3/6 LIBOR ARM INITIAL PROGRAM DISCLOSURE

This disclosure describes the features of Lender's 3/6 Libor ARM Program. Information on other Adjustable Rate Mortgage ("ARM") programs is available upon request.

Before applying for an adjustable rate mortgage loan, it is important for you to understand the difference between this kind of loan and a fixed rate mortgage loan. This disclosure outlines the main features of the 3/6 Libor ARM Loan offered by Lender, however, it may not describe the specific terms of the loan Lender may offer you. Those terms will be described in your Note and Deed of Trust or Mortgage.

Lender reserves the right to make changes to this loan program at any time for any reason. This is not a commitment to make a loan to you.

GENERAL DESCRIPTION

An Adjustable Rate Mortgage ("ARM") is a loan in which the interest rate and monthly payment can change over the life of the loan.

After the first interest rate adjustment, the interest rate and monthly payment amount for your ARM may change every six months. Subject to limitations on the maximum interest rate and to the amount of any single interest rate change, the interest rate for your loan after the initial discounted or premium rate period will be based on an index. Thus, beginning on the first interest rate change date, the interest rate application at any given time will depend on the index value at that time and on the size of the margin to be added to the index value. Your monthly payments will be based on the interest rate applicable to your loan until the next interest rate change, the expected loan balance as of the day your new interest rate will become effective and the length of the remaining loan term. 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.

More detailed information regarding interest rate changes, the index, margin and resulting payment changes are outlined below.

SPECIFIC DESCRIPTION

How Your Interest Rate Will be Determined

Initial Interest Rate. When you sign your loan note, your initial interest rate will be determined based upon market conditions at that time. It will not be based upon the index and margin that will be used to make later adjustments. Instead, your initial interest rate may be higher or lower than the index plus margin by an amount called a premium or a discount. Ask the Lender for the amount of the current premium or discount and the initial interest rate being quoted for loans now being negotiated.

Frequency of Interest Rate Changes. After the first interest rate adjustment, the interest rate on your loan will be subject to change once every six months. Each change will occur on a "Change Date." The first Change Date will be on the same date as your thirty-sixth regularly scheduled monthly payment becomes due. Subsequent Change Dates will occur at the end of each of the following 6 month periods.

Index and Current Index. The "Index" is the average of interbank offered rates for six month U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in the *Wall Street Journal*. The most recent Index figure available as of the first business day of the month immediately preceding the month in which the Change Date occurs is called the Current Index.

Margin. The "Margin" is a specified number of whole or fractional percentage points that remains the same for the term of the loan. The amount of the Margin will be specified in your Note. Ask the Lender for the Margin for loans now being negotiated.

Determining the Interest Rate on a Change Date. Beginning with the interest rate that will become effective as of your first Change Date, the interest rate that will apply to your loan until the next Change Date will be determined by adding the Margin to the Current Index, to determine the tentative interest rate to become effective as of that Change Date. Then the tentative interest rate will be rounded to the nearest one-eighth of one percent (0.125%). This rounded interest rate will become the interest rate applicable until the following Change Date unless one of the exceptions described in the next paragraph applies.

Limitation on Interest Rate Changes. Interest rate changes for your loan are subject to three important limitations. First, on the first Change Date, the interest rate cannot increase or decrease by more than two percentage points (2%) in relation to the interest rate in effect prior to the Change Date. Second, after the first Change Date, no single interest rate change will ever increase or decrease the interest rate by more than one-percentage point (1%). Third, regardless of the value of the Index, the interest rate on your loan can never increase or decrease more than six percentage points (6%) in relation to the interest rate in effect at the time your initial monthly payment amount is calculated. At no time, however, can your interest rate be lower than your Margin.

How Your Payment Amount Will Be Determined

Initial Monthly Payment. Your initial monthly payment of principal and interest ("Monthly Payment") will be determined by calculating the monthly payment that would be sufficient to repay the amount you borrow in substantially equal payments over the full term of your loan. In making this calculation, the Lender will assume that the initial interest rate applicable to your loan will never change.

Payment Changes. Your Monthly Payment can change every 6 months beginning on the due date of your thirty-seventh regularly scheduled payment. Prior to each Change Date, the amount of your new Monthly Payment will be determined by calculating the amount sufficient to repay the principal balance you are expected to owe on the Change Date in substantially equal payments over the remaining loan term at the new interest rate applicable on that Change Date.

For Example. On a $10,000 loan with an initial interest rate of 6.250% in effect on October 31, 2001, the interest rate could rise to a maximum of 6 percentage points to 12.25%. This initial interest rate reflects an interest rate that the Lender has recently offered and includes a premium of 1.228%. The following worst case example illustrates what would happen to your Monthly Payments if the initial interest rate increased by the maximum amount at each adjustment to the maximum rate ceiling of 12.25% and remained there for the term of the loan.

Loan Term	**Initial Payment**	**Maximum Payment**	**Year Maximum Payment Reached**
30 Years	$ 61.57	$106.03	4

To estimate what your initial Monthly Payment or maximum Monthly Payment amount would be, divide your mortgage loan amount by $10,000.00; then multiply the initial Monthly Payment or maximum Monthly Payment by that amount. For example, the initial Monthly Payment for a $100,000.00 mortgage loan with a 30 year term would be:

$100,000 ÷ $10,000 = 10
10 X $61.57 = $615.70

Payment Change Notification. You will be notified by the Lender in writing at least 25 days, but not more than 120 days, prior to the effective date of a change in the Monthly Payment amount. The notice will contain information about your new and prior interest rates, the Index upon which the new and prior interest rates are based, the new Monthly Payment amount and the current loan balance.

OTHER IMPORTANT PROVISIONS

Prepayment. You may prepay your ARM in whole or in part at any time. If you choose a prepayment penalty option and you make a prepayment during the first five years of your loan over the allowable limits stated in your Note and Prepayment Penalty Note Addendum, you may be charged a prepayment penalty fee. For more details, refer to your

Note, Note Addendum and Prepayment Penalty Disclosure for this loan program. (A prepayment penalty option may not be available in some states.)

Assumption. The Lender has the right to require immediate payment in full of all amounts due on your Note if you sell or transfer an interest in the property securing your loan.

Interest Only

If you choose an interest only option your loan payments for the first 10 years of your loan will represent interest only payments for the principal balance of your loan. To determine your payments during the interest only period, you must multiply your principal balance by the current interest rate of your loan and divide by 12. Your interest rate may be subject to change on an annual basis and, therefore, will cause your loan payment to change. During the interest only period, your principal balance will remain the same as when you closed unless you make a principal curtailment(s) during the 10 years.

At the end of the 10 year interest only period, your loan payment is then calculated as a principal and interest payment based on the remaining terms of your loan (240 months) and is subject to change annually thereafter in response to the interest rate changes. It is at this time that your principal balance will begin to amortize and a portion of your payment will be used to reduce the principal balance each month.

The undersigned applicants certify receipt of the Lender's Loan Program Disclosure and certify they have reviewed all pages of this Program Disclosure. The undersigned also certify receipt of the Consumer Handbook on Adjustable Rate Mortgages booklet.

Applicant's Name Date Applicant's Name Date