

# Adjustable Rate Mortgage Disclosure

(This is neither a contract nor a commitment to lend.)

## Lender

Navy Federal Credit Union  
820 Follin Lane  
SE  
Vienna, VA 22180

**Date:** January 6, 2021

## Borrower

Karam J Moore  
1072 West Peachtree Street Northwest  
Unit 7623  
Atlanta, GA 30309

**Loan Number:** 8043678088

## Adjustable Rate Mortgage (ARM) Program: 3/5 ARM

This disclosure describes the features of the ARM loan you are considering. Information on other ARM programs is available upon request.

### How Your Interest Rate and Payment Are Determined

- Your interest rate will be based on an index plus a margin.
- Your initial interest rate will not be based on the index used for later adjustments. Please ask us about our current interest rate.
- Your payment will be based on the interest rate, loan balance and loan term.
- The index used to determine your initial interest rate and/or all adjustments is: *the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years.*

NOTE: If the index for your ARM loan is no longer available, the Lender will choose a new index which is based on comparable information.

- Information about the index can be found: *published weekly in the Wall Street Journal.*
- Ask us for our current interest rate and margin.

### How Your Interest Rate Can Change

- Your interest rate can change in 36 Months, and every 5 years thereafter.
- Your interest rate cannot increase more than 2.000 percentage point(s) at the initial adjustment.
- Your interest rate cannot decrease more than 2.000 percentage point(s) at the initial adjustment.
- Your interest rate cannot increase more than 2.000 percentage point(s) at each periodic adjustment.
- Your interest rate cannot decrease more than 2.000 percentage point(s) at each periodic adjustment.
- Your interest rate cannot increase more than 5.000 percentage point(s) over the term of the loan.
- Your interest rate will never be less than 2.000% over the term of the loan.
- Your interest rate will be rounded off to the nearest .125% at each adjustment.

### How Your Payment Can Change

- Your first payment change will be effective with the 37th monthly payment of your loan.
- Your monthly payments may be subject to change every 60 month(s) thereafter, and may increase or decrease substantially depending on yearly changes in the interest rate.
- You will be notified at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
- You will be notified at least 60, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

- Any increase in interest will take the form of a higher payment amount.

**EXAMPLE:** On a \$10,000, 30 year loan with an initial interest rate of 4.125% in effect in January, 2021, the maximum amount that the interest rate can rise under this program is 5.000 percentage points, to 9.125%, and the monthly payment can rise from a first-year payment of \$48.46 to a maximum of \$75.22 in the fourteenth year.

To see what your payments would be, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the monthly payment for a mortgage amount of \$60,000 would be:  $\$60,000 / \$10,000 = 6$ ;  $6 \times \$48.46 = \$290.76$  per month.)

### **Additional Features of Your ARM Program**

- Someone buying this property may assume, subject to lender's conditions, the remaining balance due under original mortgage terms.
- This ARM Program does not have a Demand Feature.

I/We hereby acknowledge receipt of this ARM disclosure on the date indicated below. A copy of the *Consumer Handbook on Adjustable Rate Mortgages* can be viewed at [http://files.consumerfinance.gov/f/201401\\_cfpb\\_booklet\\_charm.pdf](http://files.consumerfinance.gov/f/201401_cfpb_booklet_charm.pdf).

#### **Borrower**

|  |            |
|--|------------|
| <small>eSigned by eLynx: 2021-01-08 09:37:34 EST</small><br><i>Karam J Moore</i> | 01/08/2021 |
| <small>011269-153318737-153318738</small>  |            |

**Karam J Moore** **Date**

# AFFILIATED BUSINESS ARRANGEMENT DISCLOSURE STATEMENT

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To: Karam J Moore  
 From: Navy Federal Credit Union  
 Property: 400 W Peachtree St NW, Unit, Atlanta, GA 30308  
 Date: 01/06/2021

This is to give you notice that Navy Federal Credit Union (Navy Federal) has business relationships with: Navy Federal Title Services, LLC (NFTS) (*doing business in Arizona as Navy Federal Title Agency and doing business in Pennsylvania as Navy Federal Services LLC and registered in Alabama as Navy Federal Title Services of Alabama, LLC*) and Champion Title & Settlements, Inc. (Champion Title), title insurance agencies and closing/settlement providers; Kase & Associates, P.C. (Kase), a law firm that provides deed preparation and closing services; and Expert Title, LLC (Expert), which performs title searches and document recording. Specifically, Navy Federal Financial Group, LLC (NFFG), a wholly-owned subsidiary of Navy Federal, owns a 50% ownership interest in NFTS. Champion Holdings, LLC (Champion Holdings) owns 50% of NFTS and 60% of Expert. Principals of Champion Holdings also have ownership interests in Champion Title, and one of the principals of Champion Holdings owns 100% of Kase. None of Navy Federal, NFFG, or NFTS has any ownership interest in Champion Title, Kase, or Expert. Because of these relationships, this referral may provide Navy Federal, NFFG, NFTS, Champion Title, Kase, Expert, or any of their principals and affiliates, a financial or other benefit.

Set forth, below is the estimated charge or range of charges for the settlement services listed. You are NOT required to use the listed provider(s) as a condition for the settlement on your loan or purchase, sale, or refinance of the subject property. THERE ARE FREQUENTLY OTHER SETTLEMENT SERVICE PROVIDERS AVAILABLE WITH SIMILAR SERVICES. YOU ARE FREE TO SHOP AROUND TO DETERMINE THAT YOU ARE RECEIVING THE BEST SERVICES AND THE BEST RATE FOR THESE SERVICES.

| <u>Provider/Settlement Service</u>   | <u>Charge or Range of Charges</u>                           |
|--|---|
| <b>Navy Federal Title Services, LLC</b> (Title Commitment/Binder/Exam)                                     | If applicable, up to \$150.00                               |
| <b>Navy Federal Title Services/Champion Title &amp; Settlements, Inc.</b><br>(Closing/Settlement Services) | \$150.00 - \$1625.00  |
| <b>Kase &amp; Associates, P.C.</b>   | \$75.00-\$600.00  |
| <b>Expert Title, LLC</b>   | \$35.00-\$350.00/\$75.00 per hour for<br>Commercial/Acreage |

**Navy Federal Title Services, LLC** Title Insurance - Estimated owners' title insurance premiums (per \$1000.00 of sales price) are provided for enhanced coverage. Standard coverage or reissue rates may be available for lower fees. Estimated lender's title premiums are calculated per \$1000.00 of the loan amount. The following "T" is per \$1000.00 of sales price for owner's title and is per \$1000.00 of loan amount for lender's title. Specific state rates follow. Please note that in some states it was necessary to list the range of title premiums.

| <b>GEORGIA</b>  | Owner's:     | Lender's:    |
|---|--------------|--------------|
| Up to \$100,000.00 -  | \$5.10/T     | \$3.10/T     |
| \$100,001.00 - \$500,000.00 -   | add \$4.30/T | add \$2.55/T |
| \$500,001.00 - \$1,000,000.00 -   | add \$3.60/T | add \$2.25/T |
| - Simultaneous issue of Lender's Policy is \$150.00 - Lender required endorsements are issued at no additional cost - Closing Protection Letter \$50.00 |              |              |



Federally insured by NCUA.

**ACKNOWLEDGEMENT**

I/we have read this disclosure form, and understand that Navy Federal is referring me/us to purchase the above-described settlement service(s) from one of the named service providers above and may receive a financial or other benefit as a result of this referral.

**Borrower**

|  |            |
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| <small>eSigned by eLynx: 2021-01-08 09:37:34 EST</small><br><i>Karam J Moore</i> | 01/08/2021 |
| <small>011252-163218727-163218728</small>  |            |

**Karam J Moore** **Date**

# Consumer Handbook on Adjustable-Rate Mortgages

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**Lender Name:** Navy Federal Credit Union

**Address:** 820 Follin Lane, SE, Vienna, VA 22180

This booklet was initially prepared by the Board of Governors of the Federal Reserve System and the Office of Thrift Supervision in consultation with the organizations listed below. The Consumer Financial Protection Bureau (CFPB) has made technical updates to the booklet to reflect new mortgage rules under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A larger update of this booklet is planned in the future to reflect other changes under the Dodd-Frank Act and to align with other CFPB resources and tools for consumers as part of the CFPB's broader mission to educate consumers. Consumers are encouraged to visit the CFPB's website at [consumerfinance.gov/owning-a-home](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

- AARP
- American Association of Residential Mortgage Regulators
- America's Community Bankers
- Center for Responsible Lending
- Conference of State Bank Supervisors
- Consumer Federation of America
- Consumer Mortgage Coalition
- Consumers Union
- Credit Union National Association
- Federal Deposit Insurance Corporation
- Federal Reserve Board's Consumer Advisory Council
- Federal Trade Commission
- Financial Services Roundtable
- Independent Community Bankers Association
- Mortgage Bankers Association
- Mortgage Insurance Companies of America
- National Association of Federal Credit Unions
- National Association of Home Builders
- National Association of Mortgage Brokers
- National Association of Realtors
- National Community Reinvestment Coalition
- National Consumer Law Center
- National Credit Union Administration

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## 1. Introduction

This handbook gives you an overview of adjustable-rate mortgages (ARMs), explains how ARMs work, and discusses some of the issues you might face as a borrower. It includes:

- ways to reduce the risks associated with ARMs;
- pointers about advertising and other sources of information, such as lenders and trusted advisers;
- a glossary of important ARM terms; and
- a worksheet that can help you ask the right questions and figure out whether an ARM is right for you. (Ask lenders to help you fill out the worksheet so you can get the information you need to compare mortgages.)

An ARM is a loan with an interest rate that changes. ARMs may start with lower monthly payments than fixed-rate mortgages, but keep in mind the following:

- Your monthly payments could change. They could go up--sometimes by a lot--even if interest rates don't go up. See page 11.
- Your payments may not go down much, or at all--even if interest rates go down. See page 8.
- You could end up owing more money than you borrowed--even if you make all your payments on time. See page 12.
- If you want to convert your ARM to a fixed-rate mortgage, you might not be able to. See page 15.

You need to compare the features of ARMs to find the one that best fits your needs. The Mortgage Shopping Worksheet on page 3 can help you get started.

### 1.1 Mortgage shopping worksheet

Ask your lender or broker to help you fill out this worksheet.

|  |  |
|--|--|
| Name of lender or broker and contact information                                   |  |
| Mortgage amount  |  |
| Long term (e.g. 15 yr, 30 yr)  |  |
| Loan description (e.g. fixed-rate, 3/1 ARM, payment-option ARM, interest-only ARM) |  |

| Basic features for comparison   | Fixed-rate mortgage | ARM 1 | ARM 2 | ARM 3 |
|---|---------------------|-------|-------|-------|
| Fixed-rate mortgage interest rate and annual percentage rate (APR) (for graduated-payment or stepped-rate mortgages, use the ARM columns) |                     |       |       |       |
| ARM initial interest rate and APR   |                     |       |       |       |
| <ul style="list-style-type: none"> <li>How long does the initial rate apply?</li> </ul>   |                     |       |       |       |
| <ul style="list-style-type: none"> <li>What will the interest rate be after the initial period?</li> </ul>                                |                     |       |       |       |
| ARM features  |                     |       |       |       |
| <ul style="list-style-type: none"> <li>How often can the interest rate adjust?</li> </ul>   |                     |       |       |       |
| <ul style="list-style-type: none"> <li>What is the index and what is the current rate? (see chart on page 7)</li> </ul>                   |                     |       |       |       |
| <ul style="list-style-type: none"> <li>What is the margin for this loan?</li> </ul>   |                     |       |       |       |
| Interest-rate caps  |                     |       |       |       |
| <ul style="list-style-type: none"> <li>What is the periodic interest-rate cap?</li> </ul>   |                     |       |       |       |
| <ul style="list-style-type: none"> <li>What is the lifetime interest-rate cap? How high could the rate go?</li> </ul>                     |                     |       |       |       |
| <ul style="list-style-type: none"> <li>How low could the interest rate go on this loan?</li> </ul>  |                     |       |       |       |
| What is the payment cap?  |                     |       |       |       |
| Can this loan have negative amortization (that is, can the loan amount increase)?   |                     |       |       |       |
| What is the limit to how much the balance can grow before the loan will be recalculated?  |                     |       |       |       |



| Basic features for comparison (cont.)   | Fixed-rate mortgage | ARM 1 | ARM 2 | ARM 3 |
|---|---------------------|-------|-------|-------|
| Is there a prepayment penalty if I pay off this mortgage early?   |                     |       |       |       |
| How long does that penalty last?<br>How much is it?   |                     |       |       |       |
| Is there a balloon payment on this mortgage? If so, what is the estimated amount and when would it be due?                      |                     |       |       |       |
| What are the estimated origination fees and charges for this loan?  |                     |       |       |       |
| Monthly payment amounts   | Fixed-rate mortgage | ARM 1 | ARM 2 | ARM 3 |
| What will the monthly payments be for the first year of the loan?   |                     |       |       |       |
| Does this include taxes and insurance? Condo or homeowner's association fees? If not, what are the estimates for these amounts? |                     |       |       |       |
| What will my monthly payment be after 12 months if the index rate...  |                     |       |       |       |
| • stays the same?   |                     |       |       |       |
| • goes up 2%?   |                     |       |       |       |
| • goes down 2%?   |                     |       |       |       |
| What is the most my minimum monthly payment could be after one year?  |                     |       |       |       |
| What is the most my minimum monthly payment could be after three years?   |                     |       |       |       |
| What is the most my minimum monthly payment could be after five years?  |                     |       |       |       |

## 2. What is an ARM?

An adjustable-rate mortgage differs from a fixed-rate mortgage in many ways. Most importantly, with a fixed-rate mortgage, the interest rate and the monthly payment of principal and interest stay the same during the life of the loan. With an ARM, the interest rate changes periodically, usually in relation to an index, and payments may go up or down accordingly.

To compare two ARMs, or to compare an ARM with a fixed-rate mortgage, you need to know about indexes, margins, discounts, caps on rates and payments, negative amortization, payment options, and recasting (recalculating) your loan. You need to consider the maximum amount your monthly payment could increase. Most importantly, you need to know what might happen to your monthly mortgage payment in relation to your future ability to afford higher payments.

Lenders generally charge lower initial interest rates for ARMs than for fixed-rate mortgages. At first, this makes the ARM easier on your pocketbook than a fixed-rate mortgage for the same loan amount. Moreover, your ARM could be less expensive over a long period than a fixed-rate mortgage--for example, if interest rates remain steady or move lower.

Against these advantages, you have to weigh the risk that an increase in interest rates would lead to higher monthly payments in the future. It's a trade-off--you get a lower initial rate with an ARM in exchange for assuming more risk over the long run. Here are some questions you need to consider:

- Is my income enough--or likely to rise enough--to cover higher mortgage payments if interest rates go up?
- Will I be taking on other sizable debts, such as a loan for a car or school tuition, in the near future?
- How long do I plan to own this home? If you plan to sell soon, rising interest rates may not pose the problem they might if you plan to own the house for a long time.
- Do I plan to make any additional payments or pay the loan off early?

**Lenders and brokers: Mortgage loans are offered by many kinds of lenders--such as banks, mortgage companies, and credit unions. You can also get a loan through a mortgage broker. Brokers "arrange" loans; in other words, they find a lender for you. Brokers generally take your application and contact several lenders, but keep in mind that brokers are not required to find the best deal for you unless they have contracted with you to act as your agent, or have a duty to do so under state law.**

## 3. How ARMs work: the basic features

### 3.1 Initial rate and payment

The initial rate and payment amount on an ARM will remain in effect for a limited period--ranging from just one month to five years or more. For some ARMs, the initial rate and payment can vary greatly from the rates and payments later in the loan term. Even if interest rates are stable, your rates and payments could change a lot. If lenders or brokers quote the initial rate and payment on a loan, ask them for the annual percentage rate (APR). If the APR is significantly higher than the initial rate, then it is likely that your rate and payments will be a lot higher when the loan adjusts, even if general interest rates remain the same.

### 3.2 The adjustment period

Depending on the type of ARM loan, the interest rate and monthly payment will change every month, quarter, year, three years, or five years. The period between rate changes is called the adjustment period. For example, a loan with an adjustment period of one year is called a one-year ARM, because the interest rate and payment change once every year; a loan with a three-year adjustment period is called a three-year ARM.

If you take out an adjustable-rate mortgage, the company that collects your mortgage payments (your servicer) must notify you about the first interest rate adjustment at least seven months before you owe a payment at the adjusted interest rate. The advance notification needs to show:

- An estimate of the new interest rate and payment amount
- Alternatives available to you
- How to contact a HUD-approved housing counselor

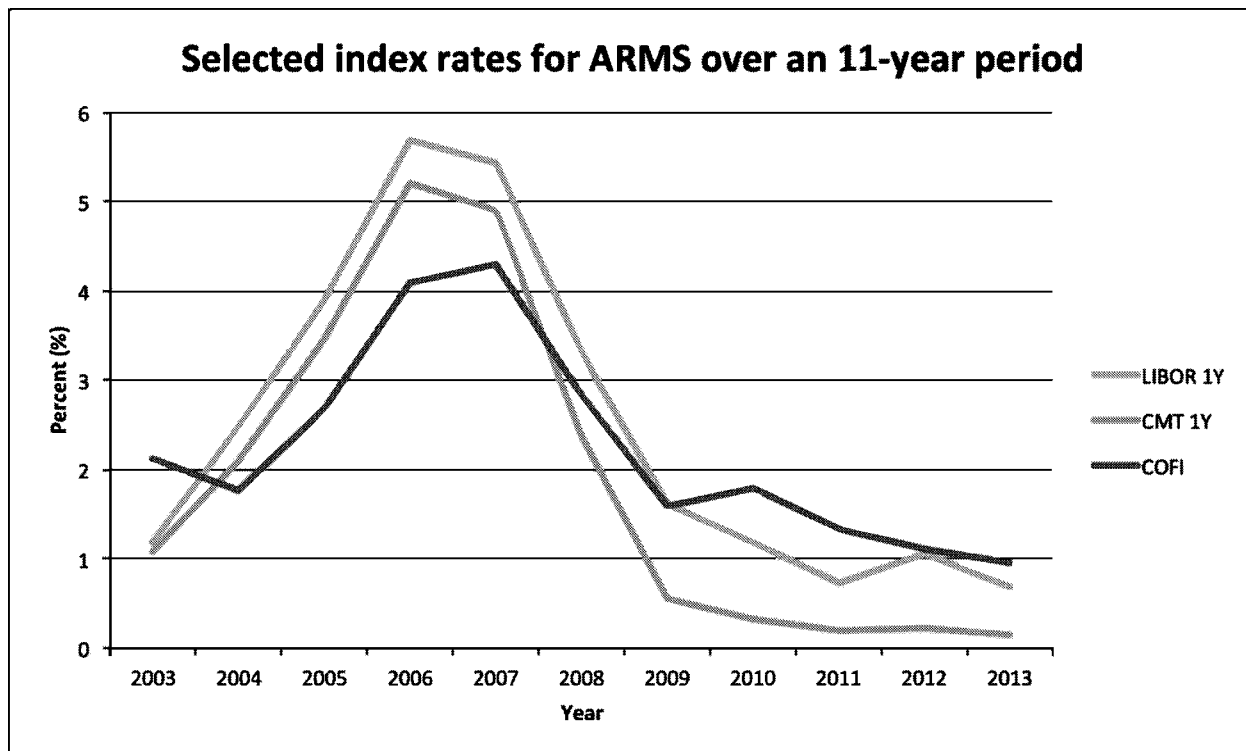
For the first interest rate adjustment, as well as for any adjustments that come later that give you a different payment amount, your servicer must also send you another notice, at least 60 days in advance, telling you what your new payment will be.

### 3.3 The index

The interest rate on an ARM is made up of two parts: the index and the margin. The index is a measure of interest rates generally, and the margin is an extra amount that the lender adds above the index. Your payments will be affected by any caps, or limits, on how high or low your rate can go. If the index rate moves up, your interest rate will also go up in most circumstances, and you will probably have to make higher monthly payments. On the other hand, if the index rate goes down, your monthly payment could go down. Not all ARMs adjust downward, however--be sure to read the information for the loan you are considering.

Lenders base ARM rates on a variety of indexes. Among the most common indexes are the rates on one-year constant-maturity Treasury (CMT) securities, the Cost of Funds Index (COFI), and the London Interbank Offered Rate (LIBOR). A few lenders use their own cost of funds as an index, rather than using other indexes. You should ask what index will be used, how it has fluctuated in the past, and where it is published--you can find a lot of this information in major newspapers and on the Internet.

To help you get an idea of how to compare different indexes, the following chart shows a few common indexes over an 11-year period (2003-2013). As you can see, some index rates tend to be higher than others, and some change more often than others.



### 3.4 The margin

To set the interest rate on an ARM, lenders add a few percentage points to the index rate, called the *margin*. The amount of the margin may differ from one lender to another, but it usually stays the same over the life of the loan. The *fully indexed rate* is equal to the margin plus the index. For example, if the lender uses an index that currently is 4 percent and adds a 3 percent margin, the fully indexed rate would be

|                           |           |
|---------------------------|-----------|
| Index                     | 4%        |
| Margin                    | 3%        |
| <b>Fully indexed rate</b> | <b>7%</b> |

If the index on this loan rose to 5 percent, the fully indexed rate at the next adjustment would be 8 percent (5 percent + 3 percent). If the index fell to 2 percent, the fully indexed rate at adjustment would be 5 percent (2 percent + 3 percent).

Some lenders base the amount of the margin on your credit record--the better your credit, the lower the margin they add--and the lower the interest you will have to pay on your mortgage. The amount of the margin could also be based on other factors. In comparing ARMs, look at both the index and margin for each program.

If the initial rate on the loan is less than the fully indexed rate, it is called a discounted (or "teaser") index rate. Many ARM loans offer a discounted index rate until the first adjustment period, but some ARM loans have an initial rate that is higher than the fully indexed rate.

**Ability to repay: When you apply for a loan, lenders are generally required to collect and verify enough of your financial information to determine you have the ability to repay the loan. For example, a lender might ask to see copies of your most recent pay stubs, income tax filings, and bank account statements. Lenders are generally required to consider your ability to repay the loan based on the fully indexed rate, or the highest rate you will be expected to pay in the first five years of the loan.**

### 3.5 Interest-rate caps

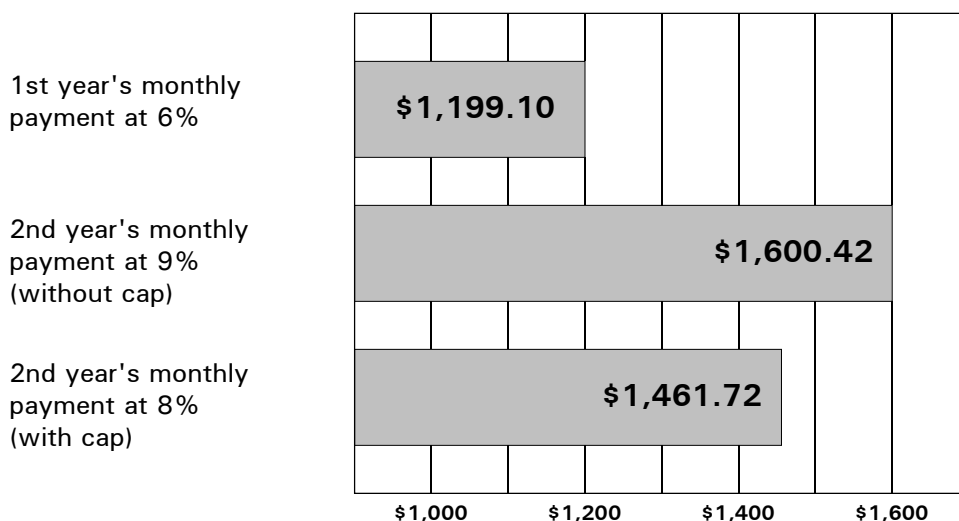
An interest-rate cap places a limit on the amount your interest rate can increase. Interest-rate caps come in two versions:

- A *periodic adjustment cap*, which limits the amount the interest rate can adjust up or down from one adjustment period to the next after the first adjustment, and
- A *lifetime cap*, which limits the interest-rate increase over the life of the loan. By law, virtually all ARMs must have a lifetime cap.

#### 3.5.1 Periodic adjustment caps

Let's suppose you have an ARM with a periodic adjustment interest-rate cap of 2 percent. However, at the first adjustment, the index rate has risen 3 percent. The following example shows what happens.

**Examples in this handbook: All examples in this handbook are based on a \$200,000 loan amount and a 30-year term. Payment amounts in the examples do not include taxes, insurance, condominium or homeowner association fees, or similar items. These amounts can be a significant part of your monthly payment.**



Difference in 2nd year between payment with cap and payment without = \$138.70 per month

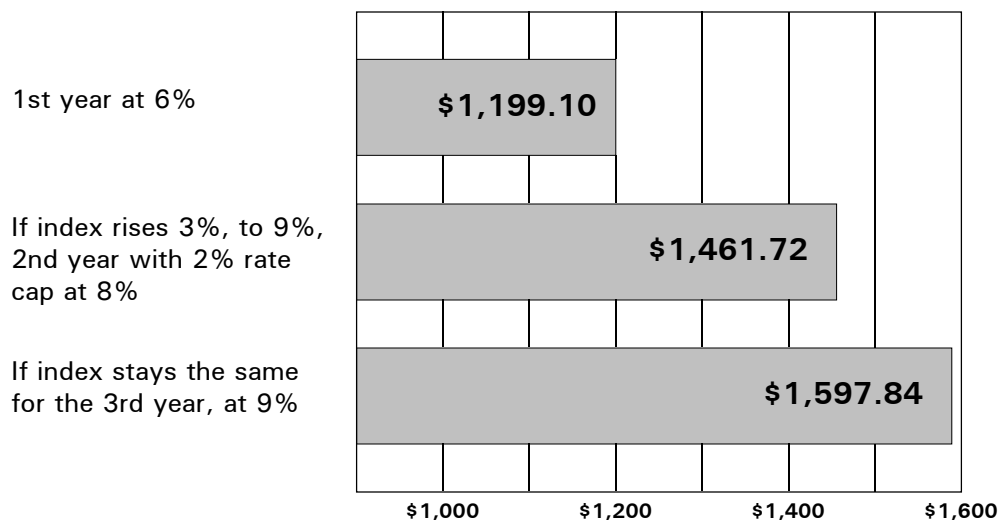
In this example, because of the cap on your loan, your monthly payment in year two is \$138.70 per month lower than it would be without the cap, saving you \$1,664.40 over the year.

Some ARMs allow a larger rate change at the first adjustment and then apply a periodic adjustment cap to all future adjustments.

A drop in interest rates does not always lead to a drop in your monthly payments. With some ARMs that have interest-rate caps, the cap may hold your rate and payment below what it would have been if the change in the index rate had been fully applied. The increase in the interest that was not imposed because of the rate cap might carry over to future rate adjustments. This is called *carryover*. So, at the next adjustment date, your payment might increase even though the index rate has stayed the same or declined.

The following example shows how carryovers work. Suppose the index on your ARM increased 3 percent during the first year.

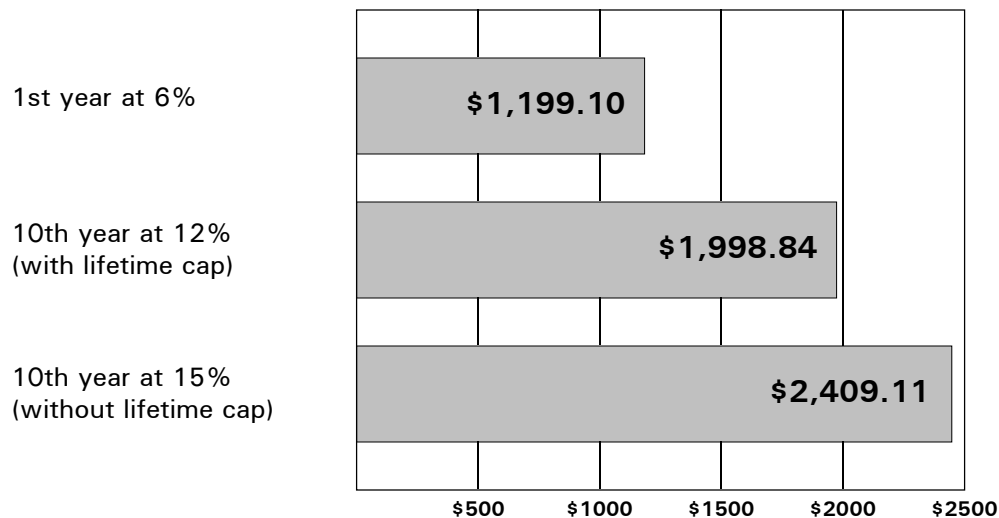
Because this ARM loan limits rate increases to 2 percent at any one time, the rate is adjusted by only 2 percent, to 8 percent for the second year. However, the remaining 1 percent increase in the index carries over to the next time the lender can adjust rates. So, when the lender adjusts the interest rate for the third year, even if there has been no change in the index during the second year, the rate still increases by 1 percent, to 9 percent.



In general, the rate on your loan can go up at any scheduled adjustment date when the lender's standard ARM rate (the index plus the margin) is higher than the rate you are paying before that adjustment.

### 3.5.2 Lifetime caps

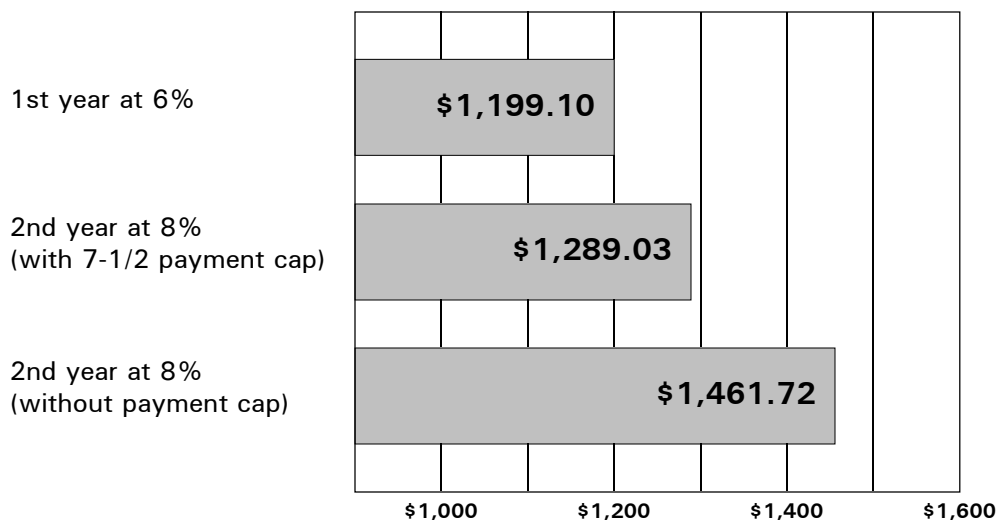
The next example shows how a lifetime rate cap would affect your loan. Let's say that your ARM starts out with a 6 percent rate and the loan has a 6 percent lifetime cap--that is, the rate can never exceed 12 percent. Suppose the index rate increases 1 percent in each of the next nine years. With a 6 percent overall cap, your payment would never exceed \$1,998.84--compared with the \$2,409.11 that it would have reached in the tenth year without a cap.



### 3.6 Payment caps

In addition to interest-rate caps, many ARMs—including payment-option ARMs (discussed on page 12)—limit, or cap, the amount your monthly payment may increase at the time of each adjustment. For example, if your loan has a payment cap of 7-1/2 percent, your monthly payment won't increase more than 7-1/2 percent over your previous payment, even if interest rates rise more. For example, if your monthly payment in year 1 of your mortgage was \$1,000, it could only go up to \$1,075 in year 2 (7-1/2 percent of \$1,000 is an additional \$75). Any interest you don't pay because of the payment cap will be added to the balance of your loan. A payment cap can limit the increase to your monthly payments but also can add to the amount you owe on the loan. This is called negative amortization, a term explained on page 14.

Let's assume that your rate changes in the first year by two percentage points, but your payments can increase no more than 7-1/2 percent in any one year. The following graph shows what your monthly payments would look like.



Difference in monthly payment = \$172.69

While your monthly payment will be only \$1,289.03 for the second year, the difference of \$172.69 each month will be added to the balance of your loan and will lead to negative amortization.

Some ARMs with payment caps do not have periodic interest-rate caps. In addition, as explained below, most payment-option ARMs have a built-in recalculation period, usually every five years. At that point, your payment will be recalculated (lenders use the term recast) based on the remaining term of the loan. If you have a 30-year loan and you are at the end of year five, your payment will be recalculated for the remaining 25 years. The payment cap does not apply to this adjustment. If your loan balance has increased, or if interest rates have risen faster than your payments, your payments could go up a lot.

#### 4. Types of ARMs

##### 4.1 Hybrid ARMs

Hybrid ARMs often are advertised as 3/1 or 5/1 ARMs--you might also see ads for 7/1 or 10/1 ARMs. These loans are a mix--or a hybrid--of a fixed-rate period and an adjustable-rate period. The interest rate is fixed for the first few years of these loans--for example, for five years in a 5/1 ARM. After that, the rate may adjust annually (the 1 in the 5/1 example), until the loan is paid off. In the case of 3/1, 5/1, 7/1 or 10/1 ARMs:

- the first number tells you how long the fixed interest-rate period will be, and
- the second number tells you how often the rate will adjust after the initial period.

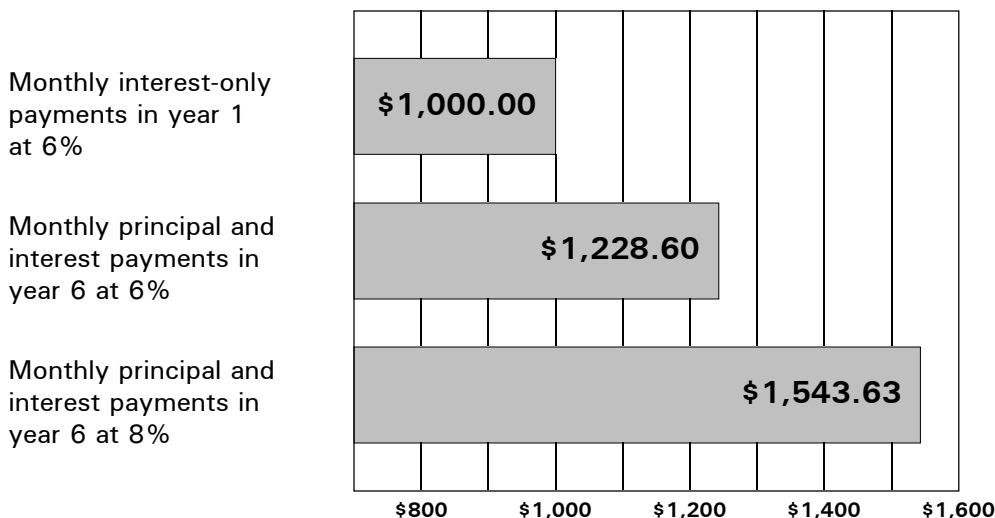
You may also see ads for 2/28 or 3/27 ARMs--the first number tells you how many years the fixed interest-rate period will be, and the second number tells you the number of years the rates on the loan will be adjustable. Some 2/28 and 3/27 mortgages adjust every six months, not annually.

##### 4.2 Interest-only ARMs

An interest-only (I-O) ARM payment plan allows you to pay only the interest for a specified number of years, typically for three to 10 years. This allows you to have smaller monthly payments for a period. After that, your monthly payment will increase--even if interest rates stay the same--because you must start paying back the principal as well as the interest each month.

For some I-O loans, the interest rate adjusts during the I-O period as well.

For example, if you take out a 30-year mortgage loan with a five-year I-O payment period, you can pay only interest for five years and then you must pay both the principal and interest over the next 25 years. Because you begin to pay back the principal, your payments increase after year five, even if the rate stays the same. Keep in mind that the longer the I-O period, the higher your monthly payments will be after the I-O period ends.



### 4.3 Payment-option ARMs

A payment-option ARM is an adjustable-rate mortgage that allows you to choose among several payment options each month. The options typically include the following:

- *A traditional payment of principal and interest*, which reduces the amount you owe on your mortgage. These payments are based on a set loan term, such as a 15-, 30-, or 40-year payment schedule.
- *An interest-only payment*, which pays the interest but does not reduce the amount you owe on your mortgage as you make your payments.
- *A minimum (or limited) payment*, which may be less than the amount of interest due that month and may not reduce the amount you owe on your mortgage. If you choose this option, the amount of any interest you do not pay will be added to the principal of the loan, increasing the amount you owe and your future monthly payments, and increasing the amount of interest you will pay over the life of the loan. In addition, if you pay only the minimum payment in the last few years of the loan, you may owe a larger payment at the end of the loan term, called a balloon payment.

In addition to these options, in most cases you can choose to pay any amount over the required minimum payment.

The interest rate on a payment-option ARM is typically very low for the first few months (for example, 2 percent for the first one to three months). After that, the interest rate usually rises to a rate closer to that of other mortgage loans. Your payments during the first year are based on the initial low rate, meaning that if you only make the minimum payment each month, it will not reduce the amount you owe and it may not cover the interest due. The unpaid interest is added to the amount you owe on the mortgage, and your loan balance increases. This is called *negative amortization*. This means that even after making many payments, you could owe more than you did at the beginning of the loan. See a further caution about negative amortization in the "Consumer Cautions" section below. Also, as interest rates go up, your payments are likely to go up.

Payment-option ARMs have a built-in recalculation period, usually every five years. At this point, your payment will be recalculated (or "recast") based on the remaining term of the loan. If you have a 30-year loan and you are at the end of year five, your payment will be recalculated for the remaining 25 years. If your loan balance has increased because you have made only minimum payments, or if interest rates have risen faster than your payments, your payments will increase each time your loan is recast. At each recast, your new minimum payment will be a fully amortizing payment and any payment cap will not apply. This means that your monthly payment can increase a lot at each recast.

Lenders may recalculate your loan payments before the recast period if the amount of principal you owe grows beyond a set limit, say 110 percent or 125 percent of your original mortgage amount. For example, suppose you made only minimum payments on your \$200,000 mortgage and had any unpaid interest added to your balance. If the balance grew to \$250,000 (125 percent of \$200,000), your lender would recalculate your payments so that you would pay off the loan over the remaining term. It is likely that your payments would go up substantially.

More information on interest-only and payment-option ARMs is available in a Federal Reserve Board brochure, *Interest-Only Mortgage Payments and Payment-Option ARMs--Are They for You?* (available online at [fdic.gov/consumers/consumer/interest-only](http://fdic.gov/consumers/consumer/interest-only)).

## 5. Consumer cautions

### 5.1 Discounted interest rates

Many lenders offer more than one type of ARM. Some lenders offer an ARM with an initial rate that is lower than their fully indexed ARM rate (that is, lower than the sum of the index plus the margin). Such rates--called discounted rates, start rates, or teaser rates--are often combined with large initial loan fees, sometimes called *points*, and with higher rates after the initial discounted rate expires.

Your lender or broker may offer you a choice of loans that may include "discount points" or a "discount fee." You may choose to pay these points or fees in return for a lower interest rate. But keep in mind that the lower interest rate may only last until the first adjustment.

If a lender offers you a loan with a discount rate, don't assume that means the loan is a good one for you. You should carefully consider whether you will be able to afford higher payments in later years when the discount expires and the rate is adjusted.



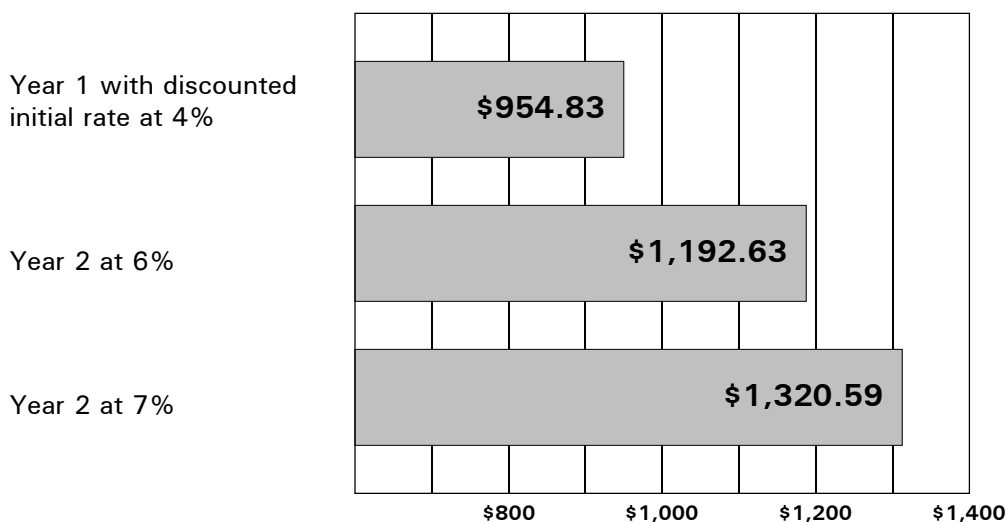
Here is an example of how a discounted initial rate might work. Let's assume that the lender's fully indexed 1-year ARM rate (index rate plus margin) is currently 6 percent; the monthly payment for the first year would be \$1,199.10. But your lender is offering an ARM with a discounted initial rate of 4 percent for the first year. With the 4 percent rate, your first-year's monthly payment would be \$954.83.

With a discounted ARM, your initial payment will probably remain at \$954.83 for only a limited time--and any savings during the discount period may be offset by higher payments over the remaining life of the mortgage. If you are considering a discount ARM, be sure to compare future payments with those for a fully indexed ARM. Lenders are generally required to consider your ability to repay the loan based on the fully indexed rate, or the highest rate you will be expected to pay in the first five years of the loan. Even so, if you buy a home or refinance using a deeply discounted initial rate, you run the risk of payment shock, negative amortization, or conversion fees. You should always look at your own budget to see how high of a payment and how big of a home loan you feel you can afford.

Another way you may get a discounted interest rate is through a "buydown." This is when the house seller pays an amount to the lender so the lender can give you a lower rate and lower payments, usually for an initial period in an ARM. The seller may increase the sales price to cover the cost of the buydown.

## 5.2 Payment shock

Payment shock may occur if your mortgage payment rises sharply at a rate adjustment. Let's see what would happen in the second year if the rate on your discounted 4 percent ARM were to rise to the 6 percent fully indexed rate.



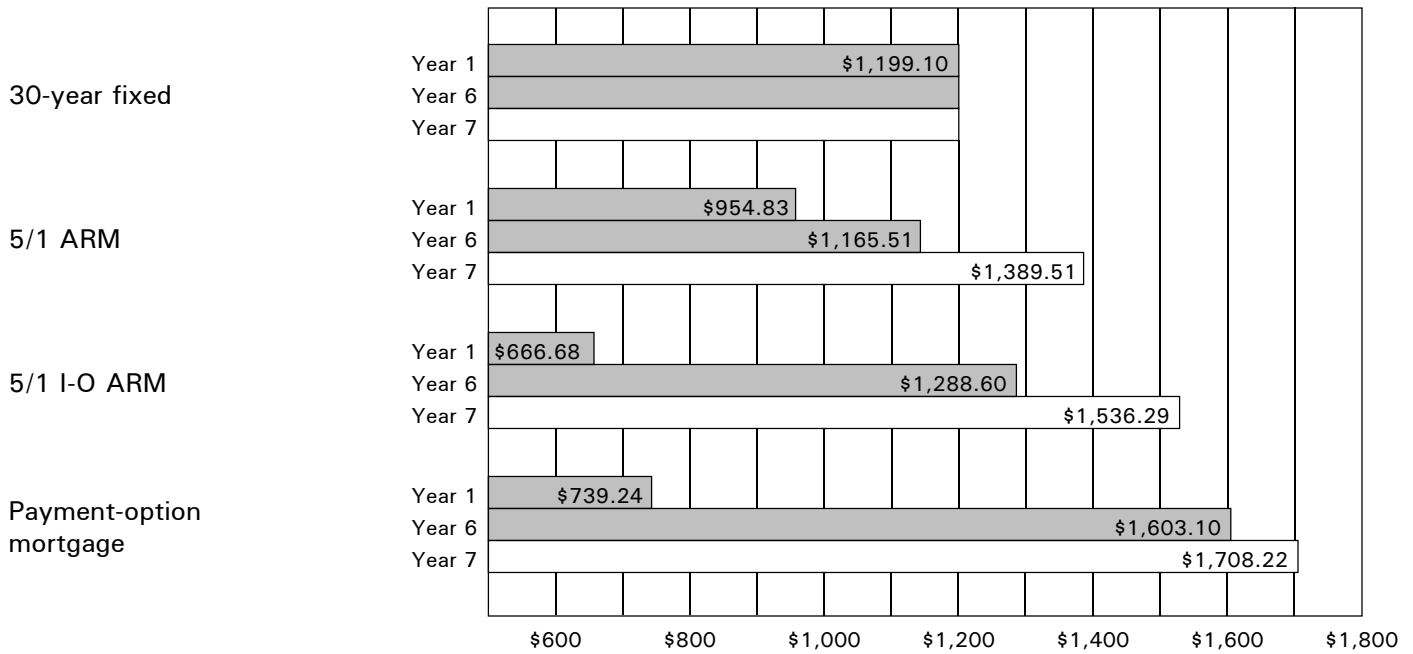
As the example shows, even if the index rate were to stay the same, your monthly payment would go up from \$954.83 to \$1,192.63 in the second year.

Suppose that the index rate increases 1 percent in one year and the ARM rate rises to 7 percent. Your payment in the second year would be \$1,320.59.

That's an increase of \$365.76 in your monthly payment. You can see what might happen if you choose an ARM because of a low initial rate. While your lender generally needs to consider this indexed rate in determining your ability to repay the loan, you also need to consider whether you will be able to afford future payments.

If you have an interest-only ARM, payment shock can also occur when the interest-only period ends. Or, if you have a payment-option ARM, payment shock can happen when the loan is recast.

The following example compares several different loans over the first seven years of their terms; the payments shown are for years one, six, and seven of the mortgage, assuming you make interest-only payments or minimum payments. The main point is that, depending on the terms and conditions of your mortgage and changes in interest rates, ARM payments can change quite a bit over the life of the loan--so while you could save money in the first few years of an ARM, you could also face much higher payments in the future.



### 5.3 Negative amortization

Negative amortization means that the amount you owe increases even when you make all your required payments on time. It occurs whenever your monthly mortgage payments are not large enough to pay all of the interest due on your mortgage—meaning the unpaid interest is added to the principal on your mortgage and you will owe more than you originally borrowed. This can happen because you are making only minimum payments on a payment-option mortgage or because your loan has a payment cap.

For example, suppose you have a \$200,000, 30-year payment-option ARM with a 2 percent rate for the first three months and a 6 percent rate for the remaining nine months of the year. Your minimum payment for the year is \$739.24, as shown in the previous graph. However, once the 6 percent rate is applied to your loan balance, you are no longer covering the interest costs. If you continue to make minimum payments on this loan, your loan balance at the end of the first year of your mortgage would be \$201,118—or \$1,118 more than you originally borrowed.

Because payment caps limit only the amount of payment increases, and not interest-rate increases, payments sometimes do not cover all the interest due on your loan. This means that the unpaid interest is automatically added to your debt, and interest may be charged on that amount. You might owe more later in the loan term than you did at the beginning.

A payment cap limits the increase in your monthly payment by deferring some of the interest. Eventually, you would have to repay the higher remaining loan balance at the interest rate then in effect. When this happens, there may be a substantial increase in your monthly payment.

Some mortgages include a cap on negative amortization. The cap typically limits the total amount you can owe to 110 percent to 125 percent of the original loan amount. When you reach that point, the lender will set the monthly payment amounts to fully repay the loan over the remaining term. Your payment cap will not apply, and your payments could be substantially higher. You may limit negative amortization by voluntarily increasing your monthly payment.

Be sure you know whether the ARM you are considering can have negative amortization. If so, and if you are a first-time borrower, your lender is required to make sure you get homeownership counseling before the lender can lend you the money.

**Home prices, home equity, and ARMs:** Sometimes home prices rise rapidly, allowing people to quickly build equity in their homes. This can make some people think that even if the rate and payments on their ARM get too high, they can avoid those higher payments by refinancing their loan or, in the worst case, selling their home. It's important to remember that home prices do not always go up quickly--they may increase a little or remain the same, and sometimes they fall. If housing prices fall, your home may not be worth as much as you owe on the mortgage. Also, you may find it difficult to refinance your loan to get a lower monthly payment or rate. Even if home prices stay the same, if your loan lets you make minimum payments (see payment-option ARMs above), you may owe your lender more on your mortgage than you could get from selling your home.

#### **5.4 Prepayment penalties and conversion**

If you get an ARM, you may decide later that you don't want to risk any increases in the interest rate and payment amount. When you are considering an ARM, ask whether you would be able to convert your ARM to a fixed-rate mortgage.

##### **5.4.1 Prepayment penalties**

Some mortgage loans can require you to pay special fees or penalties if you refinance or pay off the loan early (usually within the first three years of the loan). These are called prepayment penalties, and they are not allowed on ARMs.

##### **5.4.2 Conversion fees**

Your agreement with the lender may include a clause that lets you convert the ARM to a fixed-rate mortgage at designated times. When you convert, the new rate is generally set using a formula given in your loan documents.

The interest rate or up-front fees may be somewhat higher for a convertible ARM. Also, a convertible ARM may require a fee at the time of conversion.

#### **5.5 Graduated-payment or stepped-rate loans**

Some fixed-rate loans start with one rate for one or two years and then change to another rate for the remaining term of the loan. While these are not ARMs, your payment will go up according to the terms of your contract. Talk with your lender or broker and read the information provided to you to make sure you understand when and by how much the payment will change.

### **6. Where to get information**

#### **6.1 Disclosure from lenders**

You should receive information in writing about each ARM program you are interested in before you have paid a nonrefundable fee. It is important that you read this information and ask the lender or broker about anything you don't understand--index rates, margins, caps, and other features such as negative amortization. After you have applied for a loan, you will get more information from the lender about your loan, including the annual percentage rate (APR) and a rate and payment summary table.

The APR is the cost of your credit as a yearly rate. It takes into account interest, points paid on the loan, any fees paid to the lender for making the loan, and any mortgage insurance premiums you may have to pay. You can compare APRs on similar ARMs (for example, compare APRs on a 5/1 and a 3/1 ARM) to determine which loan will cost you less in the long term, but you should keep in mind that because the interest rate for an ARM can change, APRs on ARMs cannot be compared directly to APRs for fixed-rate mortgages.

You may want to talk with financial advisers, housing counselors, and other trusted advisers. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the Consumer Financial Protection Bureau's website at [consumerfinance.gov/find-a-housing-counselor](http://consumerfinance.gov/find-a-housing-counselor) or by calling HUD's interactive toll-free number at 800-569-4287.

Also, see the *More information and Contact information* appendices below for more information available from the CFPB and a list of other federal agencies that can provide more information and assistance.

## 6.2 Newspapers and the Internet

When buying a home or refinancing your existing mortgage, remember to shop around. Compare costs and terms, and negotiate for the best deal. Your local newspaper and the Internet are good places to start shopping for a loan. You can usually find information on interest rates and points for several lenders. Since rates and points can change daily, you'll want to check information sources often when shopping for a home loan.

The Mortgage Shopping Worksheet at the beginning of this booklet may also help you. Take it with you when you speak to each lender or broker, and write down the information you obtain. Don't be afraid to make lenders and brokers compete with each other for your business by letting them know that you are shopping for the best deal.

## 6.3 Advertisements

Any initial information you receive about mortgages probably will come from advertisements or mail solicitations from builders, real estate brokers, mortgage brokers, and lenders. Although this information can be helpful, keep in mind that these are marketing materials--the ads and mailings are designed to make the mortgage look as attractive as possible. These ads may play up low initial interest rates and monthly payments, without emphasizing that those rates and payments could increase substantially later. So, get all the facts.

Any ad for an ARM that shows an initial interest rate should also show how long the rate is in effect and the APR on the loan. If the APR is much higher than the initial rate, your payments may increase a lot after the introductory period, even if interest rates stay the same.

Choosing a mortgage may be the most important financial decision you will make. You are entitled to have all the information you need to make the right decision. Don't hesitate to ask questions about ARM features when you talk to lenders, mortgage brokers, real estate agents, sellers, and your attorney, and keep asking until you get clear and complete answers.

## APPENDIX A:

### Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

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**Adjustable-Rate Mortgage (ARM).** A mortgage that does not have a fixed interest rate. The rate changes during the life of the loan based on movements in an index rate, such as the rate for Treasury securities or the Cost of Funds Index. ARMs usually offer a lower initial interest rate than fixed-rate loans. The interest rate fluctuates over the life of the loan based on market conditions, but the loan agreement generally sets maximum and minimum rates. When interest rates increase, generally your loan payments increase; and when interest rates decrease, your monthly payments may decrease.

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**Annual Percentage Rate (APR).** The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

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**Balloon Payment.** A large extra payment that may be charged at the end of a mortgage loan or lease.

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**Buydown.** When the seller pays an amount to the lender so that the lender can give you a lower rate and lower payments, usually for an initial period in an ARM. The seller may increase the sales price to cover the cost of the buydown. Buydowns can occur in all types of mortgages, not just ARMs.

**Cap, Interest Rate.** A limit on the amount that your interest rate can increase. The two types of interest rate caps are periodic adjustment caps and life-time caps. Periodic adjustment caps limit the interest-rate increase from one adjustment period to the next. Lifetime caps limit the interest-rate increase over the life of the loan. All adjustable-rate mortgages have an overall cap.

---

**Cap, Payment.** A limit on the amount that your monthly mortgage payment on a loan may change, usually a percentage of the loan. The limit can be applied each time the payment changes or during the life of the mortgage. Payment caps may lead to negative amortization because they do not limit the amount of interest the lender is earning.

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**Conversion Clause.** A provision in some ARMs that allows you to change the ARM to a fixed-rate loan at some point during the term. Conversion is usually allowed at the end of the first adjustment period. At the time of the conversion, the new fixed rate is generally set at one of the rates then prevailing for fixed-rate mortgages. The conversion feature may be available at extra cost.

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**Discounted Initial Rate (Also Known as a Start Rate or Teaser Rate).** In an ARM with a discounted initial rate, the lender offers you a lower rate and lower payments for part of the mortgage term (usually for 1, 3, or 5 years). After the discount period, the ARM rate will probably go up depending on the index rate. Discounts can occur in all types of mortgages, not just ARMs.

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**Equity.** In housing markets, equity is the difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

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**Hybrid ARM.** These ARMs are a mix--or a hybrid--of a fixed-rate period and an adjustable-rate period. The interest rate is fixed for the first several years of the loan; after that period, the rate can adjust annually. For example, hybrid ARMs can be advertised as 3/1 or 5/1--the first number tells you how long the fixed interest-rate period will be and the second number tells you how often the rate will adjust after the initial period. For example, a 3/1 loan has a fixed rate for the first 3 years and then the rate adjusts once each year beginning in year 4.

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**Index.** The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also the chart on page 14, Selected index rates for ARMs over an 11-year period, for examples of common indexes that have changed in the past.

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**Interest.** The rate used to determine the cost of borrowing money, usually stated as a percentage and as an annual rate.

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**Interest-Only (I-O) ARM.** Interest-only ARMs allow you to pay only the interest for a specified number of years, typically between three and 10 years. This arrangement allows you to have smaller monthly payments for a prescribed period. After that period, your monthly payment will increase--even if interest rates stay the same--because you must start paying back the principal and the interest each month. For some I-O loans, the interest rate adjusts during the I-O period as well.

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**Margin.** The number of percentage points the lender adds to the index rate to calculate the interest rate of an adjustable-rate mortgage (ARM) at each adjustment.

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**Negative Amortization.** Occurs when the monthly payments in an adjustable-rate mortgage loan do not cover all the interest owed. The interest that is not paid in the monthly payment is added to the loan balance. This means that even after making many payments, you could owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that are not high enough to cover the interest due or when the minimum payments are set at an amount lower than the amount you owe in interest.

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**Payment-Option ARM.** An ARM that allows the borrower to choose among several payment options each month. The options typically include (1) a traditional amortizing payment of principal and interest, (2) an interest-only payment, or (3) a minimum (or limited) payment that may be less than the amount of interest due that month. If the borrower chooses the minimum-payment option, the amount of any interest that is not paid will be added to the principal of the loan. See also the definition of negative amortization, above.

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**Points (Also Called Discount Points).** One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if the mortgage is \$200,000, one point equals \$2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that the borrower voluntarily chooses to pay in return for a lower interest rate.

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**Prepayment Penalty.** Extra fees that may be due if you pay off your loan early by refinancing the loan or by selling the home. These fees are not allowed for ARMs or for high-cost mortgages. For mortgages where they are allowed, the penalty cannot go beyond the first three years of the loan's term.

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**Principal.** The amount of money borrowed or the amount still owed on a loan.

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## APPENDIX B:

### More information

For more information about mortgages, visit [consumerfinance.gov/mortgage](http://consumerfinance.gov/mortgage). For answers to questions about mortgages and other financial topics, visit [consumerfinance.gov/askcfpb](http://consumerfinance.gov/askcfpb). You may also visit the CFPB's website at [consumerfinance.gov/owning-a-home](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's website at [consumerfinance.gov/find-a-housing-counselor](http://consumerfinance.gov/find-a-housing-counselor) or by calling HUD's interactive toll-free number at 800-569-4287.

The company that collects your mortgage payments is your loan servicer. This may not be the same company as your lender. If you have concerns about how your loan is being serviced, or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at [consumerfinance.gov/complaint](http://consumerfinance.gov/complaint) or by calling (855) 411-CFPB [2372].

When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get a response. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB.

## APPENDIX C:

### Contact information

For additional information or to submit a complaint, you can contact the CFPB or one of the other federal agencies listed below, depending on the type of institution. If you are not sure which agency to contact, you can submit a complaint to the CFPB and if the CFPB determines that another agency would be better able to assist you, the CFPB will refer your complaint to that agency and let you know.

| Regulatory agency  | Regulated entities   | Contact information   |
|--|--|---|
| <b>Consumer Financial Protection Bureau (CFPB)</b><br>P.O. Box 2900<br>Clinton, IA 52733-2900  | Insured depository institutions and credit unions with assets greater than \$10 billion (and their affiliates), and non-bank providers of consumer financial products and services, including mortgages, credit cards, debt collection, consumer reports, prepaid cards, private education loans, and payday lending | (855) 411-CFPB [2372]<br><b>consumerfinance.gov</b><br><b>consumerfinance.gov/complaint</b>                                       |
| <b>Board of Governors of the Federal Reserve System (FRB)</b><br>Consumer Help<br>P.O. Box 1200<br>Minneapolis, MN 55480                       | Federally insured state-chartered bank members of the Federal Reserve System   | (888) 851-1920<br><b>federalreserveconsumerhelp.gov</b>   |
| <b>Office of the Comptroller of the Currency (OCC)</b><br>Customer Assistance Group<br>1301 McKinney Street<br>Suite 3450<br>Houston, TX 77010 | National banks and federally chartered savings banks/associations  | (800) 613-6743<br><b>occ.treas.gov</b><br><b>helpwithmybank.gov</b>   |
| <b>Federal Deposit Insurance Corporation (FDIC)</b><br>Consumer Response Center<br>1100 Walnut Street,<br>Box #11<br>Kansas City, MO 64106     | Federally insured state-chartered banks that are not members of the Federal Reserve System   | (877) ASK-FDIC or<br>(877) 275-3342<br><b>fdic.gov</b><br><b>fdic.gov/consumers</b>   |
| <b>Federal Housing Finance Agency (FHFA) Consumer Communications</b><br>Constitution Center<br>400 7th Street, S.W.<br>Washington, DC 20219    | Fannie Mae, Freddie Mac, and the Federal Home Loan Banks   | Consumer Helpline<br>(202) 649-3811<br><b>fhfa.gov</b><br><b>fhfa.gov/Default.aspx?Page = 369</b><br><b>ConsumerHelp@fhfa.gov</b> |

| Regulatory agency   | Regulated entities   | Contact information   |
|---|--|---|
| <b>National Credit Union Administration (NCUA)</b><br>Consumer Assistance<br>1775 Duke Street<br>Alexandria, VA 22314   | Federally chartered credit unions  | (800) 755-1030<br><b>ncua.gov</b><br><b>mycreditunion.gov</b>   |
| <b>Federal Trade Commission (FTC)</b><br>Consumer Response Center 600<br>Pennsylvania Ave, N.W.<br>Washington, DC 20580   | Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus | (877) FTC-HELP or<br>(877) 382-4357<br><b>ftc.gov</b><br><b>ftc.gov/bcp</b>   |
| <b>Securities and Exchange Commission (SEC)</b><br>Complaint Center<br>100 F Street, N.E.<br>Washington, DC 20549   | Brokerage firms, mutual fund companies, and investment advisers  | (202) 551-6551<br><b>sec.gov</b><br><b>sec.gov/complaint/select.shtml</b>   |
| <b>Farm Credit Administration Office of Congressional and Public Affairs</b><br>1501 Farm Credit Drive<br>McLean, VA 22102                                      | Agricultural lenders   | (703) 883-4056<br><b>fca.gov</b>  |
| <b>Small Business Administration (SBA)</b><br>Consumer Affairs<br>409 3rd Street, S.W.<br>Washington, DC 20416  | Small business lenders   | (800) U-ASK-SBA or<br>(800) 827-5722<br><b>sba.gov</b>  |
| <b>Commodity Futures Trading Commission (CFTC)</b><br>1155 21st Street, N.W.<br>Washington, DC 20581  | Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers                  | (866) 366-2382<br><b>cftc.gov/ConsumerProtection</b>  |
| <b>U.S. Department of Justice (DOJ)</b><br>Civil Rights Division<br>950 Pennsylvania Ave, N.W.<br>Housing and Civil Enforcement Section<br>Washington, DC 20530 | Fair lending and housing issues  | (202) 514-4713<br>TTY--(202) 305-1882<br>FAX--(202) 514-1116<br>To report an incident of housing discrimination: 1-800-896-7743<br><b>fairhousing@usdoj.gov</b> |
| <b>Department of Housing and Urban Development (HUD)</b><br>Office of Fair Housing/Equal Opportunity<br>451 7th Street, S.W.<br>Washington, DC 20410            | Fair lending and housing issues  | (800) 669-9777<br><b>hud.gov/complaints</b>   |



## **APPENDIX D:**

### **More resources**

*Looking for the Best Mortgage--Shop, Compare, Negotiate*  
**hud.gov/buying/booklet.pdf**

*Interest-Only Mortgage Payments and Payment-Option  
ARMs--Are They for You?*  
**fdic.gov/consumers/consumer/interest-only/**

*A Consumer's Guide to Mortgage Lock-Ins*  
**federalreserve.gov/pubs/lockins/default.htm**

*A Consumer's Guide to Mortgage Settlement Costs*  
**http://federalreserve.gov/pubs/brochure.htm**

*Know Before You Go...To Get a Mortgage: A Guide to Mortgage Products and a Glossary of  
Lending Terms*  
**bos.frb.org/consumer/knowbeforeyougo/mortgage/mortgage.pdf**

Online Mortgage Calculator  
**mortgagecalculator.org/**

## Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when  the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or  the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower \_\_\_\_\_ Co-Borrower \_\_\_\_\_

| I. TYPE OF MORTGAGE AND TERMS OF LOAN |                              |   |   |   |   |
|---------------------------------------|------------------------------|---|---|---|---|
| <b>Mortgage Applied for:</b>          | <input type="checkbox"/> VA  | <input checked="" type="checkbox"/> Conventional    | <input type="checkbox"/> Other (explain): | Agency Case Number                              | Lender Case Number                        |
|                                       | <input type="checkbox"/> FHA | <input type="checkbox"/> USDA/Rural Housing Service |   |   | 8043678088                                |
| Amount                                | Interest Rate                | No. of Months                                       | <b>Amortization Type:</b>                 | <input type="checkbox"/> Fixed Rate             | <input type="checkbox"/> Other (explain): |
| \$ 300,000.00                         | 4.125%                       | 360   | <input type="checkbox"/> GPM              | <input checked="" type="checkbox"/> ARM (type): | 3/5 ARM                                   |

### II. PROPERTY INFORMATION AND PURPOSE OF LOAN

|   |              |
|---|--------------|
| Subject Property Address (street, city, state & ZIP)                    | No. of Units |
| 400 W Peachtree St NW, Unit, Atlanta, GA 30308                          | 1            |
| Legal Description of Subject Property (attach description if necessary) | Year Built   |

|                 |  |   |   |   |
|-----------------|--|---|---|---|
| Purpose of Loan | <input checked="" type="checkbox"/> Purchase | <input type="checkbox"/> Construction           | <input type="checkbox"/> Other (explain): | Property will be:                                     |
|                 | <input type="checkbox"/> Refinance           | <input type="checkbox"/> Construction-Permanent |   | <input checked="" type="checkbox"/> Primary Residence |
|                 |  |   |   | <input type="checkbox"/> Secondary Residence          |
|                 |  |   |   | <input type="checkbox"/> Investment                   |

| Complete this line if construction or construction-permanent loan. |               |                       |                          |                          |               |
|--|---------------|-----------------------|--------------------------|--------------------------|---------------|
| Year Lot Acquired  | Original Cost | Amount Existing Liens | (a) Present Value of Lot | (b) Cost of Improvements | Total (a + b) |
|  | \$            | \$                    | \$                       | \$                       | \$            |

| Complete this line if this is a refinance loan. |               |                       |                      |                       |   |
|---|---------------|-----------------------|----------------------|-----------------------|---|
| Year Acquired                                   | Original Cost | Amount Existing Liens | Purpose of Refinance | Describe Improvements | made <input type="checkbox"/> to be made <input type="checkbox"/> |
|   | \$            | \$                    |                      | Cost: \$              |   |

|  |                                    |   |
|--|------------------------------------|---|
| Title will be held in what Name(s) Karam Moore | Manner in which Title will be held | Estate will be held in:                                   |
|  | Individual                         | <input checked="" type="checkbox"/> Fee Simple            |
|  |                                    | <input type="checkbox"/> Leasehold (show expiration date) |

|  |  |
|--|--|
| Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain) and |  |
|--|--|

### III. BORROWER INFORMATION

| Borrower  | Co-Borrower   |   |                |  |  |  |                |
|---|---|---|----------------|--|--|--|----------------|
| Borrower's Name (include Jr. or Sr. if applicable)<br>Karam J Moore |   |   |                |  |  |  |                |
| Co-Borrower's Name (include Jr. or Sr. if applicable)               |   |   |                |  |  |  |                |
| Social Security Number  | Home Phone (incl. area code)  | DOB (mm/dd/yyyy)                                | Yrs. School    | Social Security Number                             | Home Phone (incl. area code)   | DOB (mm/dd/yyyy)                             | Yrs. School    |
| 587-49-8166   | (678) 434-4348  | 07/24/1984                                      | 16.0           |  |  |  |                |
| <input type="checkbox"/> Married                                    | <input checked="" type="checkbox"/> Unmarried (include single, divorced, widowed) | Dependents (not listed by Co-Borrower) no. ages |                | <input type="checkbox"/> Married                   | <input type="checkbox"/> Unmarried (include single, divorced, widowed) | Dependents (not listed by Borrower) no. ages |                |
| <input type="checkbox"/> Separated                                  |   | 4 13, 13, 11, 9                                 |                | <input type="checkbox"/> Separated                 |  |  |                |
| Present Address (street, city, state, ZIP)                          | <input type="checkbox"/> Own  | <input checked="" type="checkbox"/> Rent        | 0.003 No. Yrs. | Present Address (street, city, state, ZIP)         | <input type="checkbox"/> Own   | <input type="checkbox"/> Rent                | _____ No. Yrs. |
| 255 Courtland Street Northeast, Atlanta GA 30308                    |   |   |                |  |  |  |                |
| Mailing Address, if different from Present Address                  |   |   |                | Mailing Address, if different from Present Address |  |  |                |
| 1072 West Peachtree Street Northwest, Unit 7623, Atlanta, GA 30309  |   |   |                |  |  |  |                |

#### If residing at present address for less than two years, complete the following:

|   |   |
|---|---|
| Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs. | Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs. |
| See Continuation Sheet  |   |

### IV. EMPLOYMENT INFORMATION

| Borrower  | Co-Borrower                                       |                   |                                 |  |                  |
|---|---|-------------------|---------------------------------|--|------------------|
| Name & Address of Employer  | <input checked="" type="checkbox"/> Self Employed | Yrs. on this job  | Name & Address of Employer      | <input type="checkbox"/> Self Employed | Yrs. on this job |
| Walmart/Sippy Boy Entertainment, 400 West Peachtree Street Northwest, Atlanta, GA 30308 |   | 13.16666666666667 |                                 |  |                  |
| Position/Title/Type of Business   | Business Phone (incl. area code)                  |                   | Position/Title/Type of Business | Business Phone (incl. area code)       |                  |
|   | (678) 434-4348                                    |                   |                                 |  |                  |

#### If employed in current position for less than two years or if currently employed in more than one position, complete the following:

|                                 |  |                   |                                 |  |                   |
|---------------------------------|--|-------------------|---------------------------------|--|-------------------|
| Name & Address of Employer      | <input type="checkbox"/> Self Employed | Dates (from - to) | Name & Address of Employer      | <input type="checkbox"/> Self Employed | Dates (from - to) |
|                                 |  | Monthly Income    |                                 |  | Monthly Income    |
|                                 |  | \$                |                                 |  | \$                |
| Position/Title/Type of Business | Business Phone (incl. area code)       |                   | Position/Title/Type of Business | Business Phone (incl. area code)       |                   |
|                                 |  |                   |                                 |  |                   |

**V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION**

| Gross Monthly Income  | Borrower           | Co-Borrower | Total              | Combined Monthly Housing Expense | Present            | Proposed           |
|---|--------------------|-------------|--------------------|----------------------------------|--------------------|--------------------|
| Base Empl. Income*  | \$ 8,333.33        | \$          | \$ 8,333.33        | Rent                             | \$ 3,000.00        |                    |
| Overtime  |                    |             |                    | First Mortgage (P&I)             |                    | \$ 1,453.95        |
| Bonuses   |                    |             |                    | Other Financing (P&I)            |                    |                    |
| Commissions   |                    |             |                    | Hazard Insurance                 |                    |                    |
| Dividends/Interest  |                    |             |                    | Real Estate Taxes                |                    | 404.04             |
| Net Rental Income   |                    |             |                    | Mortgage Insurance               |                    |                    |
| Other (before completing, see the notice in "describe other income," below) | 1,200.00           |             | 1,200.00           | Homeowner Assn. Dues             |                    | 100.00             |
|   |                    |             |                    | Other: HO6                       |                    | 125.00             |
| <b>Total</b>  | <b>\$ 9,533.33</b> | <b>\$</b>   | <b>\$ 9,533.33</b> | <b>Total</b>                     | <b>\$ 3,000.00</b> | <b>\$ 2,082.99</b> |

\* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income    Notice: Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.

| B/C | Describe Other Income | Monthly Amount |
|-----|-----------------------|----------------|
| B   | Royalty Payment       | \$ 1,200.00    |
|     |                       |                |

**VI. ASSETS AND LIABILITIES**

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a non-applicant spouse or other person, this Statement and supporting schedules must be completed about that spouse or other person also.

Completed  Jointly  Not Jointly

| ASSETS  |                      | Cash or Market Value | LIABILITIES  |                                      |                             |
|---|----------------------|----------------------|--|--------------------------------------|-----------------------------|
| Description   |                      |                      | Name and address of Company                                  | Monthly Payment & Months Left to Pay | Unpaid Balance              |
| Cash deposit toward purchase held by:                                     | \$                   |                      |  |                                      |                             |
| <b>List checking and savings accounts below</b>                           |                      |                      |  |                                      |                             |
| Name and address of Bank, S&L, or Credit Union                            |                      |                      | FIRST PREMIER  | /                                    | 338.00                      |
| Vist Bank   |                      |                      | 3820 N LOUISE AVE TAPE ONLY                                  |                                      |                             |
| Acct. no. 0072  | \$ 250,000.00        |                      | SIOUX FALLS, SD 57107  |                                      |                             |
| Name and address of Bank, S&L, or Credit Union                            |                      |                      | Acct. no. 543362XXXXXX0330                                   |                                      |                             |
| Vist Bank   |                      |                      |  |                                      |                             |
| Acct. no. 0064  | \$ 250,000.00        |                      | SBNASELFLNDR   | 35.00 / 20                           | 698.00                      |
| Name and address of Bank, S&L, or Credit Union                            |                      |                      |  |                                      |                             |
| Liberty Mutual  |                      |                      |  |                                      |                             |
| Acct. no. 0188  | \$ 100,000.00        |                      | MERRICK BK   | 35.00 / 14                           | 489.00                      |
| Name and address of Bank, S&L, or Credit Union                            |                      |                      | PO BOX 9201  |                                      |                             |
| Liberty Mutual  |                      |                      | BETHPAGE, NY 11804   |                                      |                             |
| Acct. no. 1858  | \$                   |                      | Acct. no. 412061XXXXXX3524                                   |                                      |                             |
| Stocks & Bonds (Company name/number & description)                        | \$                   |                      |  |                                      |                             |
| Life insurance net cash value   | \$                   | 0.00                 |  |                                      |                             |
| Face amount: \$ 0.00  |                      |                      |  |                                      |                             |
| <b>Subtotal Liquid Assets</b>   | <b>\$ 600,000.00</b> |                      |  |                                      |                             |
| Real estate owned (enter market value from schedule of real estate owned) | \$                   | 0.00                 |  |                                      |                             |
| Vested interest in retirement fund  | \$                   | 0.00                 |  |                                      |                             |
| Net worth of business(es) owned (attach financial statement)              | \$                   | 0.00                 |  |                                      |                             |
| Automobiles owned (make and year)   | \$                   |                      |  |                                      |                             |
| Other Assets (itemize)  | \$                   |                      |  |                                      |                             |
|   |                      |                      | Alimony/Child Support/Separate Maintenance Payments Owed to: | \$ 0.00                              |                             |
|   |                      |                      | Job-Related Expense (child care, union dues, etc.)           | \$ 0.00                              |                             |
|   |                      |                      | <b>Total Monthly Payments</b>                                | <b>\$ 130.00</b>                     |                             |
| <b>Total Assets a.</b>  | <b>\$ 600,000.00</b> |                      | <b>Net Worth (a minus b)</b>                                 | <b>\$ 597,280.00</b>                 | <b>Total Liabilities b.</b> |
|   |                      |                      |  |                                      | <b>\$ 2,720.00</b>          |

**VI. ASSETS AND LIABILITIES (cont'd)**

**Schedule of Real Estate Owned** (If additional properties are owned, use continuation sheet.)

| Property Address (enter S if sold, PS if pending sale or R if rental being held for income) | Type of Property | Present Market Value | Amount of Mortgages & Liens | Gross Rental Income | Mortgage Payments | Insurance, Maintenance, Taxes & Misc. | Net Rental Income |
|---|------------------|----------------------|-----------------------------|---------------------|-------------------|---------------------------------------|-------------------|
|   |                  | \$                   | \$                          | \$                  | \$                | \$                                    | \$                |
|   |                  |                      |                             |                     |                   |                                       |                   |
|   |                  |                      |                             |                     |                   |                                       |                   |
|   |                  |                      |                             |                     |                   |                                       |                   |
|   | Totals           | \$                   | \$                          | \$                  | \$                | \$                                    | \$                |

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

| Alternate Name | Creditor Name | Account Number |
|----------------|---------------|----------------|
|                |               |                |

**VII. DETAILS OF TRANSACTION**

**VIII. DECLARATIONS**

|   |                   |  |
|---|-------------------|--|
| a. Purchase price                                       | \$ 300,000.00     | <p><b>If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.</b></p> <p>a. Are there any outstanding judgments against you? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>b. Have you been declared bankrupt within the past 7 years? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>d. Are you a party to a lawsuit? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment? (This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or VA case number, if any, and reasons for the action.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? If "Yes," give details as described in the preceding question. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>g. Are you obligated to pay alimony, child support, or separate maintenance? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>h. Is any part of the down payment borrowed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>i. Are you a co-maker or endorser on a note? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>j. Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>k. Are you a permanent resident alien? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p><b>l. Do you intend to occupy the property as your primary residence?</b> If "Yes," complete question m below. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>m. Have you had an ownership interest in a property in the last three years?<br/>                     (1) What type of property did you own - - principal residence (PR), second home (SH), or investment property (IP)? _____<br/>                     (2) How did you hold title to the home - - solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)? _____</p> |
| b. Alterations, improvements, repairs                   |                   |  |
| c. Land (if acquired separately)                        |                   |  |
| d. Refinance (incl. debts to be paid off)               |                   |  |
| e. Estimated prepaid items                              | 3,672.46          |  |
| f. Estimated closing costs                              | 4,670.67          |  |
| g. PMI, MIP, Funding Fee                                |                   |  |
| h. Discount (if Borrower will pay)                      |                   |  |
| <b>i. Total costs (add items a through h)</b>           | <b>308,343.13</b> |  |
| j. Subordinate financing                                |                   |  |
| k. Borrower's closing costs paid by Seller              |                   |  |
| l. Other Credits (explain)                              |                   |  |
| m. Loan amount (exclude PMI, MIP, Funding Fee financed) | 300,000.00        |  |
| n. PMI, MIP, Funding Fee financed                       |                   |  |
| o. Loan amount (add m & n)                              | 300,000.00        |  |
| p. Cash from/to Borrower (subtract j, k, l & o from i)  | 8,343.13          |  |

**IX. ACKNOWLEDGEMENT AND AGREEMENT**

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated in this application; (6) the Lender, its servicers, successors or assigns may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (7) the Lender and its agents, brokers, insurers, servicers, successors, and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the Lender, its servicers, successors or assigns may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

**Acknowledgement.** Each of the undersigned hereby acknowledges that any owner of the Loan, its servicers, successors and assigns, may verify or reverify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency.

|  |                    |                         |      |
|--|--------------------|-------------------------|------|
| Borrower's Signature<br><i>Karan J Moore</i> | Date<br>01/08/2021 | Co-Borrower's Signature | Date |
|--|--------------------|-------------------------|------|

|  |  |
|--|--|
| Loan Originator's Signature<br><i>Diana Beard</i>            | Date<br>02/25/2021   |
| Loan Originator's Name (print or type)<br>Diana Beard        | Loan Originator Identifier<br>1515405  |
| Loan Origination Company's Name<br>Navy Federal Credit Union | Loan Origination Company Identifier<br>399807                                  |
|  | Loan Originator's Phone Number (including area code)<br>(877) 573-2324         |
|  | Loan Origination Company's Address<br>820 Follin Lane, SE,<br>Vienna, VA 22180 |

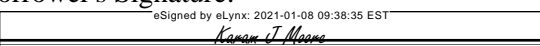
**CONTINUATION SHEET/RESIDENTIAL LOAN APPLICATION**

|   |  |   |
|---|--|---|
| <b>Use this continuation sheet if you need more space to complete the Residential Loan Application. Mark B for Borrower or C for Co-Borrower.</b> | <b>Borrower:</b><br><b>Karam J Moore</b> | <b>Agency Case Number:</b>                      |
|   | <b>Co-Borrower:</b>                      | <b>Lender Case Number:</b><br><b>8043678088</b> |

**Borrower's Former Address Continued**

| Address  | Own                                 | Rent                                | Number of Years |
|--|-------------------------------------|-------------------------------------|-----------------|
| 1380 Bolton Road Northwest<br>Atlanta, GA 30331  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 0.00            |
| 308 William McKinley Circle<br>Jackson, MS 39213 | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 2.00            |

I/we fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

|   |                            |                                      |              |
|---|----------------------------|--------------------------------------|--------------|
| <b>Borrower's Signature:</b><br>X  | <b>Date:</b><br>01/08/2021 | <b>Co-Borrower's Signature:</b><br>X | <b>Date:</b> |
|---|----------------------------|--------------------------------------|--------------|



Processor:  
Phone:

### MORTGAGE DISCLOSURE FOR FLOAT TO LOCK AND FREEDOM LOCK OPTIONS - PURCHASE

Thank you for your recent application for a first mortgage loan with Navy Federal Credit Union. Rather than locking in your interest rate at the time you applied, you have elected to allow your rate to float or you have selected the Freedom Lock option. This notice is to inform you of the procedures involved with the locking of your loan. Please read the following instructions and contact your processor with any questions.

Please note the following:

- To inquire about loan rates, visit our website at [www.navyfederal.org](http://www.navyfederal.org) or call (800)368-3657 and select option 1. Rates are subject to change, without notice.
- **Navy Federal will not notify members of rate and point changes.**
- Increases in interest rates and/or discount points may require re-approval/re-qualifying for your loan.
- Extended rate options of 60, 90, 120, and 180 days are also available. Please discuss extended pricing options and costs with your processor, prior to locking, if interested.
- If requesting the Freedom Lock option, there is an additional charge of 1/4 of 1% that is payable at the time the lock option is selected.
- Once you lock in your rate, you will receive written confirmation from your processor.

#### Float to Lock Procedures

You may choose to lock in your pricing at any time. Simply call (888)868-8106. By locking in your pricing, your interest rate and discount points are guaranteed for your commitment period.

To allow sufficient time to accurately prepare and send settlement/closing documents to your settlement/closing agent, your interest rate and points must be locked at least seven (7) calendar days before the closing date. In the event you do not contact us to lock your loan seven (7) calendar days prior to the closing date, the rate and points effective on that date will be used to lock your loan.

#### Freedom Lock Procedures

You may choose to relock your pricing once during your commitment period. Simply call (888)868-8106. This option is not available on Veterans Administration (VA) loans.

You can exercise your re-lock option on the Freedom Lock only up to seven (7) calendar days before the closing date to allow Navy Federal sufficient time to accurately prepare the documents and send settlement/closing documents to your settlement/closing agent. In the event that you do not re-lock seven (7) calendar days prior to the closing date, your loan will retain the initial lock disclosed in your Mortgage Loan Price Commitment Agreement.

#### Borrower

|  |             |
|--|-------------|
| <small>eSigned by eLynx: 2021-01-08 09:38:35 EST</small><br><i>Karam J Moore</i> | 01/08/2021  |
| <small>014269-163918737-163918739</small>  | <b>Date</b> |

**Karam J Moore**



January 6, 2021

Karam J Moore  
1072 West Peachtree Street Northwest  
Unit 7623  
Atlanta, GA 30309

Dear Member:

Thank you for choosing Navy Federal Credit Union for your financial needs. We look forward to working with you during the mortgage loan process. It is our goal to help make the mortgage process as easy and transparent as possible.

Effective October 3, 2015, a number of significant, federally regulated changes have been made to the mortgage process and associated documents. To help you understand how these changes may impact you, we would like to outline what you can expect during the loan process with Navy Federal:

- Changes to the procedures involved with the locking of your interest rate will include the following:
  - If you have not already locked your rate, you must lock it no later than 7 calendar days prior to the closing date. If you do not lock the rate by this time, your rate will automatically lock on the 7th calendar day prior to the closing date. Your processor can discuss what this means and will go over the locking options we have available.
  - Changes to your rate or product selection, including changes to your discount points and origination fee, must be made no later than 7 calendar days prior to the closing date.

- Changes regarding the closing process include the following:
  - Certain transactions require all owners (borrower and non-borrower) to acknowledge receipt of the Closing Disclosure while other require only one borrower on the loan to acknowledge the Closing Disclosure. This will be the document that outlines the final charges associated with your loan, and will be delivered at least three business days prior to your closing date. Your processor will advise you of the specific guidelines related to your transaction. Each applicable person required to acknowledge receipt of the Closing Disclosure should contact his/her processor immediately upon receipt of the disclosure.
  - After receipt (and acknowledgement) of the Closing Disclosure, there will be a three business day waiting period before we can close. This is to ensure you have adequate time to review and understand the disclosures.
  
- Delays in providing required documentation to your processor may delay closing.

If you have any questions, please contact your processor \_\_\_\_\_ toll-free at \_\_\_\_\_. You may also reach him/her by email at \_\_\_\_\_.

Sincerely,

Real Estate Lending  
Navy Federal Credit Union



# Loan Estimate

**DATE ISSUED** 01/06/2021  
**APPLICANTS** Karam J Moore  
 1072 West Peachtree Street North  
 Unit 7623  
 Atlanta, GA 30309  
**PROPERTY** 400 W Peachtree St NW, Unit, Atlanta, GA  
 30308  
**SALE PRICE** \$300,000.00

**LOAN TERM** 30 years  
**PURPOSE** Purchase  
**PRODUCT** 3/5 Adjustable Rate  
**LOAN TYPE**  Conventional  FHA  VA   
**LOAN ID #** 8043678088  
**RATE LOCK**  NO  YES  
*Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 01/16/2021 at 2:29 p.m. EST*

| Loan Terms  |            | Can this amount increase after closing?   |
|---|------------|---|
| <b>Loan Amount</b>  | \$300,000  | <b>NO</b>   |
| <b>Interest Rate</b>  | 4.125%     | <b>YES</b> <ul style="list-style-type: none"> <li>• Adjusts every 5 years starting in year 4</li> <li>• Can go as high as 9.125% in year 14</li> <li>• See AIR Table on page 2 for details</li> </ul> |
| <b>Monthly Principal &amp; Interest</b><br><i>See Projected Payments below for your Estimated Total Monthly Payment</i> | \$1,453.95 | <b>YES</b> <ul style="list-style-type: none"> <li>• Adjusts every 5 years starting in year 4</li> <li>• Can go as high as \$2,256 in year 14</li> </ul>   |
| <b>Does the loan have these features?</b>   |            |   |
| <b>Prepayment Penalty</b>   |            | <b>NO</b>   |
| <b>Balloon Payment</b>  |            | <b>NO</b>   |

| Projected Payments  |                  |   |                            |  |
|---|------------------|---|----------------------------|--|
| Payment Calculation   | Years 1-3        | Years 4-8   | Years 9-13                 | Years 14-30  |
| Principal & Interest  | \$1,453.95       | \$1,152 min<br>\$1,793 max  | \$1,137 min<br>\$2,115 max | \$1,137 min<br>\$2,256 max                         |
| Mortgage Insurance  | + 0              | + 0   | + 0                        | + 0  |
| Estimated Escrow<br><i>Amount can increase over time</i>                                    | + 529            | + 529   | + 529                      | + 529  |
| <b>Estimated Total Monthly Payment</b>  | <b>\$1,983</b>   | <b>\$1,681-\$2,322</b>  | <b>\$1,666-\$2,644</b>     | <b>\$1,666-\$2,785</b>                             |
| <b>Estimated Taxes, Insurance &amp; Assessments</b><br><i>Amount can increase over time</i> | \$629<br>a month | <b>This estimate includes</b><br><input checked="" type="checkbox"/> Property Taxes<br><input type="checkbox"/> Homeowner's Insurance<br><input checked="" type="checkbox"/> Other: HO6 Policy and additional costs.<br><i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i> |                            | <b>In escrow?</b><br><b>YES</b><br><br><b>SOME</b> |

| Costs at Closing               |  |
|--------------------------------|--|
| <b>Estimated Closing Costs</b> | \$10,053<br>Includes \$2,925 in Loan Costs + \$7,128 in Other Costs - \$0 in Lender Credits. See page 2 for details. |
| <b>Estimated Cash to Close</b> | \$10,053<br>Includes Closing Costs. See Calculating Cash to Close on page 2 for details.                             |

Visit [www.consumerfinance.gov/mortgage-estimate](http://www.consumerfinance.gov/mortgage-estimate) for general information and tools.

## Closing Cost Details

| Loan Costs                             |                | Other Costs  |                 |
|--|----------------|--|-----------------|
| <b>A. Origination Charges</b>          | <b>\$0</b>     | <b>E. Taxes and Other Government Fees</b>              | <b>\$385</b>    |
| % of Loan Amount (Points)              |                | Recording Fees and Other Taxes                         | \$85            |
|  |                | Transfer Taxes   | \$300           |
|  |                | <b>F. Prepays</b>                                      | <b>\$1,636</b>  |
|  |                | Homeowner's Insurance Premium ( months)                |                 |
|  |                | Mortgage Insurance Premium ( months)                   |                 |
|  |                | Prepaid Interest (\$33.90 per day for 4 days @ 4.125%) | \$136           |
|  |                | Property Taxes ( months)                               |                 |
|  |                | HO6 Insurance Prem (0 months)                          | \$1,500         |
|  |                | <b>G. Initial Escrow Payment at Closing</b>            | <b>\$3,912</b>  |
|  |                | Homeowner's Insurance per month for mo.                |                 |
|  |                | Mortgage Insurance per month for mo.                   |                 |
|  |                | Property Taxes \$304.54 per month for 9 mo.            | \$2,741         |
|  |                | County Property Tax \$99.50 per month for 8 mo.        | \$796           |
|  |                | HO6 Policy \$125.00 per month for 3 mo.                | \$375           |
|  |                | <b>H. Other</b>  | <b>\$1,195</b>  |
|  |                | HOA/PUD/Condo Dues                                     | \$100           |
|  |                | Home Inspection Fee                                    | \$400           |
|  |                | Title - Owners Premium (optional)                      | \$695           |
|  |                | <b>I. TOTAL OTHER COSTS (E + F + G + H)</b>            | <b>\$7,128</b>  |
| <b>B. Services You Cannot Shop For</b> | <b>\$640</b>   | <b>J. TOTAL CLOSING COSTS</b>                          | <b>\$10,053</b> |
| Appraisal Fee                          | \$475          | D + I  | \$10,053        |
| Condo Insurance Update                 | \$85           | Lender Credits   |                 |
| Credit Report Fee                      | \$20           |  |                 |
| Flood Determination Fee                | \$5            |  |                 |
| Tax Service Fee                        | \$55           |  |                 |
|  |                |  |                 |
| <b>C. Services You Can Shop For</b>    | <b>\$2,285</b> |  |                 |
| Condo Questionnaire                    | \$120          |  |                 |
| Title - Attorney Fee                   | \$530          |  |                 |
| Title - Closing Fee                    | \$200          |  |                 |
| Title - Closing Protection Ltr         | \$125          |  |                 |
| Title - Examination Fee                | \$50           |  |                 |
| Title - Lenders Coverage Prem          | \$810          |  |                 |
| Title - Notary Fee                     | \$250          |  |                 |
| Title - Search Fee                     | \$200          |  |                 |
|  |                |  |                 |
| <b>D. TOTAL LOAN COSTS (A + B + C)</b> | <b>\$2,925</b> |  |                 |

### Calculating Cash to Close

|   |                 |
|---|-----------------|
| Total Closing Costs (J)                             | \$10,053        |
| Closing Costs Financed (Paid from your Loan Amount) | \$0             |
| Down Payment/Funds from Borrower                    | \$0             |
| Deposit   | \$0             |
| Funds for Borrower                                  | \$0             |
| Seller Credits                                      | \$0             |
| Adjustments and Other Credits                       | \$0             |
| <b>Estimated Cash to Close</b>                      | <b>\$10,053</b> |

### Adjustable Interest Rate (AIR) Table

|  |                                    |
|--|------------------------------------|
| Index + Margin                         | 5 Year Treasury Index + 2%         |
| Initial Interest Rate                  | 4.125%                             |
| Minimum/Maximum Interest Rate          | 2%/9.125%                          |
| <b>Change Frequency</b>                |                                    |
| First Change                           | Beginning of 37th month            |
| Subsequent Changes                     | Every 60 months after first change |
| <b>Limits on Interest Rate Changes</b> |                                    |
| First Change                           | 2%                                 |
| Subsequent Changes                     | 2%                                 |

## Additional Information About This Loan

LENDER Navy Federal Credit Union  
NMLS/GA LICENSE ID 399807  
LOAN OFFICER Diana Beard  
NMLS/GA LICENSE ID 1515405  
EMAIL diana\_beard@navyfederal.org  
PHONE (877)573-2324

MORTGAGE BROKER  
NMLS/\_ LICENSE ID  
LOAN OFFICER  
NMLS/\_ LICENSE ID  
EMAIL  
PHONE

### Comparisons

Use these measures to compare this loan with other loans.

|                                 |                      |   |
|---------------------------------|----------------------|---|
| In 5 Years                      | \$83,903<br>\$31,535 | Total you will have paid in principal, interest, mortgage insurance, and loan costs.<br>Principal you will have paid off. |
| Annual Percentage Rate (APR)    | 2.767%               | Your costs over the loan term expressed as a rate. This is not your interest rate.  |
| Total Interest Percentage (TIP) | 45.748%              | The total amount of interest that you will pay over the loan term as a percentage of your loan amount.                    |

### Other Considerations

#### Appraisal

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

#### Assumption

If you sell or transfer this property to another person, we  
 will allow, under certain conditions, this person to assume this loan on the original terms.  
 will not allow assumption of this loan on the original terms.

#### Homeowner's Insurance

This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

#### Late Payment

If your payment is more than 15 days late, we will charge a late fee of 5 percent of the Principal and Interest.

#### Refinance


Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

#### Servicing

We intend  
 to service your loan. If so, you will make your payments to us.  
 to transfer servicing of your loan.

### Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

eSigned by eLynx: 2021-01-08 09:38:35 EST  
  
011252-153218727-153218735

01/08/2021

Karam J Moore

Date

# Loan Estimate Addendum

---

**Date Issued** 01/06/2021

**Applicants**

Karam J Moore  
1072 West Peachtree Street Northwest  
Unit 7623  
Atlanta, GA 30309



MORTGAGE LOAN PRICE COMMITMENT AGREEMENT

NAVY FEDERAL CREDIT UNION

Karam J Moore
1072 West Peachtree Street Northwest
Unit 7623
Atlanta, GA 30309

Table with 2 rows: MORTGAGE LOAN NO. 8043678088, COMMITMENT DATE

SECTION A LOAN TERMS

Thank you for your application for a mortgage loan with Navy Federal Credit Union. If credit, employment, income, assets, property valuation, property condition and title conditions meet lending guidelines, you will be approved for a mortgage loan with the following terms:

Loan Program: 3/5 ARM
Date of Application: 01/02/2021
Loan Amount: \$300,000.00
Term: 360 months
Interest Rate: 4.125%
Discount Points: 0.000%
Origination Fee: 0.000%
Loan to Value (LTV): 100.000%
Property Address: 400 W Peachtree St NW Unit
Atlanta, GA 30308

SECTION B PRICE COMMITMENT OPTION ACKNOWLEDGMENT

To provide you with timely required disclosures, you must lock your interest rate and/or discount points at least seven (7) calendar days before the closing date.

- Lock in Loan Terms - You have chosen to "lock in" the loan terms shown above.
Float to Lock \*- Select this option if you do not have a signed sales contract.
Freedom Lock \*- This option allows you to re-lock your interest rate and/or discount points, should they decline, one (1) time during your price commitment period.

You cannot change the Price Commitment Option you selected at the time of application.

\*The interest rate on your loan will be based upon financial market conditions, mortgage loan product, specific requirements of your loan transaction such as the loan to value ratio and your credit profile up to the time of closing.

**SECTION C****COMMITMENT EXPIRATION POLICY**

Your interest rate and discount points shall be determined by the Price Commitment Option you selected above, providing settlement occurs by the expiration of this Price Commitment Agreement, N/A. If the loan does not close on or before the expiration date, you will be offered a new price commitment at your current locked interest rate and discount points or at Navy Federal's prevailing interest rate and discount points for your loan program, whichever is higher.

If you have selected the Lock or Freedom Lock options in a previous Price Commitment, you will not be able to select the Float to Lock Option in a subsequent commitment to take advantage of lower interest rates and/or discount points. If you selected the Freedom Lock option previously and wish to do so in a subsequent Price Commitment, you will be required to pay another ¼ of 1% fee.

**SECTION D****CANCELLATION POLICY**

If your application is withdrawn for any reason, you will forfeit any fees collected. It is understood that Navy Federal and the borrower(s) will work diligently and cooperatively to bring the loan to an expeditious settlement (time being of the essence). Navy Federal is not responsible for the promptness of the actions of third parties.

This Commitment Agreement does not constitute an approval of your loan request. Should you have any questions, please call me at (877)573-2324 .

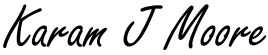
---

 Diana Beard

Loan Officer

Loan Originator ID# 1515405

**Member/Co-Borrower**

eSigned by eLynx: 2021-01-08 09:39:36 EST  


01/08/2021

---

 Karam J Moore

Date

---

 NFCU Account #

**PLEASE SIGN AND RETURN THIS AGREEMENT UPON RECEIPT**

**MORTGAGE LOAN PRICE COMMITMENT AGREEMENT**  
**ADDENDUM**

You have chosen the Special Lock Option as part of a limited time promotion. Please sign and return this addendum acknowledging and agreeing to the following terms and conditions which apply to this Special Lock Option:

- The additional charge of one quarter of one percent (0.250%) of the total loan amount indicated in the Mortgage Loan Price Commitment for the Freedom Lock is not applicable.
- This option is available on all purchase and refinance transactions under the Conventional, Department of Veterans Affairs (VA), and Federal Housing Administration (FHA) loan programs.
- The Special Lock Option is only available for:
  - 60 day lock commitment for refinance transactions.
  - 60 and 90 day lock commitments for purchase transactions.
  - 60 and 90 day lock commitments for new construction refinance transactions.
- The Special Lock Option is limited to no more than a cumulative maximum 0.500% interest rate reduction from the initial rate lock.
- You may choose to re-lock your pricing twice during the initial commitment period by calling your loan officer/processor. It is your responsibility to monitor the movement of interest rates for your loan program and exercise the re-lock option. All re-locks must occur at least seven (7) calendar days prior to closing.

**Borrower**

|  |            |
|--|------------|
| <small>eSigned by eLynx: 2021-01-08 09:39:36 EST</small><br><i>Karam J Moore</i> | 01/08/2021 |
|--|------------|

---

**Karam J Moore** **Date**

# Notice of Intent to Proceed

---

**Lender**

Navy Federal Credit Union  
820 Follin Lane  
SE  
Vienna, VA 22180

**Date:** January 6, 2021

**Borrower**

Karam J Moore  
1072 West Peachtree Street Northwest  
Unit 7623  
Atlanta, GA 30309

**Loan Number:** 8043678088

The signatures below indicate the intent to proceed with the loan application through Navy Federal Credit Union.

**Borrower**

|  |            |
|--|------------|
| <small>eSigned by eLynx: 2021-01-08 09:39:36 EST</small><br><i>Karam J Moore</i> | 01/08/2021 |
|--|------------|

---

**Karam J Moore** 011652-160216727-160216796 **Date**





01/06/2021

Karam J Moore  
1072 West Peachtree Street Northwest  
Unit 7623  
Atlanta, GA 30309

RE: Loan No. 8043678088  
Property Address:  
400 W Peachtree St NW  
Unit  
Atlanta, GA 30308

**Notice of Right to Receive a Copy of Appraisal or Written Valuation Report**

Dear Member(s):

This notice is in reference to your most recent mortgage or equity application.

In response to your request, Navy Federal may order and charge you for an appraisal or written valuation report to determine the property's value. You may order an additional appraisal for your own use, at your own expense. We will promptly send you a copy of any appraisal or valuation ordered, even if your loan request does not proceed to closing.

If you have any questions, please call us toll-free at 1-888-842-6328. Representatives are available to assist you Monday through Saturday from 7:00 am to 12:00 am and Sunday from 12:00 pm to 12:00 am, Eastern Time. If overseas, please visit [navyfederal.org](http://navyfederal.org) for a list of our international toll-free numbers, or you can call us collect internationally at 703-255-8837.

Sincerely,

Mortgage and Equity Member Services  
Navy Federal Credit Union  
NMLS ID 399807



Federally insured by NCUA  
© 2016 Navy Federal NFCU 40165-MO-800144 (12-16)

PO Box 3000 Merrifield VA 22119-3000

# References and Timing Requirements Notice

---

**Lender**

Navy Federal Credit Union  
820 Follin Lane  
SE  
Vienna, VA 22180

**Date:** January 6, 2021

**Borrower**

Karam J Moore  
1072 West Peachtree Street Northwest  
Unit 7623  
Atlanta, GA 30309

**Loan Number:** 8043678088

This notice is being provided to you in case any document(s) you receive required by applicable law or regulation contain outdated references and timing requirements.

Due to changes in applicable Federal law, references to certain disclosures in the document(s) may no longer be accurate. Under Federal law the:

- "Good Faith Estimate" is replaced with the "Loan Estimate"
- "Truth in Lending Disclosure" given at time of application is replaced with the "Loan Estimate"
- HUD settlement cost booklet "Shopping for Your Home Loan" is replaced with "Your Home Loan Toolkit"
- "HUD-1" and "HUD-1A" are replaced with the "Closing Disclosure"
- "Truth in Lending Disclosure" given at closing is replaced with the "Closing Disclosure"

In addition, under Federal law, certain timing requirements have changed. In general:

- Your interest rate and fees will be set no later than three business days prior to the consummation date. Check with your lender to confirm whether the loan consummation date is the same or different than the closing date.

## SETTLEMENT SERVICES PROVIDERS LIST

---

**Borrower**

Karam J Moore

**Date**

January 6, 2021

**Property Address**400 W Peachtree St NW, Unit  
Atlanta, GA 30308**Loan Number**

8043678088

The Loan Estimate (LE) you received from Navy Federal identifies the required settlement service that must be purchased to close your mortgage loan. This Settlement Services Providers List identifies the services that you can shop for to complete your settlement.

Please note that title insurance and settlement services are separate services required to complete your settlement closing. The service listed below for Navy Federal Title Services (NFTS) is only for title insurance, which is insurance required by Navy Federal to protect its lien on the property. The service listed below for the Attorney's Office is only for settlement services, which are services required to close the loan, disburse funds and record mortgage documents. Please be aware that if you select NFTS to provide title insurance, you must select a separate attorney's office to act as the settlement closing agent. You may choose to select BOTH the title insurance provider and settlement closing provider listed below to provide these separate services for you. **YOU ARE NOT REQUIRED TO SELECT ANY OF THE PROVIDERS LISTED BELOW AND MAY CHOOSE TO SHOP FOR YOUR OWN PROVIDERS.**

**NOTE:** REGARDLESS OF WHOM YOU SELECT AS YOUR SETTLEMENT SERVICE PROVIDER, PLEASE RECORD YOUR CHOICE UNDER THE SETTLEMENT AGENT INFORMATION SECTION OF THE "MORTGAGE LOAN APPLICATION REQUIRED PROCESSING INFORMATION" FORM, ALSO KNOWN AS, CONTACT INFO SHEET.

| Settlement Service  | Provider Name and Address  | Provider Phone/Website                     |
|---------------------|--|--|
| Title               | Navy Federal Title Services, LLC, 21631 Ridgetop Circle, Suite 265, Sterling, VA 20166 | (855) 404-9549<br>www.navyfederaltitle.org |
| Settlement          | The Law Office of Strain and Yackel, 202 Arnow Drive, St. Mary's GA, 31558             | (912) 882-7881<br>www.blairstrain.com      |
| Condo Questionnaire | Condo Certs, P.O. Box 61390, Phoenix, AZ 85082   | (800) 310-6552<br>www.condocerts.com       |
|                     |  |  |
|                     |  |  |
|                     |  |  |