

Illustration 2.

**COMPARISON OF SAMPLE MORTGAGE FEATURES**

(For illustrative and educational purposes only - does not represent actual terms of loans available from any particular lender.)

	A Typical Mortgage Transaction		Mortgage with an Adjustable Interest Rate (ARM)			
	Loan Amount \$180,000 - 30-Year Term		5/1 ARM		Interest Only	Option Payment
	Mortgage with a Fixed Interest Rate	Interest Only	Fixed Rate for First 5 Years; Adjustable Each Year After First 5 Years (Initial rate for years 1 to 5 is 6.5%; Maximum Rate is 11.5%)	Interest Only and Fixed Rate for First 5 Years; Adjustable Rate Each Year After First 5 Years (Initial rate for years 1 to 5 is 6.6%; Maximum Rate is 11.6%)	Adjustable Rate for Entire Term of the Mortgage (Rate in month 1 is 1.25%; Rate in month 2 through year 5 is 6.4%; Maximum Rate is 11.4%)	
Minimum Monthly Payment Years 1-5, except as noted	\$1,162*	\$1,005	\$1,138	\$990	\$600*** (1st year only)	
Monthly Payment Year 6 -- no change in rates	\$1,162	\$1,238**	\$1,138	\$1,227	\$1,324	
Monthly Payment Year 6 -- 2% rise in rates	\$1,162	\$1,238	\$1,357	\$1,462	\$1,581	
Maximum Monthly Payment Year 8 -- 5% rise in rates	\$1,162	\$1,238	\$1,702	\$1,832	1,985	
How Much Will You Owe after 5 Years?	\$168,862	\$180,000	\$168,500	\$180,000	\$197,945	
Have You Reduced Your Loan Balance after 5 Years of Payments?	Yes Your loan balance was reduced by \$11,118	No You did not reduce your loan balance	Yes Your loan balance was reduced by \$11,500	No You did not reduce your loan balance	No Your loan balance increased by \$17,945	

\* This illustrates an interest rate and payments that are fixed for the life of the loan.  
 \*\* This illustrates payments that are fixed after the first 5 years of the loan at a higher amount because they cover both principal and interest.  
 \*\*\* This illustrates minimum monthly payments that are based on an interest rate that is in effect during the first month only. The payments required during the first year will not be sufficient to cover all of the interest that's due when the rate increases in the second month of the loan. Any unpaid interest amount will be added to the loan balance. Minimum payments for years 2-5 are based on the higher interest rate in effect at the time, subject to any contract limits on payment increases. Minimum payments will be recast (recalculated) after 5 years, or when the loan balance reaches a certain limit, to cover both principal and interest at the applicable rate.

**IMPORTANT NOTE:** Please use this chart to discuss possible loans with your lender.