

December 9, 2024

To: Waterside Owners  
From: Board of Directors

Subject: Building 3 Repairs

#### Initial Cost Estimate

Our last communication anticipated having an initial cost estimate for comprehensive repair of Building 3 from our contractor in mid-November, but there were a number of issues that came up that delayed that cost estimate. The Board met with the contractor this past Friday Dec 6, and received what is a more thorough, detailed and reliable schematic cost estimate than was originally anticipated. The estimate for the total project is \$1.64 million.

This schematic estimate includes a 10% contingency to handle anything unexpected that comes up. Given the thoroughness of their work, that seems unlikely but in construction it's always good to be on the safe side. The schematic estimate also includes things that we may not require, including wrapping the new steel columns in wood to make them appear the same as current, and gutters and downspouts on each deck. The Board's initial view is that the steel columns painted the same color as the steel on the building now may look fine, and that gutters and downspouts aren't really necessary given the decks will be designed just as the decks on all the other buildings for water to run off the edge. There is also a significant amount in the schematic estimate for increasing the size of the footings to which the columns supporting the decks and roofs are attached. The engineer calculated from the original design drawings that they may have been undersized. We have geotechnical work going on, starting this week, to confirm what is there and whether or not any work is needed. All of these hopefully unnecessary items, including the contingency, could save around \$250,000 if not needed.

A summary of the schematic estimate is attached to this letter for those that are interested.

#### Schedule

The schedule has actually been accelerated after review by the contractor. For several reasons, it will make sense for the contractor to start demolition work this week, on Tuesday Dec 10. The initial work will involve removing the rest of the soffits (ceilings) that haven't already been removed, building stairs to access all the decks, removing all of the demising walls between individual decks and removing the stone façade around each one of the supporting columns on the ground floor. This will allow the contractor to do detailed measurements to initiate the purchase and fabrication of new steel columns and supporting beams which is a long lead time item critical to maintain the overall schedule of finishing before next summer. To maintain this schedule and realize the benefits of early ordering of steel and fabrication, we need to approve starting the project now.

### Special Assessment and Alternatives

The Board has determined that it would be prudent to base the Special Assessment on the initial total project cost of \$1.64 million. The last thing we want to happen is to have to come back to the owners for additional funds because we underestimated the cost. We are hopeful as stated above that the contractor will do better than that, and any money left over would be refunded to the owners.

A special assessment based on the full project amount is therefore \$25,000 per unit. The Board plans to ask for this to be paid in early January so we will have sufficient funds to begin paying the contractor then, who will bill actual costs on a monthly basis.

The Board realizes this is a large amount of money in a very short time frame. As such, we want to provide alternatives for those interested. First, it will be possible to use a credit card to pay the assessment, although there will be a fee involved. More details to come. Second, the Board has been in discussions with Stockman Bank to provide financing for those interested. Please see the attachment to this letter from Stockman Bank for more information.

The Board wants to be flexible in terms of timing for those that need it. For example, those interested in financing will likely need more time to finalize the loan, or others who are raising money in some other way may need more time. The Board will ask those that can pay the assessment up front and on time to do so in order to be able to keep up with contractor billing.

### Communication

The Board would like to schedule a communication session soon to present information on the design and cost estimate, and to answer owner questions. We propose to have a Zoom meeting this coming Thursday, December 12, at 6:00 pm Mountain Time. A separate communication will be sent with an invitation to that meeting.

### Going Forward

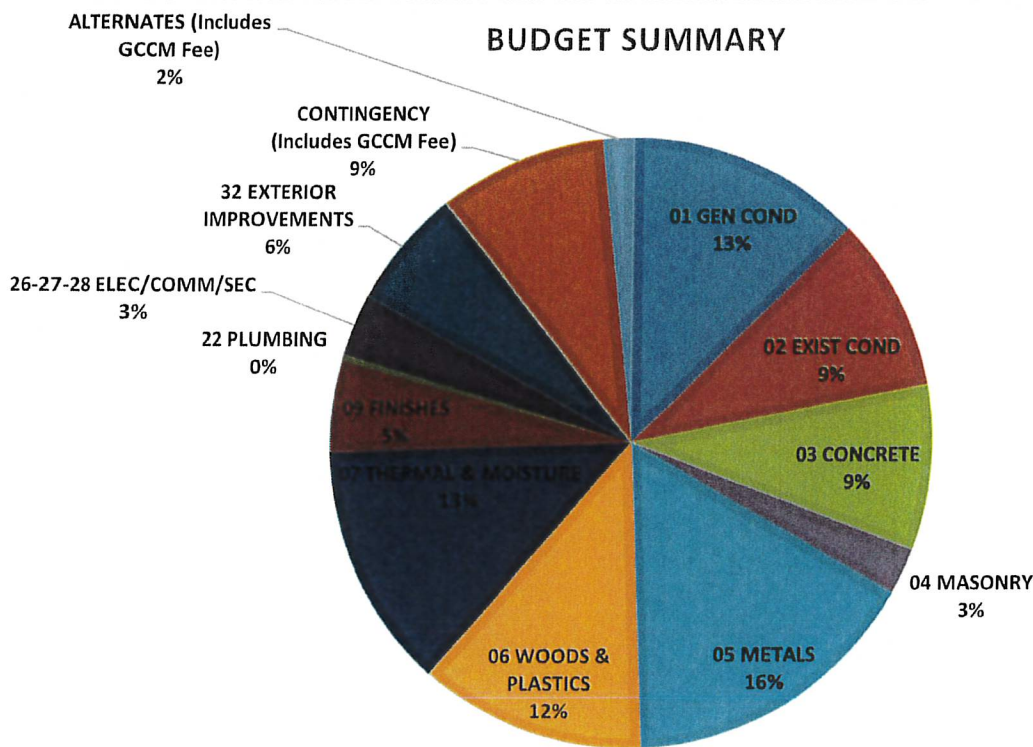
The Board believes the most important thing for all owners with regard to Building 3 repairs is to preserve the value of all our units. It has become clear in the recent investigations by our current architect/structural engineer that the damage is more extensive than the visible damage on the perimeter beams. There is evidence of stress on some of the beams anchoring the decks to the building, and extensive water damage underneath many of the decks. All of this is due primarily to a design that put too much weight out on the edge of the decks for the design and didn't anticipate what could happen to drainage given those issues.

We're currently in a situation where it is difficult to sell units because of the unknowns. That is not a good thing for any of us. The only way we know of to fix that is to execute a comprehensive repair that will permanently address all the initial design issues that got us here in the first place. We are confident that the current design and the construction estimate presented here will do exactly that.

This is not an easy pill to swallow. Those of us who have been heavily involved for more than a year have gone through various stages of denial, anger and resignation before finally getting the right people involved and developing a workable plan. Although \$25,000 is a lot of money, relative to the value of all of our units it is modest and will allow Waterside to resume its status as the premiere condominium project on Flathead Lake.

<b>Contract Agreement:</b>	Contract for Pre-construction Services and Construction Cost Plus a Fee, dated 10/11/2024
<b>Project Address:</b>	7175 U.S. 93 South, Lakeside, MT 59922
<b>Project Title:</b>	Waterside Condominiums - Balcony Retrofit
<b>HC Project #</b>	24-18

BUDGET SUMMARY		
Division Total (See breakdown by Division 01 thru 33 below)		\$ 1,465,603.44
+ Contingency	10%	\$ 146,560.34
+ Alternates		\$ 27,768.15
<b>TOTAL</b>		<b>\$ 1,639,931.94</b>



A general description of the Contractor's Scope of Work is based upon:

**1. Construction/Bid Documents Package:**

1.1. Schematic Design Drawings & Specifications prepared by JEA; Titled "Waterside BLDG3 Balcony Repair", dated 10/28/2024 consisting of 40 pages.

**2. Other attachments:**

2.1. Preliminary Shoring Design prepared by JEA; provided on 12/4/24 consisting of 3 pages. Final shoring drawings are still being developed.

Assumptive comments and clarifications (CSI 2004 Divisional format) to augment plans/specifications provided are broken down by division below:

**01 GEN COND**

*Comprehensive SD budget including NTP#1R early work*

*4 month Project timeline as currently scheduled:*

- General liability and Builders Risk Insurance
- Project Management
- Supervision
- Photos and Printing
- Video camera
- Testing and Inspections
- Temporary Electricity
- Temporary Fire Protection
- Temporary Lighting
- Field Office
- First Aid Facilities
- Sanitary Facilities
- Temporary Fencing
- Progress Cleaning and Deck Snow Removal
- Construction Waste Management & Disposal
- Final Cleaning
- Instruction of Operations & Maintenance

Note:

- Parking Lot Snow Removal by Owners

**Division 01 Sub-Total**

**\$ 207,231.90**

**02 EXIST COND**

1. All demo per plan, with clarifications:

- Demo. to be completed during Early Work phase NTP#1R through 3/17/25
- Temporary stairs to access 2nd and 3rd level decks
- Removal of existing soffit
- Removal of masonry and caps from existing columns
- Demolish existing framing at column base
- Demolish all demising walls
- Removal of existing gutters, drains & downspouts
- Install temporary shoring per JEA preliminary shoring plan
- Remove wood columns
- Remove glulam beams at the edge of decks
- Remove handrail
- Install temporary safety handrail, 2x4 framed 6ft tall
- Construction waste management
- Scaffolding rental & Crane
- Kilz paint as needed; allowance of \$1,000.00

Note:

- Deck drains to remain in place, pour topping slab over top drain
- Remove all demising walls, soffit & trim without shoring in place

Division 02 Sub-Total

\$ 153,217.09

**03 CONCRETE**

1. Per plan, additional clarifications

- Masonry columns concrete caps to be poured in place
- Topping slab allowance of ~\$75,000.00

Note:

- See alternate #2 below for concrete work scope to upsize footings

Division 03 Sub-Total

\$ 143,569.35

**04 MASONRY**

1. Per plan, additional clarifications

- Stone Veneer replacement at column bases

Note:

- Stone veneer product will need to be selected by Architect and/or Owner. Suppliers are having difficulty matching exactly to the existing stone.

Division 04 Sub-Total

\$ 40,330.00

**05 METALS**

1. Per plan, additional clarifications

- Construction surveying of existing beams
- Construction surveying of existing columns, survey existing column to roof beam connections
- Shop drawing development and review of structural steel
- Shop drawing development and review of steel handrail and cabling
- Existing roof beam knife plates to remain as column connection point.
- Primed steel columns with knife plate at top to be bolted to existing roof knife plate. Existing roof knife plate to remain as currently positioned.
- Primed steel beams W21x55, B.14 beams with a 2500' radius camber
- Powdercoated top rail and handrail posts with stainless steel cabling

Note:

- Primed beam end caps as shown on Permit drawings S-504 are included as a \$5,500.00 allowance
- Beam size and camber differs in Permit Drawings from what is currently budgeted
- Work scope does not include any field welding. HC would not like to perform any field welding as it will increase cost and length of construction due to additional testing and subcontractors working onsite
- See alternate #1 below for option to paint structural steel instead of wood wrap

**Division 05 Sub-Total**

**\$ 264,399.56**

**06 WOODS & PLASTICS**

1. Per plan, additional clarifications:

- Furring for soffits as needed; 20bf per deck
- Joist replacement per deck as needed; 20bf per deck
- Joist replacement at corners per plan
- Sheeting replacement for underside of deck as needed; 4 sheets per deck
- Frame & sheet demising walls as required by demo
- 3x Nailer atop steel beam
- Wood member beams per plan, to be stored at HC laydown yard
- Fasteners and hangers
- Steel beams to be wrapped in rough sawn plywood on sides, rough sawn fir on the bottom face
- Steel columns to be wrapped in rough sawn fir
- Demising wall trim to be rough sawn fir
- Framing of new column base for masonry
- Scaffolding, crane & forklift rental

**Division 06 Sub-Total**

**\$ 197,402.92**

**07 THERMAL & MOISTURE**

1. Per plan, additional clarifications:

- Tufdeck membrane decking to be installed with PVC coated drip flashing.
- Tufdeck membrane to curve up to door threshold at deck entries
- Hardi 4x8 soffit panels and trim
- Hardi siding replaced to match existing
- Flashings
- Fasteners
- Replacement of soffit vent covers
- 4x4 square downspouts & gutters; \$20/lf allowance
- 2x3 metal gutter mounted on face of level 3 and level 2 decks; gutters drain location unknown
- Tyvek Commercial Building Wrap and Tyvek Drain Wrap

Note:

- Budgeted with the membrane running parallel with the short side of the deck. Membrane running parallel to the long side of the deck will increase cost due to waste.
- Tufdeck to be installed at consistent 50° F due to use of water based glue, moisture of topping slab will need to be 15-18%
- HC and RoofWorx plan to perform a test of concrete topping slab with membrane to confirm that products and adhesive work well together.

Division 07 Sub-Total \$ 216,030.56

**09 FINISHES**

1. Per plan, additional clarifications:

- Paint & Caulk soffit
- Paint & Caulk Demising walls
- Paint Touch Up & Caulk existing siding
- Paint steel saddles & plates
- Alaskan yellow cedar Glulam staining
- Stain the wrapped columns
- Stain the wrapped beams

Division 09 Sub-Total \$ 79,079.50

**21 Fire Suppression**

Note:

- No fire suppression scope included.

Division 21 Sub-Total \$ -

**22 PLUMBING**

1. Per plan, additional clarifications:

- Plumbing allowance of \$5,000.00 for flat roof drain repair

Division 22 Sub-Total \$ 5,450.00



<b>26-27-28 ELEC/COMM/SEC</b>	
1. Per plan, additional clarifications: - Allowance for heat trace in roof gutters & downspouts and deck gutters \$50,000.00	
<b>Division 26-27-28 Sub-Total</b>	<b>\$ 54,500.00</b>

<b>32 EXTERIOR IMPROVEMENTS</b>	
1. Per plan, additional clarifications: - Replacement of landscaping and irrigation to entire work area	
<b>Division 32 Sub-Total</b>	<b>\$ 104,392.57</b>

<b>CONTINGENCY (Includes GCCM Fee)</b>	
10% Total Project Contingency	
<b>Contingency Total</b>	<b>\$ 146,560.34</b>

<b>ALTERNATES (Includes GCCM Fee)</b>	
1. Remove wood wrap of steel beams & columns	\$ (34,960.26)
- Remove wood wrapping of steel beams & columns	
- Remove staining of wood and add painting of steel beams & columns	
- Add bird spikes	
2. Upsize existing piers	\$ 62,728.41
-Demolition and haul off of landscaping as necessary	
-Demolition of ground level patios as required by excavation	
-Excavate footings as required by Geotech., earth form footings	
- Assume 2'x4'x12" deep increase in size of every pier on N. and S. side of each pier	
-(12) #4 Rebar Epoxy dowels per side	
-Backfill, compact and compaction test	
-Form and pour 4" patio to existing condition	
<b>Alternates Total</b>	<b>\$ 27,768.15</b>

## Dawn

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**From:** Brian Pelc <Brian.Pelc@StockmanBank.com>  
**Sent:** Wednesday, December 4, 2024 2:39 PM  
**To:** jenk215  
**Cc:** mddishon2872; Lindsay Freitas; Cindy & Jeff Lewis  
**Subject:** Stockman Bank lending to Waterside Unit Owners  
**Attachments:** Consumer Residential Real Estate Application Packet -.pdf

Hello Jack,

Thank you for the phone call today. As we discussed, we are more inclined to provide direct lending to the individual unit owners rather than a bulk loan to the HOA. We have a couple different options of home equity loans and term loans we can look at. The home equity loans would be variable rate, but have an interest only due monthly payment. The term loans would have a fixed rate amortized over 5 years.

For individuals that are looking at financing we would need the following (if applicable):

- Completed real estate application. See attached.
- Last 3 years tax returns.
- Last 30 days of paystubs
- Most recent mortgage statement on the unit.

Like we discussed, there are several variables that each situation could have and could affect which product we are able to provide. We may need to ask for additional information from unit owners if needed.

We would be glad to set aside some time to work directly with the unit owners either in a group informative meeting, or in a 1 on 1 meeting.

Please feel free to reach out with any questions you or the group may have.

Thank you, Jack,



**Brian D Pelc Commercial Loan Officer**

**P:** 406-300-7758 | **C:** 406-546-8627 | **F:** 406-863-7920

[brian.pelc@stockmanbank.com](mailto:brian.pelc@stockmanbank.com) | **NMLS ID#:** 707819

**Stockman Bank | PO Box 8434 | 1 S. Main Street | Kalispell, MT 59904-7190**





Welcome to Stockman Bank of Montana. We appreciate your interest and the opportunity to assist you with your residential real estate loan.

We need to collect a few pieces of information from you in order to start on your residential real estate loan application. The following packet is being provided to assist you in organizing this information.

Following the receipt of the application information, Stockman Bank will provide a Loan Estimate in order to provide you with a detailed estimate of loan rate, fees and closing costs. We may need additional information, subsequent to your application, in order to fully underwrite, and decision your loan request.

**Subsequent to receipt of your application, I will contact you to obtain the additional information we will need to underwrite your loan.**

Feel free to contact me with questions, to discuss any details associated with this application or any of the documents in this packet.

I look forward to the opportunity to work with your application.

# 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 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			

Amount \$	Interest Rate %	No. of Months	Amortization Type:	<input type="checkbox"/> Fixed Rate	<input type="checkbox"/> Other (explain):
				<input type="checkbox"/> GPM	<input type="checkbox"/> ARM (type):

## II. PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (street, city, state & ZIP)	No. of Units
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Legal Description of Subject Property (attach description if necessary)	Year Built
-------------------------------------------------------------------------	------------

Purpose of Loan	<input type="checkbox"/> Purchase	<input type="checkbox"/> Construction	<input type="checkbox"/> Home Equity Line of Credit	<input type="checkbox"/> Refinance	<input type="checkbox"/> Construction-Permanent	<input type="checkbox"/> Other (explain):	Property will be:
							<input 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) \$
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*Complete this line if this is a refinance loan.*

Year Acquired	Original Cost \$	Amount Existing Liens \$	Purpose of Refinance	Describe Improvements	<input type="checkbox"/> made <input type="checkbox"/> to be made	Cost: \$
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Title will be held in what Name(s)	Manner in which Title will be held	Estate will be held in:
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Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)	<input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)
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Borrower

## III. BORROWER INFORMATION

Co-Borrower

Borrower's Name (include Jr. or Sr. if applicable)				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
<input type="checkbox"/> Married <input 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 _____	
Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			
Mailing Address, if different from Present Address				Mailing Address, if different from Present Address			
Email Address				Email Address			

*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.
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Borrower

## IV. EMPLOYMENT INFORMATION

Co-Borrower

Name & Address of Employer	<input type="checkbox"/> Self Employed	Yrs. on this job	Yrs. employed in this line of work/profession	Name & Address of Employer	<input type="checkbox"/> Self Employed	Yrs. on this job	Yrs. employed in this line of work/profession
Position/Title/Type of Business		Business Phone (incl. area code)		Position/Title/Type of Business		Business Phone (incl. area code)	

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

Borrower		IV. EMPLOYMENT INFORMATION (cont'd)		Co-Borrower	
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)	
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 *	\$	\$	\$	Rent	\$	
Overtime	\$	\$	\$	First Mortgage (P&I)	\$	\$
Bonuses	\$	\$	\$	Other Financing (P&I)	\$	\$
Commissions	\$	\$	\$	Hazard Insurance	\$	\$
Dividends/Interest	\$	\$	\$	Real Estate Taxes	\$	\$
Net Rental Income	\$	\$	\$	Mortgage Insurance	\$	\$
Other (before completing, see the notice in "describe other income," below)	\$	\$	\$	Homeowner Assn. Dues	\$	\$
				Other:	\$	\$
<b>Total</b>	\$	\$	\$	<b>Total</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	Monthly Amount
	\$
	\$
	\$

#### 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		Monthly Payment & Months Left to Pay	Unpaid Balance
Description			Liabilities and Pledged Assets. List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities, which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.			
Cash deposit toward purchase held by:		\$				
List checking and savings accounts below			Name and address of Company		\$ Payment/Months	\$
Name and address of Bank, S&L, or Credit Union						
Acct. no.	\$		Acct. no.			
Name and address of Bank, S&L, or Credit Union			Name and address of Company		\$ Payment/Months	\$
Acct. no.	\$		Acct. no.			
Name and address of Bank, S&L, or Credit Union			Name and address of Company		\$ Payment/Months	\$
Acct. no.	\$		Acct. no.			

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

Name and address of Bank, S&L, or Credit Union		Name and address of Company		\$ Payment/Months	\$
Acct. no.	\$	Acct. no.			
Stocks & Bonds (Company name/number & description)	\$	Name and address of Company	\$ Payment/Months	\$	
		Acct. no.			
Life insurance net cash value	\$	Name and address of Company	\$ Payment/Months	\$	
Face amount: \$					
<b>Subtotal Liquid Assets</b>	\$				
Real estate owned (enter market value from schedule of real estate owned)	\$				
Vested interest in retirement fund	\$				
Net worth of business(es) owned (attach financial statement)	\$	Acct. no.			
Automobiles owned (make and year)	\$	Alimony/Child Support/Separate Maintenance Payments Owed to:	\$		
Other Assets (itemize)	\$	Job-Related Expense (child care, union dues, etc.)	\$		
		<b>Total Monthly Payments</b>	\$		
<b>Total Assets a.</b>	\$	<b>Net Worth (a minus b)</b>	\$	<b>Total Liabilities b.</b>	\$

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
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$
	<b>Totals</b>	\$	\$	\$	\$	\$	\$

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
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**VII. DETAILS OF TRANSACTION**

**VIII. DECLARATIONS**

	\$	If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.	Borrower		Co-Borrower	
			Yes	No	Yes	No
a. Purchase price	\$					
b. Alterations, improvements, repairs	\$	a. Are there any outstanding judgments against you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Land (if acquired separately)	\$	b. Have you been declared bankrupt within the past 7 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Refinance (incl. debts to be paid off)	\$	c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Estimated prepaid items	\$	d. Are you a party to a lawsuit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Estimated closing costs	\$	e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. PMI, MIP, Funding Fee	\$	(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.)				
h. Discount (if Borrower will pay)	\$					
i. Total costs (add items a through h)	\$					

VII. DETAILS OF TRANSACTION		VIII. DECLARATIONS				
	S	If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.	Borrower		Co-Borrower	
			Yes	No	Yes	No
j. Subordinate financing	S		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Borrower's closing costs paid by Seller	S	f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Other Credits (explain)	S	g. Are you obligated to pay alimony, child support, or separate maintenance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Loan amount (exclude PMI, MIP, Funding Fee financed)	S	h. Is any part of the down payment borrowed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
n. Estimated prepaid items	S	i. Are you a co-maker or endorser on a note?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o. Estimated closing costs	S	j. Are you a U.S. citizen?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
p. PMI, MIP, Funding Fee	S	k. Are you a permanent resident alien?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		l. Do you intend to occupy the property as your primary residence? If Yes, complete question m below.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		m. Have you had an ownership interest in a property in the last three years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		(1) What type of property did you own - principal residence (PR), second home (SH), or investment property (IP)?				
		(2) How did you hold title to the home - by yourself (S), jointly with Your spouse (SP), or jointly with another person (O)?				

**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 <b>X</b>	Date	Co-Borrower's Signature <b>X</b>	Date
----------------------------------	------	-------------------------------------	------

To be Completed by Loan Originator:

Loan Originator's Signature <b>X</b>		Date
Loan Originator's Name (print or type)	Loan Originator Identifier	Loan Originator's Phone Number (including area code)
Loan Origination Company's Name	Loan Origination Company Identifier	Loan Origination Company's Address
	440094	

**CONTINUATION SHEET/RESIDENTIAL LOAN APPLICATION**

Use this continuation sheet if you need more space to complete the Residential Loan Application. Mark **B** for Borrower or **C** for Co-Borrower.

Borrower:

Agency Case Number:

Co-Borrower:

Lender Case Number:

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.

Borrower's Signature  
X

Date

Co-Borrower's Signature  
X

Date



---

**Demographic Information Addendum.** This section asks about your ethnicity, sex, and race.

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

---

**BORROWER****Ethnicity:** Check one or more

- Hispanic or Latino  
 Mexican  Puerto Rican  Cuban  
 Other Hispanic or Latino—*Print origin:* \_\_\_\_\_

*For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.*

- Not Hispanic or Latino  
 I do not wish to provide this information

**Sex**

- Female  
 Male  
 I do not wish to provide this information

**Race:** Check one or more

- American Indian or Alaska Native – *Print name of enrolled or principal tribe:* \_\_\_\_\_  
 Asian

- Asian Indian  Chinese  Filipino  
 Japanese  Korean  Vietnamese  
 Other Asian – *Print race:* \_\_\_\_\_

*For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.*

- Black or African American  
 Native Hawaiian or Other Pacific Islander  
 Native Hawaiian  Guamanian or Chamorro  Samoan  
 Other Pacific Islander – *Print race:* \_\_\_\_\_

*For example: Fijian, Tongan, and so on.*

- White  
 I do not wish to provide this information
- 

**To Be Completed by Financial Institution (for application taken in person):**

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname?  NO  YES  
Was the sex of the Borrower collected on the basis of visual observation or surname?  NO  YES  
Was the race of the Borrower collected on the basis of visual observation or surname?  NO  YES
- 

**The Demographic Information for Borrower was provided through:**

- Face-to-Face Interview (includes Electronic Media w/Video Component)  Telephone Interview  Fax or Mail  Email or Internet
- 

**CO-BORROWER****Ethnicity:** Check one or more

- Hispanic or Latino  
 Mexican  Puerto Rican  Cuban  
 Other Hispanic or Latino—*Print origin:* \_\_\_\_\_

*For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.*

- Not Hispanic or Latino  
 I do not wish to provide this information

**Sex**

- Female  
 Male  
 I do not wish to provide this information

**Race:** Check one or more

- American Indian or Alaska Native – *Print name of enrolled or principal tribe:* \_\_\_\_\_  
 Asian

- Asian Indian  Chinese  Filipino  
 Japanese  Korean  Vietnamese  
 Other Asian – *Print race:* \_\_\_\_\_

*For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.*

- Black or African American  
 Native Hawaiian or Other Pacific Islander  
 Native Hawaiian  Guamanian or Chamorro  Samoan  
 Other Pacific Islander – *Print race:* \_\_\_\_\_

*For example: Fijian, Tongan, and so on.*

- White  
 I do not wish to provide this information
- 

**To Be Completed by Financial Institution (for application taken in person):**

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname?  NO  YES  
Was the sex of the Borrower collected on the basis of visual observation or surname?  NO  YES  
Was the race of the Borrower collected on the basis of visual observation or surname?  NO  YES
- 

**The Demographic Information for Borrower was provided through:**

- Face-to-Face Interview (includes Electronic Media w/Video Component)  Telephone Interview  Fax or Mail  Email or Internet
-

**TAX AND INSURANCE  
Information Sheet**

**INSURANCE COVERAGE:**

Fire / Hazard:

Agent: \_\_\_\_\_ Phone #: \_\_\_\_\_

Insurance Company: \_\_\_\_\_

Expiration: \_\_\_\_\_

Annual Premium: \$ \_\_\_\_\_

Flood (if applicable):

Agent: \_\_\_\_\_ Phone #: \_\_\_\_\_

Insurance Company: \_\_\_\_\_

Expiration: \_\_\_\_\_

Annual Premium: \$ \_\_\_\_\_

**PROPERTY TAXES:**

First Half: \$ \_\_\_\_\_ Next Due: \_\_\_\_\_

Second Half: \$ \_\_\_\_\_ Next Due: \_\_\_\_\_

Total \$/Year: \$ \_\_\_\_\_

Tax ID#: \_\_\_\_\_

County: \_\_\_\_\_

## **Stockman Bank of Montana Appraisal Notice**

*This notice applies to consumer and non-consumer purpose loans secured by a first lien on a dwelling, and consumer purpose higher-priced mortgage loans (HPML) secured by a first or junior lien on a principal dwelling.*

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.



ADJUSTABLE RATE MORTGAGE PROGRAMS

**1, 3 AND 5 YEAR ARM PROGRAMS**

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) programs you are considering. These loan programs have an adjustable rate feature, which means your interest rate and payment amount can change.

**HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED**

- Your interest rates will be based on the 1 Year, 3 Year or 5 Year MONTHLY AVERAGE OF THE NOMINAL TREASURY CONSTANT MATURITIES RATE (CMT) AS PUBLISHED IN THE FEDERAL RESERVE BOARD'S STATISTICAL RELEASES (the "Index"), plus a margin.
- Ask us for current interest rates and margins.
- Your interest rate will equal the Index rate plus a margin, rounded to the nearest 0.010%, unless your interest rate "caps" limit the amount of change in the interest rate.
- Your monthly payment will be based on interest rate, loan balance, and remaining loan term, rounded to nearest \$0.01

**HOW YOUR INTEREST RATE CAN CHANGE**

- Your interest rate will be calculated by taking the most recent index value available as of 45 days prior to any annual percentage rate adjustment.
- Your interest rate is subject to the following limitations:

<b>Your interest rate cannot increase or decrease more than the following:</b>	<b>1 Year CMT</b>	<b>3 Year CMT</b>	<b>5 Year CMT</b>
At each adjustment:	2.00%	3.00%	5.00%
Over the term of the loan (above and below the initial interest rate):	6.00%		
The lowest interest rate may be limited to the margin, depending on the initial interest rate on your loan			

**HOW YOUR PAYMENT CAN CHANGE**

- Your monthly payment can increase or decrease substantially depending on annual 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 rate, payment amount, and loan balance.
- You will also 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 adjustments resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount and loan balance.

**SPECIFIC PROGRAM RATE AND PAYMENT INFORMATION**

<u>ARM Rate Change Frequency</u>	<u>ARM Loan Term</u>	<u>Initial Interest Rate</u>	<u>ARM Interest Rate and Payment Examples Based on a \$10,000 loan</u>				<u>ARM Monthly Payment Amounts (Divide your mortgage amount by \$10,000; then multiply payment by it)</u>
			Maximum % the Rate can rise	Maximum % the Rate can reach	Initial Monthly Payment Amount	Maximum Monthly Payment Possible	<b>Example: \$60,000 mortgage divided by \$10,000 = 6</b>
<b>1 Year ARM: Your interest rate and payment can change every 12 months.</b>							
1 Year	15 Year	6.25% (Index + 1.82% margin)	6.00%	12.25%	\$85.76	\$117.57 in 4 <sup>th</sup> year	6 X \$85.76 = \$514.56 initial payment 6 X \$117.57 = \$705.42 max payment
<b>3 Year ARM: Your interest rate and payment can change every 36 months.</b>							
3 Year	15 Year	6.50% (Index + 2.12% margin)	6.00%	12.50%	\$87.13	\$113.61 in 7 <sup>th</sup> year	6 X \$87.13 = \$522.78 initial payment 6 X \$113.61 = \$681.66 max payment
<b>5 Year ARM: Your interest rate and payment can change every 60 months.</b>							
5 Year	15 Year	6.75% (Index + 2.57% margin)	6.00%	12.75%	\$88.51	\$112.00 in 11 <sup>th</sup> year	6 X \$88.51 = \$531.06 initial payment 6 X \$112.00 = \$672.00 max payment

Initial interest rate based on the Index rate in effect November 2022, plus a margin.  
Information on other adjustable rate mortgage programs is available upon request.  
This is not a commitment to make a loan.

CONSUMER HANDBOOK ON

# Adjustable-Rate Mortgages

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Find out how  
your payment can  
change over time



Consumer Financial  
Protection Bureau



An official publication of the U.S. government

## How to use the booklet

When you and your mortgage lender discuss adjustable-rate mortgages (ARMs), you receive a copy of this booklet. When you apply for an ARM loan, you receive a Loan Estimate. You can request and receive multiple Loan Estimates from competing lenders to find your best deal.

You may want to have your Loan Estimate handy for any loan you are considering as you work through this booklet. We reference a sample Loan Estimate throughout the booklet to help you apply the information to your situation.

You can find more information about ARMs at [cfpb.gov/about-arms](http://cfpb.gov/about-arms). You'll also find other mortgage-related CFPB resources, facts, and tools to help you take control of the homebuying process.

## About the CFPB

The Consumer Financial Protection Bureau regulates the offering and provision of consumer financial products and services under the federal consumer financial laws and educates and empowers consumers to make better informed financial decisions.

This booklet, titled Consumer Handbook on Adjustable Rate Mortgages, was created to comply with federal law pursuant to 12 U.S.C. 2604 and 12 CFR 1026.19(b)(1).

## How can this booklet help you?

This booklet can help you decide whether an adjustable-rate mortgage (ARM) is the right choice for you and to help you take control of the homebuying process.

Your lender may have already provided you with a copy of Your Home Loan Toolkit. You can also download the Toolkit from the CFPB's Buying a House guide at [cfpb.gov/buy-a-house/](http://cfpb.gov/buy-a-house/).

An ARM is a mortgage with an interest rate that changes, or "adjusts," throughout the loan.

With an ARM, the interest rate and monthly payment may start out low. However, both the rate and the payment can increase very quickly.

**Consider an ARM only if you can afford increases in your monthly payment—even to the maximum amount.**

## After you finish this booklet:

- You'll understand how an ARM works and whether it's the right choice for you. (page 2)
- You'll know how to review important documents when you apply for an ARM. (page 6)
- You'll understand the risks that come with different types of ARMs. (page 18)

## Is an ARM right for you?

ARMs come with the risk of higher payments in the future that you might not be able to predict. But in some situations, an ARM might make sense for you. If you are considering an ARM, be sure to understand the tradeoffs.

### TIP

Don't count on being able to refinance before your interest rate and monthly payments increase. You might not qualify for refinancing if the value of your home goes down or if something unexpected damages your financial situation, like a job loss or medical costs.

COMPARE	FIXED-RATE MORTGAGE	ADJUSTABLE-RATE MORTGAGE
Consider this option if	<ul style="list-style-type: none"> <li>You prefer predictable payments, or</li> <li>You plan to keep your home for a long period of time</li> </ul>	<ul style="list-style-type: none"> <li>You are confident you can afford increases in your monthly payment—even to the maximum amount, or</li> <li>You plan to sell your home within a short period of time</li> </ul>
Interest rate	<ul style="list-style-type: none"> <li>Set when you take out the loan</li> <li>Stays the same for the entire loan term</li> </ul>	<ul style="list-style-type: none"> <li>Based on an index that changes</li> <li>May start out lower than a fixed rate mortgage but you bear the risk of increases throughout your loan</li> </ul>
Monthly payment	<ul style="list-style-type: none"> <li>Principal and interest payment stays the same over the life of your loan</li> <li>You know the total you will pay in principal and interest over the life of the loan</li> </ul>	<ul style="list-style-type: none"> <li>Initial principal and interest payment amount remains in effect for a limited period</li> <li>You can't know in advance how much total interest you will pay because your interest rate changes</li> <li>If you can't afford the increased payments, you may lose your home to foreclosure</li> </ul>

## Learn about how ARMs work

As you decide whether to move ahead with an ARM, you should understand how they work and how your housing costs can be affected.

### Interest rate = index + margin

The interest rate on an ARM has two parts: the index and the margin.

#### INDEX

An **index** is a measure of interest rates generally that reflects trends in the overall economy. Different lenders use different indexes for their ARM programs.

Common indexes include the U.S. prime rate and the Constant Maturity Treasury (CMT) rate. Talk with your lender to find out more about the index they use, which is also shown on your Loan Estimate.

#### MARGIN

The **margin** is an extra percentage that the lender adds to the index.

You can shop around to different lenders to find the lowest combination of the index plus the margin. Your Loan Estimate shows the index and the margin being offered to you.

## Changes to initial rate and payment

The *initial* interest rate and *initial* principal and interest payment amount on an ARM remain in effect for a limited period.

So, when you see ARMs advertised as 5/1 or 5/6m ARMs:

- The first number tells you the length of time your initial interest rate lasts.
- The second number tells you how often the rate changes after that.

For example, during the first five years in a 5/6m ARM your rate stays the same. After that, the rate may adjust every six months (the 6m in the 5/6m example) until the loan is paid off. This period between rate changes is called the **adjustment period**. Adjustment periods can vary. Some last a month, a year, or like this example, six months.

For some ARMs, the initial rate and payment can be very different from the rates and payments later in the loan term. Even if the market for interest rates is stable, your rates and payments could change a lot.



# Use your Loan Estimate to understand your ARM

When you apply for a mortgage, the lender gives you a document called a **Loan Estimate**. It describes important features of the loan the lender is offering you. This section illustrates the parts of a Loan Estimate that are specific features of ARM loans. An interactive, online version of a Loan Estimate sample is available at: [cfpb.gov/arm-explainer/](http://cfpb.gov/arm-explainer/)

Product

*Save this Loan Estimate to compare with your Closing Disclosure.*

### Loan Estimate

DATE ISSUED: \_\_\_\_\_  
 APPLICANTS: \_\_\_\_\_

LOAN TERM: 30 years  
 PURPOSE: Purchase  
**PRODUCT: 5/1 Adjustable Rate**  
 LOAN TYPE:  Conventional  FHA  VA   
 LOAN ID #: 123456789  
 RATE LOCK:  NO  YES

PROPERTY: \_\_\_\_\_  
 SALE PRICE: \_\_\_\_\_

*Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on \_\_\_\_\_.*

Loan Terms		Can this amount increase after closing?	
Loan Amount	\$216,000	NO	
Interest Rate	3%	YES	Adjusts every year starting in year 6 Can go as high as 8% in year 8 See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments Below for Your Total Monthly Payment</i>	\$910.66	YES	Adjusts every year starting in year 6 Can go as high as \$1,467 in year 8
<b>Does the loan have these features?</b>			
Prepayment Penalty		NO	
Balloon Payment		NO	

Projected Payments				
Payment Calculation	Years 1-5	Years 6	Years 7	Years 8-30
Principal & Interest	\$910.66	\$838 min \$1,123 max	\$838 min \$1,350 max	\$838 min \$1,467 max
Mortgage Insurance	+ 99	+ 99	+ 99	+ --
Estimated Escrow <i>Amount can increase over time</i>	+ 341	+ 341	+ 341	+ 341
<b>Estimated Total Monthly Payment</b>	<b>\$1,290</b>	<b>\$1,217 - \$1,502</b>	<b>\$1,217 - \$1,729</b>	<b>\$1,179 - \$1,808</b>

Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$341 a month	<b>This estimate includes</b> <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>	<b>In escrow?</b> YES YES
----------------------------------------------------------------------------------	---------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------

Costs at Closing	
Estimated Closing Costs	\$X,XXX Includes In Loan Costs + in Other Costs - in Lender Credits. See details on page 2.
Estimated Cash to Close	\$XX,XXX Includes Closing Costs. See calculating Cash to Close on page 2 for details.

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

LOAN ESTIMATE PAGE 1 OF 3 - LOAN ID # 123456789

Loan Terms

Projected Payments

Adjustable Interest Rate (AIR) Table

#### Adjustable Interest Rate (AIR) Table

Index + Margin	1 Year Cmt + 2.25%
Initial Interest Rate	3%
Minimum/Maximum Interest Rate	2.25% / 8%
<b>Change Frequency</b>	
First Change	Beginning of 61st month
Subsequent Changes	Every 12 months after first change
<b>Limits on Interest Rate Changes</b>	
First Change	2%
Subsequent Changes	2%

LOAN ESTIMATE

PAGE 2 OF 3 - LOAN ID # 123456789

## Loan terms

### INTEREST RATE

The Loan Estimate shows the *initial* interest rate you pay at the beginning of your loan term. This row also shows how often your rate can change and how high it can go.

### MONTHLY PRINCIPAL & INTEREST

The Loan Estimate shows the *initial* monthly principal and interest payment you'll make if you accept this loan. Your **principal** is the money that you originally agreed to pay back on your loan. **Interest** is a cost you pay to borrow the principal. The initial principal and interest payment amount for an ARM is set only for the initial period and may change after that.

### THE TALK

You might hear, "An ARM makes sense because you can refinance the loan before your interest rate and monthly payment increase."

Ask yourself, a spouse, or a loved one:

"What if the market value of the home goes down?"

"What if our financial situation or our credit score gets damaged by something unexpected like a job loss or illness?"

"If we can't refinance at a better rate, can we afford the maximum interest rate and payment increase under this loan?"

Loan Terms		Can this amount increase after closing?
<b>Loan Amount</b>	\$216,000	<b>NO</b>
<b>Interest Rate</b>	3%	<b>YES</b> <ul style="list-style-type: none"> <li>· Adjusts <b>every year</b> starting in year 6</li> <li>· Can go <b>as high as 8%</b> in year 8</li> <li>· See <b>AIR Table</b> for details</li> </ul>
<b>Monthly Principal &amp; Interest</b> <i>See Projected Payments Below for Your Total Monthly Payment</i>	\$910.66	<b>YES</b> <ul style="list-style-type: none"> <li>· Adjusts <b>every year</b> starting in year 6</li> <li>· Can go <b>as high as \$1,467</b> in year 8</li> </ul>
		Does the loan have these features?
<b>Prepayment Penalty</b>		<b>NO</b>
<b>Balloon Payment</b>		<b>NO</b>

Example of "Loan terms" section. Find this on page 1 of your own Loan Estimate

Projected Payments				
Payment Calculation	Years 1-5	Years 6	Years 7	Years 8-30
Principal & Interest	\$910.66	\$838 min \$1,123 max	\$838 min \$1,350 max	\$838 min \$1,467 max
Mortgage Insurance	+ 99	+ 99	+ 99	+ --
Estimated Escrow <i>Amount can increase over time</i>	+ 341	+ 341	+ 341	+ 341
<b>Estimated Total Monthly Payment</b>	<b>\$1,290</b>	<b>\$1,217 – \$1,502</b>	<b>\$1,217 – \$1,729</b>	<b>\$1,179 – \$1,808</b>
<b>Estimated Taxes, Insurance &amp; Assessments</b> <i>Amount can increase over time</i>	<b>\$341</b> a month	<b>This estimate includes</b> <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>		<b>In escrow?</b> <b>YES</b> <b>YES</b>

Example of "Projected payments" section. Find this on page 1 of your own Loan Estimate

## Projected payments

### PRINCIPAL & INTEREST

The monthly principal and interest payment on your ARM is likely to change after the initial period. Review this section to see how your payment can change based on your loan's interest rate.

### ESTIMATED TOTAL MONTHLY PAYMENT

Review this row to see the total minimum and maximum monthly payments. The payments include mortgage insurance, property taxes, homeowners insurance, and any additional property assessments or other escrow items. Learn more about these mortgage terms at [cfpb.gov/mortgage-terms/](http://cfpb.gov/mortgage-terms/)

Keep in mind that other parts of your monthly and annual housing costs can change, such as your property taxes and homeowners insurance payments.

### THE TALK

Talk over how your financial life could be affected if your ARM monthly payment increases. In future years, you might face money decisions like:

- Job changes
- School or other education expenses
- Medical needs and expenses

Because ARM adjustments are unpredictable, you might have less or more financial flexibility for other parts of your life.

## Adjustable Interest Rate (AIR) table

You should read and understand the AIR table calculations before committing to an ARM. It's important to know how your interest rate changes over the life of your loan.

### INDEX + MARGIN

Your lender is required to show you how your interest rate is calculated, which is determined by the index and margin on your loan. See page 2 of this booklet for more about index and margin.

### INITIAL INTEREST RATE

This is the interest rate at the beginning of your loan. The initial interest rate changes to the index plus the margin at your first adjustment (subject to the limits on interest rate changes). Your loan servicer tells you your new payment amount seven to eight months in advance, so you can budget for it or shop for a new loan.

### MINIMUM/MAXIMUM INTEREST RATE

This shows how low or high your interest rate could be over the life of your loan. Generally, an ARM's interest rate is never lower than the margin.

### ! "TEASER" RATES

Some lenders offer a "teaser," "start," or "discounted" rate that is lower than their fully indexed rate. When the teaser rate ends, your loan takes on the fully indexed rate. Don't assume that a loan with a teaser rate is a good one for you. Not everyone's budget can accommodate a higher payment.

### CHANGE FREQUENCY

This indicates when the interest rate on your loan will change. Your loan servicer sends you advance notices of changes.

### LIMITS ON INTEREST RATE CHANGES

This shows the highest amount your interest rate can increase when there is a change.

Adjustable Interest Rate (AIR) Table	
Index + Margin	1 Year Cmt + 2.5%
Initial Interest Rate	3%
Minimum/Maximum Interest Rate	2.5% / 8%
Change Frequency	
First Change	Beginning of 61st month
Subsequent Changes	Every 12 months after first change
Limits on Interest Rate Changes	
First Change	2%
Subsequent Changes	2%

Example of "AIR table" section. Find this on page 2 of your own Loan Estimate

Consider this example:

- A lender's fully indexed rate is 4.5% (the index is 2% and the margin is 2.5%).
- The loan also features a "teaser" rate of 3%.
- Even if the index doesn't change, your interest rate still increases from 3% to 4.5% when your teaser rate expires.



### COMPARE YOUR ARM OFFERS

Shop for at least three loan offers, and fill in the blanks below using the information on your Loan Estimates:

	ARM OFFER 1	ARM OFFER 2	FIXED-RATE OFFER
Lender name			
Loan amount	\$	\$	\$
Initial interest rate	%	%	%
Initial principal and interest payment	\$	\$	\$
Index			
Margin			
How long will the initial interest rate and initial payment apply?			
How high can my interest rate go?	%	%	%
How high can my principal and interest payment go?	\$	\$	\$

My best loan offer is: \_\_\_\_\_



### THE TALK

You are in control of whether or not to proceed with an ARM. If you prefer to proceed with a fixed-rate mortgage, here is one way to start the conversation with a lender:

"A fixed-rate mortgage seems to be a better fit for me. Let's talk about what you can offer and how it compares to other loans I may be able to get."

## Review your lender's ARM program disclosure

Your lender gives you an ARM program disclosure when they give you an application. This is the lender's opportunity to tell you about their different ARM loans and how the loans work. The index and margin can differ from one lender to another, so it is helpful to compare offers from different lenders.

Generally, the index your lender uses won't change after you get your loan, but your loan contract may allow the lender to switch to a different index in some situations.

### GATHER FACTS

Review your program disclosure and ask your lender questions to understand their ARM loan offerings:

- How are the interest rate and payment determined?
- Does this loan have interest-rate caps (that is, limits on interest rate changes)?
- How often do the interest rate and payment adjust?
- What index is used and where is it published?
- Is the initial interest rate lower than the fully indexed rate? (see "Teaser rates," on page 12)
- What type of information is provided in notices of adjustment and when do I receive them?

## Ask about other options offered by your lender

### Conversion option

Your loan agreement may include a clause that lets you convert the ARM to a fixed-rate mortgage in the future.

When you convert, the new rate is generally set using a formula given in your loan documents. That fixed rate may be higher or lower than interest rates available to you in the market at that time. Also your lender may charge you a conversion fee. Ask your lender whether the loan you are being offered has a conversion feature and how it works.

### Special features

You can shop around to understand what special ARM features may be available from different lenders.

Not all programs are the same. Talk with your lender to find out if there's anything special about their ARM programs that you may find valuable.

## Check your ARM for features that could pose risks

Some types of ARMs have features that can reduce your payments in the short term but may include fees or the risk of higher payments later. Review your loan terms and make sure that you understand the fees and how your rate and payment may change. **Lower payments at the beginning could mean higher fees or much higher payments later.**

## Paying points to reduce your initial interest rate

Lenders can offer you a lower rate in exchange for paying loan fees at closing, or **points**.

With an ARM, paying points often reduces your interest rate only until the end of the initial period—the reduction most likely does not apply over the life of your loan.

If you are using an ARM to refinance a loan, points are often rolled into your new loan amount. You might not realize you are paying points unless you look carefully. Points are disclosed on the top of Page 2 of your Loan Estimate.

Lenders may give you the option to pay points, but you never have to take that option. To figure out if you have a good deal, compare your cost in points with the amount that you will save with a lower interest rate.

### Loan Costs

A. Origination Charges		\$3,160
1% of Loan Amount (Points)		\$2,160
Application Fee		\$500
Processing Fee		\$500

*Example of "Loan costs" section. Find this on page 2 of your own Loan Estimate*

### THE TALK

If your Loan Estimate shows points, ask your lender:

- "What is my interest rate if I choose not to pay points?"
- "How much money do I pay in points? And, compared to the total reduction in my payments during the initial period, am I coming out ahead?"
- "Can I see a revised Loan Estimate with the points removed and the interest rate adjusted?"

## Interest-only ARMs

With an interest-only ARM payment plan, you pay only the interest for a specified number of years. During this interest-only period, you have smaller monthly payments, but you are not paying anything toward your mortgage loan balance.

When the interest-only period ends, your monthly payment increases—even if interest rates stay the same—because you must start paying back the principal plus the interest each month. Your monthly payments can increase a lot. The longer the interest-only period, the more your monthly payments increase after the interest-only period ends.

## Payment option ARMs

Payment option ARMs were common before 2008 when the housing crisis began, and some lenders might still offer them.

A payment option ARM means the borrower can choose from different payment options, such as:

- A traditional principal and interest payment
- An interest-only payment (see above)
- A minimum payment, which could result in negative amortization

**Negative amortization** happens when you are not paying enough to cover all of the interest due. Your loan balance goes up instead of down.



### GATHER FACTS

Learn more information about payment option ARMs and negative amortization at:

- [cfpb.gov/payment-option-arm/](https://cfpb.gov/payment-option-arm/)
- [cfpb.gov/negative-amortization/](https://cfpb.gov/negative-amortization/)



### WELL DONE!

Choosing the right home loan is just as important as choosing the right home. By equipping yourself with knowledge about ARMs, you can decide whether or not this type of loan is the right choice for you.



# Consumer Handbook on Adjustable-Rate Mortgages

## ASK YOUR LENDER

- How high can my payment go?
- How high can my interest rate go?
- How long is my initial principal and interest payment guaranteed?

## ASK YOURSELF

- Have I shopped around to compare ARMs and fixed-rate loans?
- If an ARM has a lower initial interest rate than a fixed-rate mortgage, is paying less money now worth the risk of an increase later?
- Can I afford the highest payment possible with the ARM if I can't sell the home, or refinance into a lower rate, before the increase?

## ONLINE TOOLS

CFPB website  
[cfpb.gov](https://cfpb.gov)

Answers to common questions  
[cfpb.gov/askcfpb](https://cfpb.gov/askcfpb)

Tools and resources for home buyers  
[cfpb.gov/owning-a-home](https://cfpb.gov/owning-a-home)

Talk to a housing counselor  
[cfpb.gov/find-a-housing-counselor](https://cfpb.gov/find-a-housing-counselor)

Submit a complaint  
[cfpb.gov/complaint](https://cfpb.gov/complaint)