

(B) The Index

Beginning with the first Interest Change Date, my interest rate will be based on an Index. The "Index" is the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year, as made available by the Federal Reserve Board. The Index figure for the week before the week in which each Interest Change Date falls is called the "Current Index."

If the Index is no longer available, the Note Holder will have the right to choose a new index which is based upon comparable information. The Note Holder will give me notice of this choice.

(C) Calculation of Changes

Before each Interest Change Date, the Note Holder will calculate my new interest rate by adding ONE AND THREE QUARTER percentage points (1.75 %) to the Current Index. The result of this addition will be my new interest rate until the next Interest Change Date; provided, however, that the maximum interest rate increase at any Interest Change Date shall in no event be increased to more than five percentage points above the initial rate stated in section 2.

Before each Payment Change Date, the Note Holder will determine the amount of the monthly payments that would be sufficient to repay the principal I am expected to owe at such Payment Change Date, in full, with interest, on the maturity date, at the interest rate in effect on the date the notice of payment change is sent to me. The result of this calculation is called the "Full Payment." It will be the new amount of my monthly payment unless I choose the amount permitted by Section 4(F) below.

(D) Effective Date of Changes

My new interest rate will become effective on each Interest Change Date. I will pay the amount of my new monthly payments beginning on each Payment Change Date and continuing until the amount of my monthly payment changes again.

(E) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in the amount of my monthly payment before the effective date of any change. This notice will be sent at the time required by law and will include information required by law to be given me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

(F) Borrower's Right to Limit Monthly Payment

Unless Sections 4(H) and 4(I) below will not permit me to do so, I may choose to limit the amount of my new monthly payment beginning on each Payment Change Date to the amount I have been paying multiplied by the number 1.075. This amount is called the "Limited Payment." IF I CHOOSE A LIMITED PAYMENT AS MY MONTHLY PAYMENT, I MUST GIVE THE NOTE HOLDER NOTICE THAT I AM DOING SO AT LEAST 15 DAYS BEFORE MY FIRST NEW MONTHLY PAYMENT IS DUE.

(G) Additions to My Unpaid Principal

If I choose to pay the Limited Payment, my monthly payment may be less than the amount of the interest portion of the monthly payment that would be sufficient to repay the principal I am expected to owe at such Payment Change Date, in full, with interest, on the maturity date, at the interest rate in effect on the date the notice of payment change is sent to me. If so, each month that the Limited Payment is less than the interest portion, the Note Holder will subtract the Limited Payment from the amount of the interest portion and will add the difference to my unpaid principal. The Note Holder will also add interest on the amount of this difference to my unpaid principal each month. The interest rate on the interest added to principal will be at the rate required by Section 4(C) above.

(H) Limit on My Unpaid Principal; Increased Monthly Payment

My unpaid principal can never exceed a maximum amount equal to one hundred twenty-five percent (125%) of the principal amount I originally borrowed. My unpaid principal could exceed that maximum amount if I pay a Limited Payment. If so, on the date that my paying a Limited Payment would cause me to exceed that limit, I will instead begin paying a new monthly payment until the next Payment Change Date. The new monthly payment will be in an amount which would be sufficient to repay the principal I owe then, in full, with interest, on the maturity date, at the interest rate then in effect.

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