

## **VERMONT CUSTOMER DISCLOSURE**

### **IMPORTANT NOTICE**

This notice contains information about the adjustable-rate mortgages ("ARMs") offered by this Lender. As their name implies, ARMs differ from fixed-rate mortgages because your interest rate can change in accordance with the terms of your loan documents. A change in your interest rate may change the amount of your monthly payment depending on the rate, loan balance and loan term. Additional information about the ARM program(s) you have expressed an interest in is included with your application materials or will be placed in the mail to you within three business days of this Lender receipt of your application.

#### **PREPAYMENT PENALTY**

You may prepay your loan in whole or in part without a penalty. However, partial prepayments will not allow you to skip any subsequent monthly payments.

#### **DUE ON SALE**

If all or any part of the property securing your loan is sold or transferred without the Lender's prior written consent, the Lender may, at its option, require immediate payment in full of your loan.

If the indebtedness is not repaid upon demand, the Lender may foreclose and sell the property securing your loan. However, the Lender will not require immediate payment in full of your loan if doing so would be prohibited by federal law as of the date your loan is closed.

#### **ESCROW PAYMENTS**

Unless waived by the Lender or prohibited by applicable state law, the Lender will require you to maintain an escrow account for the payment of taxes and insurance (including mortgage insurance, if applicable, as well as hazard and other insurance). This means that in addition to your regular monthly payment of principal and interest, you will be required to pay 1/12th of the estimated tax and insurance charges that will become due in the coming year. In addition, you may be required to pay at the loan settlement a prorated portion of the escrow payments so that the Lender will have sufficient funds collected to pay such charges when they next become due and payable. The Lender will pay interest on escrow as required by Vermont law.

The purpose for including escrow payments with your regular monthly payments is to ensure the priority of the mortgage or deed of trust, to maintain security given for the loan, and to maintain mortgage insurance with respect to the loan to protect the Lender against losses in the event of default.

Once during each year of your loan, the Lender will calculate the amount necessary to pay the estimated tax and insurance charges for the coming year and will determine whether the funds contained in your escrow account will be sufficient to pay the charges once due. If the Lender determines that the funds in your escrow account are not sufficient to pay the estimated tax and insurance charges, the Lender will notify you of the shortage and will give you the option of correcting the shortage by either making a single payment of the entire amount of the shortage or by making 12 equal payments, the total of which will completely pay

the shortage. If you elect the second option, the Lender will increase the amount of each of your monthly payments for that year by 1/12th of the amount of the shortage. If there is a surplus in your escrow account, the excess will be, at your option, returned to you or credited to you on your monthly payments for the next year. Failure to make the required escrow payments is a default under the terms of your loan documents and may result in the Lender declaring the unpaid balance on your loan immediately due and payable and could result in a forced sale of your home.

#### **LATE CHARGE**

If the Lender has not received the full amount of any monthly payment by the 15th day after it is due, a late charge of no more than 5% of the principal and interest payment will be assessed.

#### **TERM TO MATURITY**

The term to maturity will depend on the type of loan for which you are applying and whether you qualify for that type of loan. Lender generally offers adjustable rate mortgages with terms of 10, 25 and 30 years.

#### **INITIAL INTEREST RATE**

Your initial interest rate is not known at this time and will vary depending on the type of loan for which you are applying.

#### **CREDIT REPORT**

Lender requires that a credit report be obtained in order to make a credit decision about your application. By making application to Lender, you consent to Lender obtaining credit reports in connection with your loan and for any other legitimate purpose associated with your loan.