

Teachers Federal Credit Union Mortgage Loan Disclosure for Adjustable Rate Mortgage

This disclosure is provided to you by TEACHERS FEDERAL CREDIT UNION (Lender) and generally describes the features of the Adjustable Rate Mortgage program you are considering. It should be used together with the Consumer Handbook on Adjustable Rate Mortgages prepared by the Federal Reserve Board and the Federal Home Loan Bank Board.

NONE OF THESE DOCUMENTS, EITHER INDIVIDUALLY OR AS A WHOLE, ARE A COMMITMENT TO MAKE A LOAN. If you submit a loan application, and it is approved, a commitment letter will be issued to you setting forth the terms and conditions of such approval. The loan documents signed at the settlement (closing) of the loan will control the rights and responsibilities of the parties.

TFCU offers Seven (7) Adjustable Rate Mortgage Plans.

The details of these loans are set forth below:

1. **Term:** 30 Years Maximum

2. Initial rate will be established 8 business days prior to closing.

3. Period of Initial Interest Rate:

(A) 1 Year* (C) 3 Years (E) 7 Years (G) 3 Years HLPR
(B) 1 Year (D) 5 Years (F) 10 Years

* Requires payment of a ¼ point commitment fee.

4. **Adjustment:** At the end of each period of initial interest rate, the rate will be adjusted as follows:

After the period of initial interest rate, the rate will be adjusted to exceed by 3% the Weekly Average Yield on U.S. Government Securities with a constant maturity of one (1) year as published in the Federal Statistical Release H15 (519) in effect 45 days before the end of each period, rounded to nearest one-eighth (1/8) of one percent (1%). The index is published by the Federal Reserve Board, 20th and Constitution Avenue, Washington, D.C. and is available from the Federal Reserve Board and at the office of Teachers Federal Credit Union, 2410 North Ocean Avenue, P.O. Box 9029, Farmingville, NY 11738. However, product "A" contains a Conversion Option as follows:

Conversion Option: Beginning with the 13th month and not extending beyond the 60th month, the borrower may elect to convert this adjustable rate mortgage to the then prevailing fixed rate mortgage for the balance of the term. The fixed interest rate will be equal to the Federal National Mortgage Association's required net yield as of the first (1st) business day of the month.

- (1) If the original term of this Note is greater than 15 years, 30-year fixed rate mortgages covered by applicable 60-day mandatory delivery commitments, plus five-eighths of one percentage point (.625%), rounded to the nearest one-eighth of one percentage point (.125%), or
- (2) If the original term of this Note is 15 years of less, 15-year fixed rate mortgages covered by applicable 60-day mandatory delivery commitments, plus five-eighths of one percentage point (.625%), rounded to the nearest one-eighth of one percentage (.125%). This option is subject to specific time frames and a \$250.00 conversion fee. If the borrower does not exercise the option, the mortgage will continue to be adjusted as above.

The adjustment will be capped as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>* E</u>	<u>* F</u>	<u>G</u>
Adjustment cap at each adjustment:	2%	2%	2%	2%	5%	5%	1%
Lifetime cap:	6%	6%	6%	5%	5%	5%	5%

* Initial first adjustment can be up to 5%.

5. Initial Payment and Monthly Payment during the period of Initial Interest Rate \$7.25
(Assuming Initial Interest Rate of 7.875% for each \$1,000.00 of loan for a 30 Year term)
 - a. To find the amount of payment for a mortgage loan of a given size, divide the amount of the loan by 1,000 and multiply the result by the amount of Initial Payment. For example, the payments for a mortgage loan of \$100,000 for 30 years would be computed as follows: (\$7.25 x \$100,000: 1,000 = payments of \$725.00)
 - b. Each monthly payment is an amount which would be sufficient to fully pay off the loan over its term. Each payment is first applied to interest and then the remainder is applied to the principal. Over the period of Initial Rate, approximately 80% of each payment is applied to interest. The monthly payment will change with the Interest Rate changes (See #8).

6. Effects of Adjustment:

When the Interest Rate is adjusted (see #4), the amount of the monthly payment will be adjusted so that is an amount which would be sufficient to fully pay off the loan over the remaining term. For example, if the rate above increases to 11.50% the monthly payment per \$1,000 would be \$9.91.

7. Notice of Adjustment:

You will receive a Notice of Adjustment at least 30 days, but not more than 120 days before each adjustment. This notice will tell you the date that the rate will be adjusted, the old rate, the new rate, and the amount of the new payment.

8. Escrow:

The note and mortgage will provide for monthly escrow payments of one-twelfth (1/12) of the estimated annual real estate taxes, hazard and flood insurance premiums. This payment will enable Teachers Federal Credit Union to pay this item as it becomes due and ensure that it is paid on time.

9. Prepayment Policy:

There will be no prepayment penalty on products A, B, C, D, E, F or G.

Historical Example:

The following example shows how your payment would have changed under this ARM Program based on the actual changes in the index from 1998 to 2012.

YEAR	INDEX	MARGIN	=	ANNUAL PERCENTAGE RATE	PAYMENT	BALANCE
1998	5.25	3.00	=	8.250	\$97.01	\$9,647.76
1999	4.51	3.00	=	7.500	\$92.92	\$9,242.56
2000	5.95	3.00	=	8.875	\$100.05	\$8,846.38
2001	4.79	3.00	=	8.250	\$96.97	\$8,395.78
2002	2.28	3.00	=	6.250*	\$88.11	\$7,847.66
2003	1.38	3.00	=	4.500	\$81.33	\$7,211.84
2004	1.29	3.00	=	4.375	\$80.90	\$6,543.23
2005	4.36	3.00	=	6.375*	\$87.19	\$5,895.36
2006	4.99	3.00	=	8.000	\$91.89	\$5,240.64
2007	3.42	3.00	=	6.500	\$88.09	\$4,502.46
2008	3.04	3.00	=	6.125	\$87.31	\$3,708.48
2009	.40	3.00	=	4.125*	\$83.94	\$2,837.84
2010	.41	3.00	=	3.375	\$83.00	\$1,923.56
2011	.30	3.00	=	3.250	\$82.89	\$ 977.38
2012	.12	3.00	=	3.125	82.84	\$ 0.00

NOTE: Example is based on a \$10,000.00 loan with a 15 year repayment term. A rounding factor to the nearest 1/8 of 1% has been utilized.

* Represents 2% annual adjustment cap. (Increase or Decrease)

The undersigned hereby acknowledge(s) receipt from Lender, prior to application, of this disclosure and the **Consumer Handbook on Adjustable Rate Mortgages**.

Signature

Dated

Signature

Dated

Please indicate the Adjustable Program you are selecting:

- A. One (1) Year Convertible Adjustable
- B. One (1) Year Adjustable
- C. 3/1 Adjustable
- D. 5/1 Adjustable
- E. 7/1 Adjustable
- F. 10/1 Adjustable
- G. 3/1 HLPR