



# Adjustable Rate Mortgage ("ARM") - Early Disclosure Statement - 15 YEAR ARM SECOND MORTGAGE

STAR ONE CREDIT UNION

Adjustable Rate Mortgage ("ARM")

**Early Disclosure Statement**  
15 YEAR ARM SECOND MORTGAGE

If you wish to apply for an Adjustable Rate Mortgage (referred to in this Disclosure as an "ARM") with Star One Credit Union ("Credit Union"), you should read the information below concerning this mortgage loan program. This disclosure describes the features of the specific ARM loan program that you are considering. Information on other ARM programs available from us will be provided to you upon request.

The loan offered by the Credit Union is an Adjustable Rate Mortgage. Your payment amount will be based on the interest rate, loan balance, and loan term. The applicable interest rate and monthly payments will change from time-to-time based upon movements of an interest rate index. 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 changes and payment changes will be made according to certain rules that are explained below.

## TERMS OF THE CREDIT UNION'S ADJUSTABLE RATE MORTGAGE

The ARM offered by the Credit Union is based on the terms and conditions set forth in the disclosure statement and in the promissory note. The interest rate, index and margin values, and any applicable fees listed herein are based upon examples of recent rates and terms used by the Credit Union. We suggest that you inquire about our current interest rates, discount, index, and margin values.

## INTEREST RATE INDEX

The interest rate charged on this mortgage loan will be based on an interest rate index ("index") plus a margin, rounded to the nearest one-eighth of one percentage point (0.125%). The index 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. The most recent Index figure available as of the date 45 days before each Change Date is called the "Current Index."**

Information about this index is published in the Federal Reserve Statistical Release, Form H.15 (519). Information about this index is announced weekly by the Federal Reserve Board. If the index ceases to be made available, we will choose a new index which is based upon comparable information

## **FREQUENCY OF ADJUSTMENTS**

The applicable interest rate and payment amount under this ARM loan will be adjusted annually, based on movements of the index.

## **INTEREST RATE AND PAYMENT ADJUSTMENTS**

The initial rate offered by the Credit Union and the initial index value on this loan will be specified either at the time you receive a loan rate commitment or at the loan closing, and will be based upon market conditions at that time. Your payment is based on the amount necessary to fully amortize the remaining loan balance at the applicable interest rate over the remaining loan term. The amount that your interest rate and payment may change will also be affected by the lifetime interest rate limits which are discussed below.

## **PREFERRED RATE PROGRAM**

You may be entitled to receive a preferred rate under your ARM Program. The preferred rate is a reduction of the margin applicable to your ARM Program by 0.25%. ("Preferred Rate"). You may be eligible for the Preferred Rate if you have a Star One Credit Union first lien mortgage loan on the same property in addition to this ARM Program. We may increase the margin to the non-preferred margin if you no longer qualify for the Preferred Rate (e.g., you refinance your Star One Credit Union first lien mortgage loan with another financial institution).

## **HOW YOUR MONTHLY PAYMENT CAN CHANGE**

Any time your interest rate changes it will not increase or decrease by more than two (2) percentage points. Your interest rate cannot increase more the five (5) percentage points over the life of the loan.

## **HOW YOUR PAYMENT CAN CHANGE**

Your monthly payment will change annually based on the changes in the interest rate. For example, on a \$10,000.00, 15 year loan with an initial rate of 7.250% (the index rate of 4.95% as of January 2007 plus a margin of 2.25%), the maximum amount that the interest rate can rise under this program is five (5) percentage points to 12.250%; and the monthly payment can rise from a first-year payment of \$91.29 to a maximum of \$121.63 in the fourth year.

To see what your payment would be, divide your mortgage amount by \$10,000.00, then multiply the monthly payment by that amount. (For example, the monthly payment for a mortgage amount of \$60,000.00 taken out in 2007 would be \$60,000.00 divided by \$10,000.00 = 6; 6 x \$91.29 = \$547.74.)

## **ADJUSTMENT NOTICES**

The Credit Union will notify you in writing (at least 25 calendar days, but not more than 120 calendar days) before a change in the interest rate occurs. The notice will indicate the adjusted payment amount, interest rates, index values, and the outstanding loan balance at that time.

## CHANGE DATES

Each new interest rate will become effective on the next change date. Your monthly payment will change as a result of each change in the interest rate, and the monthly payment change will be effective the first monthly payment due date after the interest rate change.

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