



Northern Bank

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Ten to One Year Adjustable Rate Mortgage Disclosure

Important Mortgage Loan Information – Please Read Carefully

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

How your interest rate and payment are determined

Your interest rate will be based on an index plus a margin rounded to the nearest one-eighth of one percentage point (0.125%).

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

- The interest rate will be based on the **weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year (1-year Treasury Index) as made available by the Federal Reserve Board**, plus our margin. This sum is rounded to the nearest one-eighth of one percentage point (0.125%). Ask us for our current interest rate and margin.
- You can find information about the index rate published weekly in The Wall Street Journal.
- Your interest rate will equal the index rate plus our margin unless your interest rate “caps” limit the amount of change in the interest rate.
- Your initial interest rate is not based on the index used to make later adjustments. Your initial interest rate may be a premium or a discount. The amount of the premium or discount, if any, will depend on market conditions in effect on the date the initial interest rate is set. Ask us for the amount of current interest rate premiums or discounts.
- This program does not allow a conversion to a fixed rate loan.

How Your Interest Rate Can Change

- Your interest rate can change every 12 months, after remaining fixed for 10 years. The date on which the new rate is effective is called the Change Date. The most recent index available 45 days before the Change Date will be used to determine your new interest rate.
- Your interest rate cannot increase or decrease more than 5 percentage points at the first-rate change date and thereafter, your interest rate cannot increase or decrease more than 2 percentage points from the rate of interest you have been paying for the preceding 12 months.





- Your interest rate cannot increase or decrease more than 5 percentage points from the initial rate over the term of your loan.
- If your initial interest rate is discounted, your interest rate on the first change date will increase even if the index remains constant.

How Your Monthly Payment Can Change

- Your monthly payment can increase or decrease substantially based on annual changes in the interest rate, after remaining fixed for 10 years. Payment changes will be effective with the first monthly payment due after the change date.
- For example, on a \$10,000.00, 30-year loan with an initial interest rate of 4.500%, effective in August 2020, the maximum amount that the interest rate can rise under this program is 5.00 percentage points, to 9.5000%, and the monthly payment can rise from a first-year payment of \$50.67 to a maximum of \$74.66 in the Eleventh year.
- To see what your payment 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 would be: $\$60,000.00 \div \$10,000.00 = 6$; $6 \times \$50.67 = \304.56 per month.
- You will be notified in writing at least 210 days, but not more than 240 days, before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. In addition, you will be notified at least 60 days, but not more than 120 days, before the first payment at the adjusted level is after any interest rate adjustment resulting in a corresponding payment change. These notices will contain information about your adjustment and interest rates, payment amount, and loan balance.

This disclosure is accompanied by the handbook entitled “Consumer Handbook on Adjustable Rate Mortgages”. This booklet provides an overview of Adjustable Rate Mortgages (ARMs), explains how ARMs work, and discusses some of the issues that a borrower may face.

As of 09/2020