

# BROTHERHOOD CREDIT UNION

75 MARKET STREET, LYNN, MA 01901

**1 YEAR FIXED  
1 YEAR ADJUSTABLE**

## Loan Program Disclosure for Variable Rate Mortgage Loans

This disclosure describes the features of the Variable Rate Mortgage ("VRM") program you are considering. Information on other VRM programs is available upon request.

### How Your Interest Rate is Determined

Your initial interest rate will be fixed and may not necessarily be based on the then value of the Index and the margin.

Following the completion of the fixed rate term of **12** months, your interest rate will be based on the value of an index described below, plus a margin. The interest rate is rounded to the nearest **1/8** of **1%**.

Ask us for our current interest rate and margin. The index is the monthly average yield on United States Treasury Securities adjusted to a constant maturity of **1 year** as made available by the Federal Reserve Board in the Selected Interest Rate Publication H15 and as published in The Wall Street Journal.

### How Your Interest Rate Can Change

The initial interest rate will be in effect for **12** months and will then be subject to adjustment.

Your interest rate can change every **12** months thereafter.

The interest rate for the period after the **first** adjustment date may not vary from the interest rate of the immediately preceding term by more than **2** percentage points and the interest rate for the period after any subsequent Adjustment Date may not vary by more than **2** percentage points from the interest rate of the immediately preceding term.

Your interest rate cannot increase more than **6** percentage points nor decrease more than **6** percentage points during the term of the loan.

### Premium Interest Rate

If checked, your initial interest rate is not based on the index used to make later adjustments. Your initial interest rate will be higher than the current value of the index and the margin. Ask us for the amount of the current interest rate premium.

### Discounted Interest Rate

If checked, the interest rate on your loan will be discounted from the rate which would have been applicable if the current index value had been added to the margin.

Ask us about the amount of our current interest rate discount.

### Conversion Feature

If checked, you may elect to convert your VRM to a fixed rate loan subsequent to the closing. Upon conversion the interest rate may increase.

The following terms apply:

When conversion may occur: \_\_\_\_\_

Fees you will be charged: \_\_\_\_\_

How fixed rate will be determined, including index and margin to be used, if any : \_\_\_\_\_

### Construction Feature

If checked, this program covers both a construction loan period and permanent financing. During the construction loan period, you will be required to make monthly payments of interest based on the amount you have borrowed. The Maximum Interest Rate and the Payment Example is based on the permanent loan period.

### How Your Payment Can Change

Your payment can change following the first **12** months of your loan and then every **12** months thereafter based on changes in the interest rate.

Your payment will be based on the interest rate, loan balance, and loan term.

You will receive an Initial Adjustment Notice at least **210** days but not more than **240** days prior to the Adjustment Date of a payment at a new level. Subsequently, You will be notified in writing at least **60**, but not more than **90** days before the due date of a Monthly Payment at a new level, or at such time as may be required by applicable law. This notice will contain information about your Index, Interest Rate, Monthly Payment Amount and Loan Balance.

### Maximum Interest Rate and Payment Example

For example, on a \$10,000 **30** year loan with an initial interest rate of **2.50%** which rate was in effect in **May, 2016**, the maximum amount that the interest rate can rise under this program is **6** percentage points, to **8.50%**, and the monthly payment can rise from a first-year payment of **\$39.51** to a maximum of **\$74.75** in the **4th** year.

Your monthly payment can increase or decrease substantially depending on changes in the interest rate. To see what your payments would be, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. For example, the monthly payment for a mortgage amount of \$60,000 would be:  $\$60,000 \div \$10,000 = 6$ ;  $6 \times \$39.51 = \$237.06$  per month.