthly payment based on the amount necessary to fully repay the remaining loan balance with interest at the new interest rate over the remaining loan term.

Payment Change Notice: You will be notified in writing at least **30** days before any payment adjustment is made. This notice will contain information about your new interest rate, payment amount and loan balance.

Payment Changes: Your monthly payments may increase or decrease substantially depending on changes in the rate. However, your Initial Interest Rate may not necessarily be tied to the Index and margin depending on whether your loan was originated at a discount or premium.

Examples

Example 7/1 ARM:

Loan Amount:	\$10,000
Loan Term:	30 years
Initial Interest Rate:	8.10%
Margin:	3.25%*
Index:	4.85%*

The maximum amount that the interest rate can increase under this program is 6 percentage points, to 14.10%. The monthly payment can increase from the initial payment of \$74.07 (**for the first 7 years**) to a maximum of \$113.19 **after the 8th year**

To see what your payments would be, divide your loan amount by \$10,000, then multiply the monthly payment by that amount. For our example, the monthly payment for a loan amount of \$60,000 would be $(\$60,000/\$10,000) = 6$, and $(6 \times \$74.07) = \444.42 per month.

Example 10/1 ARM:

Loan Amount:	\$10,000
Loan Term:	30 years
Initial Interest Rate:	9.10%
Margin:	4.27%*
Index:	4.85%*

The maximum amount that the interest rate can increase under this program is 6 percentage points, to 15.10%. The monthly payment can increase from the initial payment of \$81.18 (**for the first 10 years**) to a maximum of \$118.63 **after the 10th year**

To see what your payments would be, divide your loan amount by \$10,000, then multiply the monthly payment by that amount. For our example, the monthly payment for a loan amount of \$60,000 would be $(\$60,000/\$10,000) = 6$, and $(6 \times \$81.18) = \487.08 per month.

Additional Features of Your ARM Loan

Assumable Loan: Someone buying this property cannot assume the remaining balance due under the original loan terms.

Demand Feature: This loan does not have a demand feature. However, the full balance of the loan, including all unpaid accrued interest and fees, is immediately payable upon sale of the property.

Rate Conversion Option: This loan does not have an option for you to convert your adjustable interest rate to a fixed rate.

* This is an example only of an index and margin we have used recently; your margin and index may be different. Ask for our current margin value and index.