

ADJUSTABLE-RATE MORTGAGE DISCLOSURE: POSSIBLE DISCONTINUATION OF LIBOR

WHAT IS AN INDEX?

When the interest rate on an adjustable-rate mortgage (ARM) is adjusted, the new interest rate is made up of two parts: the index and the margin. The index is a broad measure of interest rates, and the margin is an extra amount that the lender adds to establish the new interest rate on the loan. The index and the amount of the margin are specified in the documents signed at loan closing. If the index rate changes during the term of the loan, in most circumstances your interest rate and monthly payments will also change.

Today, one index used by us and other lenders is LIBOR.

The London Interbank Offered Rate (LIBOR), the index used to adjust the interest rate on certain of our adjustable-rate mortgage products, may be discontinued during the term of your loan. This disclosure shares what you need to know about LIBOR and any potential changes that could impact your loan.

WHAT YOU NEED TO KNOW

- It is likely that LIBOR will be discontinued after 2021 or perhaps sooner.
- We are working with industry and government representatives to consider possible index replacement options.
- In the meantime, we may continue to offer ARM products that are based on LIBOR.
- Should LIBOR no longer be available, an alternative published index will be selected, consistent with the terms of your Note. If an alternative index is put in place, customers with LIBOR-based ARMs will be contacted with the details of any relevant changes affecting their loans. We want you to know that the alternative index may behave differently than LIBOR has historically behaved. Any index changes will not change most other terms of your ARM, such as the maximum interest rate you may pay during the term of the loan or the timing of any interest rate resets.

WE'RE HERE FOR YOU

A mortgage is a substantial investment. We want you to have confidence in the loan you choose. An ARM may still be a good option for you. If you have concerns about getting an ARM because of the possible index change, your home mortgage consultant would be happy to discuss other mortgage products with you.

For general information on adjustable-rate mortgages, see the Consumer Handbook on Adjustable-Rate Mortgages, which is maintained by the Consumer Financial Protection Bureau and is available at: https://files.consumerfinance.gov/f/201401_cfpb_booklet_charm.pdf.

For more information on the possible discontinuation of LIBOR, see the Alternative Reference Rates Committee website, which is maintained by the Federal Reserve Bank of New York and is available at: <https://www.newyorkfed.org/arrc>.