

DATE;  
 BORROWER:  
 LOAN #:  
 PROPERTY ADDRESS:

PRODUCT CODE: CAL530INTCW

**CONFORMING "INTEREST ONLY" 5/1 LIBOR ARM 5-2-5 CAP STRUCTURE**

This disclosure describes the features of an Adjustable Rate Mortgage (ARM) program you are considering. Information about our other ARM programs will be provided upon request.

**HOW YOU INTEREST RATE AND PAYMENT ARE DETERMINED**

- After the first five years of your loan, your interest rate will be based on an index rate plus a margin. Please ask for our current interest rates and margins.
- 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*.
- Your initial interest rate is not based on the index used to make later adjustments. If the initial interest rate is below the sum of the then-current index plus margin (the "fully indexed rate"), then the initial interest rate will be a "discounted" interest rate. If the initial interest rate is above the fully indexed rate, then it will be a "premium" interest rate. Please ask us for the amount of our current interest rate discounts and premiums.
- For the first five years of your loan, as applicable, your payment will be based on the interest rate, loan balance and remaining loan term.

<b>5/1 ARM</b>	
Your interest rate can change:	After 5 years and annually thereafter:
Each time your interest rate changes, the new interest rate will equal the sum of the index plus the margin, subject to the following limits:	<ul style="list-style-type: none"> <li>• Your interest rate will be rounded to the nearest 1/8%</li> <li>• Your interest rate will not increase by more than 5% over the life of your loan.</li> <li>• On the first change date, your interest rate can increase or decrease by 5.0%.</li> <li>• On each subsequent change date, your interest rate will not increase by more than 2%.</li> </ul>
<b>How Your Payment Can Change</b>	
Your monthly payments will cover interest only:	For the first 5 years of your loan
If you make voluntary principal payments during the interest only period:	Your required interest only payment will be reduced to reflect the decrease in your loan amount.
Your monthly payments can change:	Each time the interest rate changes and can increase or decrease substantially based on the changes in the interest rate.
For the first 5 years of your loan, as applicable, your regular monthly payments will not reduce your loan balance. After this initial interest-only period, your monthly payments will begin to reduce your loan balance. This means that your payments could increase substantially when the interest-only period ends, even if your interest rate stays the same or goes down.	
You will be notified in writing:	At least 25, but not more than 120 days, before the due date of a payment at a new level. This notice will contain information about the index, your interest rate, payment amount, and loan balance.
	The examples below illustrate interest rate and payment changes based on a \$10,000, 30-year loan using an initial interest rate in effect on the first business day of August, 2004.
<b>Examples of loan with a premium interest rate (above sum of index and margin)</b>	
Initial Interest Rate	5.00%
Maximum Interest Rate	10.00%
First Year Payment	\$ 41.66
Maximum Payment	\$ 90.87 in the sixth year
Note: To see what your payment would be, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. For example, the monthly payment for a \$60,000 5/1 ARM with a premium interest rate would be: \$60,000 / \$10,000 = 6; 6 x \$41.66 = \$249.96.	

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