

InterestFirst™ Fixed-Period Adjustable Rate Mortgage

For Educational and Informational Purposes Only

The InterestFirst Fixed-Period Adjustable Rate Mortgage (ARM) offers you the opportunity to make lower monthly payments than with standard fixed-rate products for a predetermined number of years during which you pay interest only.

With the InterestFirst Fixed-Period ARM, you pay only the interest due on the amount of the loan each month for the first 5, 7, or 10 years. Payments during the selected interest-only period typically are offered at interest rates lower than the standard 30-year fixed rate. At the end of the 5-, 7- or 10-year fixed-rate interest-only period, the interest rate begins to adjust annually, and you make fully amortizing payments for the remainder of the term.

This mortgage may be ideal if you are purchasing a new home, but plan to be there for a relatively short time, or if you prefer a lower monthly payment in order to use the cash flow difference more effectively elsewhere.

Loan Features

- Interest-only payments are required for the first 5, 7, or 10 years, depending on the term selected.
- Two commonly used ARM indices, the one-year LIBOR or the one-year Treasury, generally are used to calculate annual adjustments in the interest rate after the fixed interest-only period.
- At the end of the interest-only period, monthly payments change to include repayment of principal as well as interest. Principal payments are allowed without penalty and are reflected in a reduced interest payment in the next monthly payment during the interest-only period.
- The loan begins to amortize after the fixed-rate interest-only period and is fully repaid at the end of the balance of the loan term (25, 23 or 20 years).

Considerations

- The InterestFirst Fixed-Period ARM offers lower monthly payments during the interest-only period than standard fixed-rate or adjustable rate mortgage products.
- By making a lower payment, you have greater control over your cash flow and can use or invest the difference as you choose.
- Loan payments made after the interest-only period may be higher than would be the case with a typical adjustable or fixed-rate loan.

Example

Here is a hypothetical example:

- \$100,000 purchase price
- 20% down payment
- 1% origination fee (including prepaid interest)
- 30-year interest only ARM (5/25 program)
- Interest only payments for the first five years and principal and interest payment for the remainder of the term, based on a 25-year amortization schedule
- 6% initial interest rate (based on a fully indexed rate of 6.75%)

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- 2 percentage point cap per adjustment; 6 percentage point cap life of loan adjustments
- 6.36% APR

The interest rate and APR shown are examples only and are not intended to represent actually available terms.

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