

Adjustable Rate Mortgage (ARM) Loan Disclosure

(Please Read Carefully)

This disclosure does not constitute a commitment on the part of BANNER FEDERAL CREDIT UNION ("Credit Union") to make a loan to you and, further, does not affect your obligations or those of the Credit Union with regard to any loan you now have with, or may obtain in the future from the Credit Union. The terms for all loans are the same except for where otherwise indicated. The specific terms of your prospective loan will be contained in your Loan Disclosure Statement, Note and Security Agreement and your Mortgage. Please read them carefully before you sign them.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- The initial rate will be set by the Credit Union with regard to the index and margin.
- Interest rate changes will be based on an index rate plus a margin.
- Your interest rate will equal the index rate plus our margin unless your interest rate cap limits the amount of change in the interest rate.
- Your payment will be based on the interest rate, loan balance, and loan term. Interest rate changes will be based on the average 26-Week T-Bill Rate as published in the Money Rates section of The Wall Street Journal in effect for the last month of each calendar quarter of each year ("Index") plus our margin. Ask us for the current interest rate and margin. If the index is discontinued, a comparable index will be chosen.

HOW YOUR INTEREST RATE CAN CHANGE

Your interest rate can change on the first day of each calendar quarter of each year. The maximum **ANNUAL PERCENTAGE RATE** at any time is 18.00%. The minimum **ANNUAL PERCENTAGE RATE** at any time is 4.50%. The Annual Percentage Rate includes only interest and no other costs.

PAYMENT REQUIREMENTS

Your payment will be due monthly. Changes in the interest rate will cause changes in the amount of your final payment. The amount of your final payment may increase or decrease substantially depending on changes in the rate. For example, on a \$10,000.00, 15-year loan with an initial interest rate of 8.00%*, the Interest Rate can rise to a maximum under this program of 18.00% after three months. Under these circumstances, you would have to make a final balloon payment of \$36,234.41. To see what your payments 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/\$10,000.00 = 6; 6 x \$95.57 = \$573.42 per month.)

*This represents an interest rate in effect as of July 2015.

NEGATIVE AMORTIZATION

Under some circumstances, your payment will not cover the Finance Charges that accrue and Negative Amortization will occur. Negative Amortization will increase the amount that you owe us and reduce your equity in your home.

EFFECTIVE DATE OF CHANGES

Changes in the interest rate will take effect on the first day of each calendar quarter of each year ("Change Dates").

NOTICE OF INTEREST RATE ADJUSTMENTS

You will be furnished with written notices about changes to your interest rate and loan payments. Depending on when your loan closes in relationship to the date that is used to determine interest rate changes, you will be notified at the time your loan is closed about the: (a) estimated initial interest rate adjustment of the loan; or (b) initial interest rate adjustment of the loan. The first rate change may occur within the first 90 days after your loan is closed. After your loan has closed, you will be notified about the actual initial interest rate adjustment at least 25 days before the first payment at the adjusted level is due. Thereafter, you will be notified at least 25, but no more than 120, days before the first payment at the adjusted level is due after any subsequent interest rate adjustment resulting in a corresponding payment change. Each notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

LATE CHARGES

If a payment is more than 10 days late, you will be charged 20% of the interest due, subject to a minimum of \$5.00.