



The Hybrid ARM... Pre-Loan Disclosure

Interest Rates:

- Initial interest rate fixed for minimum of 3 years
- After initial period can be adjusted annually
- Annual adjustments limited to 1 percent
- Maximum interest increase over life of loan capped at 5 percent

Interest Rate Index:

- Weekly average yield on U.S. Treasury securities adjusted to a constant maturity of 1 year
- Found in Federal Reserve Bulletin available in Statistical Release H.15

Margins:

- VA will not dictate what margin lenders must use
- It is expected market forces will determine appropriate margin

- Lender must explain obligation in writing at time of loan application
- Borrower must certify they understand the obligation
- Signed certification to be retained as part of origination package

Disclosure Must Include:

- Interest rate may change
- How changes correspond to changes in the interest rate index
- Identification of interest rate index, source & availability of publication
- Frequency which interest rate & payments will be adjusted
- Hypothetical monthly payment schedule which displays increases covering first 5 years

Loan Assumptions:

For loans that are later assumed the lender or holder must provide the transferee with the same disclosure noted under Pre-Loan Disclosure

No Temporary Buydowns