

2/28 ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM Programs we may offer is available upon request.

General Description of Adjustable Rate Mortgage Loans

The loan offered by Pelican State Credit Union ("PSCU" or "The Lender"), is an adjustable rate mortgage. It is different from a fixed rate loan in that the interest rate and monthly principal and interest payments can change during the life of the loan. 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. Interest rate and payment changes will be made according to certain rules that are explained in more detail below.

This is not a contract document, and should not be used to interpret any provisions of your Note or Deed of Trust, Mortgage or Security Deed (the Security Instrument). You will be bound by the provisions of your Note and Security Instrument and should become familiar with and understand these documents before signing them. If PSCU agrees to make you a loan, your Note and Security Instrument will establish your obligations.

How Your Interest Rate and Payment Are Determined

- Your interest rate will be based on an index plus a margin, rounded to the nearest 1/8 percent (0.125%). Please ask us for our current interest rate and index.
- Your initial interest will be fixed for the first twenty four (24) months of your loan.
- Your initial interest rate will not be based on the index used to make later adjustments. If your initial rate is less than the sum of the margin plus the index rate in effect at the time your interest rate is determined, the loan is described as "discounted". Ask us for the amount by which our ARM is currently discounted.
- The index rate for this program is the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year, as made available by the Federal Reserve Board. Index values are available in **Federal Reserve Statistical Release H.15 (519)**, released weekly on the Federal Reserve Board's website at <http://www.federalreserve.gov/releases/h15> and are published weekly in **The Wall Street Journal**. If this index is no longer published or is otherwise unavailable at any change date, the Note Holder will choose a new index rate based on comparable information and will give you notice of this choice.
- The margin is a specified number of percentage points which is added to the index rate to calculate your new interest at each change date.
- When your interest rate adjusts, it will equal the "current index", which is the most recent index figure available as of 45 days prior to the change date, plus the margin, rounded to the nearest 1/8 percent (0.125%), unless your interest rate "cap" or "floor" limit the amount of change of the interest rate.
- When your interest rate adjusts, your principal and interest payment will be based on the new interest rate, loan balance and remaining loan term. The new payment will be an amount sufficient to repay the loan balance at the new interest rate in substantially equal payments over the remaining loan term.

How Your Interest Rate Can Change

- Your first interest rate change will occur on your 24th payment. (The payment adjustment will occur on the 25th month). Thereafter, your interest rate can change every 12 months. Each change date on which your interest rate can change is called a "Change Date".
- Your interest rate cannot increase or decrease more than two (2) percentage points (2.000%) at each Change Date. This limitation is called your "Periodic Rate Cap".
- Your loan will have a "Lifetime Rate Cap", which is the maximum loan interest rate expressed as a specified number of percentage points above your initial rate. The lifetime rate cap for this program is 6.000% above the initial interest rate. Please ask about our current initial interest rates, lifetime rate caps and margins for this program.
- Your loan will have a floor rate, which is determined by Pelican's loan policy and is subject to change periodically. This rate is the lowest rate allowed during the adjustment period. Please ask about our floor rate for this program.

How Your Payment Can Change

- Your payment may increase or decrease substantially, depending on changes in the rate. Your first monthly payment change will be at the 25th month, one month after the first interest rate change. Thereafter, your monthly payment can change every 12 months, based on changes in the interest rate. The new payment will be an amount which would be sufficient to repay the loan balance and interest due on your loan in substantially equal payments each month over the remaining loan term.
- You will be notified in writing at least 30 days prior to the due date of a payment at a new level. This notice will contain information about your index, interest rate, payment amount and loan balance, and will include the name and telephone number of a person who will answer any questions you may have regarding the notice.

For Example:

On a \$10,000, 30 year loan with a discounted initial interest rate of 5.500%, in effect in April, 2005, the maximum amount that the interest rate can raise under this program is 6.000% points, to 11.500%, and the monthly payment can rise from a first year payment of \$56.81 to a maximum payment of \$99.09 in the seventh year.

To see what your monthly principal and interest payments would be, divide your mortgage amount by \$10,000.00; then multiply the initial loan payment above by that amount. For example, in April 2005, the monthly payment for a mortgage of \$75,000.00 at 5.5% for 30 years would be \$426.08: $\$75,000 / \$10,000 = 7.5$; $7.5 \times \$56.81 = \426.08 per month.

Late Charge

If your payment arrives later than ten (10) days after it is due, you will be obligated to pay a late charge of 4.000% plus the monthly payment of principal and interest.

By signing below, you acknowledge that you have received a copy of this Adjustable Rate Mortgage Disclosure and a copy of the booklet entitled "Consumer Handbook on Adjustable Rate Mortgages". This disclosure is not a commitment to make a loan and is not part of any contract you have with us.

Applicant _____ Date _____ Applicant _____ Date _____