

H-4(B) Adjustable-Rate Loan Program Model Form

(*Name of Creditor*)
(*Name of Loan Program*)

INTEREST RATE AND PAYMENT	
Introductory Period	(Length of Time) The interest rate [is discounted and] will stay the same for [a] (<i>length of time</i>) [introductory period]. After this initial period, [the interest rate could increase][even if market rates do not change, this rate will [increase][decrease] by ___%].
Frequency of Rate [and Payment] Change	(Frequency) The interest rate [and payment] will adjust (<i>frequency</i>) [after the introductory period]. [The payment will adjust (<i>frequency</i>) [after the introductory period].]
[Index] [Formula]	[(Index)][(Formula)] After the initial (<i>length of time</i>) period, your interest rate will be based on [the (<i>index</i>) plus a margin. The (<i>index</i>) is published in the (<i>source of index</i>)] [(<i>formula</i>)]. Information about this formula can be found at (<i>source of formula</i>).
Limits on [Rate] [and Payment] Changes	[___% (Frequency) Cap][;][___% Lifetime Cap] Your [interest rate][payment] can increase [no more than ___% in any (<i>time period</i>)][, and] [no more than ___% over the life of the loan].]

KEY QUESTIONS ABOUT RISK	
Can my interest rate increase?	YES. Your interest rate could increase at the end of the (<i>length of time</i>) [introductory period], and (<i>frequency</i>) after that.
Can my monthly payment increase?	[No.][YES. [If your interest rate increases, your monthly payment will increase.][Your minimum payment can increase after (<i>period</i>).]]
[Will any of my monthly payments be interest-only?]	YES. [Your (<i>frequency</i>) payments for the first (<i>period</i>) of the loan][[This loan would give you the choice to make (<i>frequency</i>) payments that] cover the interest you owe each month, but none of the principal. Making these (<i>frequency</i>) payments means your loan amount will stay the same and you will be no closer to having it paid off.]
[Even if I make my monthly payments, could my loan balance increase?]	YES. Your minimum payment covers only part of the interest you owe each (<i>period</i>) and none of the principal. The unpaid interest will be added to your loan amount, which over time will increase the total amount you are borrowing and cause you to lose equity in your home.]
[Will I owe a balloon payment?]	YES. You would owe a balloon payment due (<i>period</i>).]
Could I owe a prepayment penalty?	[No.][YES. If you pay off your loan, refinance, or sell your home within (<i>period</i>) you could pay a large penalty.]
[Can my lender demand full repayment at any time?]	YES. We can demand that you pay off the full amount of your loan at any time. We would give you at least (<i>period</i>) notice.]
[Could my loan have a higher rate or fees if I do not document my employment, income or other assets?]	YES. If you provide more documentation, you could decrease your interest rate or fees.]
[Do I have to share any equity I gain?]	YES. We are entitled to ___% of any gain you make when you sell or refinance this property.]

For more information about ARMs, or for a list of licensed housing counselors in your area that can help you understand the risks and benefits of this loan, visit (*Web site of the Federal Reserve Board*).