

Creditor: FRANKLIN BANK  
1179 ROUTE 40  
WOODSTOWN, NJ 08098

# 1/1 ARM

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering.

- Your loan program has an adjustable rate feature. This means that your interest rate and payment amount can change.

### HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- Your interest rate will be based on an index plus a margin, rounded to the nearest .125 percent.
- Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
- Your payment will be rounded to the nearest \$0.01.
- The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (1 Year Treasury Index) plus our margin, rounded to the nearest .125 percent. Ask us for our current interest rate and margin.
- Information about the index is published weekly in The Wall Street Journal.
- The initial interest rate is not based on the index used to make later adjustments. Ask us for the amount of the current interest rate premium.
- Your interest rate will equal the index rate plus margin, rounded to the nearest .125 percent, unless your interest rate "caps" limit the amount of change in the interest rate.

### HOW YOUR INTEREST RATE CAN CHANGE

- Your interest rate can change every 12 months.
- Your interest rate cannot increase or decrease more than 2.000 percentage point(s) at each adjustment.
- Your interest rate will never be greater than 9.250 percent.
- Your interest rate will never be less than 3.250 percent.

### HOW YOUR PAYMENT CAN CHANGE

- Your payment can change every 12 payment(s) based on changes in the interest rate.
- Your monthly payment may increase or decrease substantially based on changes in the interest rate.
- You will be notified in writing at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
- You will be notified at least 60, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
- For example, on a \$10,000 30-year loan with an initial interest rate of 5.125 in effect in July 2019, the maximum amount that the interest rate can attain under this program is 9.250 percent, and the monthly payment can rise from an initial payment of \$54.45 to a maximum of \$81.30 in the 37th month (3 years, 1 month). 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:  $\$60,000 / \$10,000 = 6$ ;  $6 \times \$54.45 = \$326.70$  per month).

### EXAMPLE

The example below shows how your payments would have changed under this ARM program based on actual changes in the index from 2005 to 2019. This does not necessarily indicate how your index will change in the future.

The example is based on the following assumptions:

Amount of Loan: .....\$10,000.00  
Term: .....30 years  
Payment Adjustment: ..... Every 12 payment(s)  
Interest Adjustment: ..... Every 12 months  
Margin (\*): .....2.750 percentage point(s)

Caps  
Periodic Interest Rate (increases or decreases):  
2.000 percentage point(s) at each adjustment  
Lifetime Interest Rate (ceiling):  
Interest rate will never be greater than 9.250 percent  
Lifetime Interest Rate (floor):  
Interest rate will never be less than 3.250 percent  
Interest Rate Premium (\*\*): .....0.4 percentage point(s)  
Index: .. the weekly average yield on United States Treasury securities  
adjusted to a constant maturity of one year

YEAR As of the first week ending in July	INDEX (%)	MARGIN (%)	INTEREST RATE (%)	MONTHLY PAYMENT (\$)	REMAINING BALANCE (\$)
2005	3.460	2.750	6.625(L)	64.03	9,890.86
2006	5.270	2.750	8.000	73.19	9,800.56
2007	4.990	2.750	7.750	71.52	9,698.28
2008	2.350	2.750	5.750(C)	59.01	9,543.78
2009	0.530	2.750	3.750(C)	47.93	9,322.73
2010	0.310	2.750	3.250(K)	45.43	9,076.91
2011	0.190	2.750	3.250(K)	45.43	8,822.98
2012	0.200	2.750	3.250(K)	45.43	8,560.68
2013	0.150	2.750	3.250(K)	45.43	8,289.72
2014	0.110	2.750	3.250(K)	45.43	8,009.84
2015	0.270	2.750	3.250(K)	45.43	7,720.71
2016	0.450	2.750	3.250	45.43	7,422.05
2017	1.230	2.750	4.000	48.26	7,134.58
2018	2.330	2.750	5.125	52.46	6,864.42
2019	1.940	2.750	4.750	51.11	6,570.83

To see what your payments would have been during that period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount (for example, in 2019 the monthly payment for a mortgage amount of \$60,000 taken out in 2005 would be:  $\$60,000 / \$10,000 = 6$ ;  $6 \times \$51.11 = \$306.66$  per month).

\* This is a margin we have used recently; your margin may be different.

\*\* This is the amount of a premium that we have provided recently; your loan may have a different premium amount.

(C) This rate reflects a 2.000 percentage point annual cap on decreases.

(K) This reflects a lifetime floor of 3.250 percent.

(L) This interest rate reflects a 0.4 percentage point premium.

This is not a commitment to make a loan.  
You hereby acknowledge receipt of this ARM Program Disclosure and a copy of the Consumer Handbook on Adjustable Rate Mortgages on today's date.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_