

**H-4(E) Adjustable-Rate Loan Program Sample (Interest Only ARM)**

**XXX Bank**  
**5/1 Interest-Only Adjustable Rate Mortgage (ARM)**

<b>INTEREST RATE AND PAYMENT</b>	
Introductory Period	<b>5 Years</b> The interest rate is discounted and will stay the same for a 5-year introductory period. After this initial period, the interest rate could increase.
Frequency of Rate Change	<b>Annually</b> The interest rate will adjust once each year after the introductory period.
Index	<b>LIBOR Index</b> After the initial 5-year period, your interest rate will be based on the 1-year LIBOR Index plus a margin. The LIBOR is published daily in the Wall Street Journal.
Limits on Rate Changes	<b>2% Annual Cap; 6% Lifetime Cap</b> Your interest rate can increase <b>no more than 2%</b> in any one year, and <b>no more than 6%</b> over the life of the loan.

<b>KEY QUESTIONS ABOUT RISK</b>	
Can my interest rate increase?	<b>YES.</b> Your interest rate could increase at the end of the 5-year introductory period, and annually after that.
Can my monthly payment increase?	<b>YES.</b> If your interest rate increases, your monthly payment will increase.
Will any of my monthly payments be interest-only?	<b>YES.</b> Your monthly payments for the first 5 years of the loan cover the interest you owe each month, but <b>none</b> of the principal. Making these monthly payments means your loan amount will stay the same and you will be no closer to having it paid off.
Could I owe a prepayment penalty?	<b>YES.</b> If you pay off your loan, refinance, or sell your home within <b>2 years</b> you could pay a large penalty.

For more information about ARMs, or for a list of licensed housing counselors in your area that can help you understand the risks and benefits of this loan, visit [www.xxx.gov](http://www.xxx.gov).