

H-4(F) Adjustable-Rate Loan Program Sample (Payment Option ARM)

XXX Bank 1-Month Payment Option Adjustable Rate Mortgage (ARM)

INTEREST RATE AND PAYMENT	
Introductory Period	1 Month The interest rate is discounted and will stay the same for a 1-month introductory period. After this initial period, the interest rate could increase.
Frequency of Rate Change	Monthly The interest rate will adjust once each month after the introductory period.
Index	LIBOR Index After the initial 1-month period, your interest rate will be based on the 1-year LIBOR Index plus a margin. The LIBOR is published daily in the Wall Street Journal.
Limits on Rate Changes	10.5% Maximum Rate Your interest rate can increase up to a maximum of 10.5% 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 1-month introductory period, and monthly after that.
Can my monthly payment increase?	YES. Your minimum payment can increase after one year.
Will any of my monthly payments be interest-only?	YES. This loan would give you the choice to make monthly payments that cover the interest you owe each month, but none of the principal. Making these monthly 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 month 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.
Could I owe a prepayment penalty?	No.

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 www.xxx.gov.