

Cashflow Option Loan



Providing you with greater flexibility in managing your monthly mortgage payment.

Effectively managing monthly income and expenses, commonly referred to as your "cash flow," is an ongoing challenge for many homeowners. Income may vary on a monthly basis and unplanned expenses may arise. In response to this need, we created the Cashflow Option Loan to provide you with greater flexibility in managing your monthly mortgage payment.

For many of us, our mortgage payment is our largest monthly expense. It is also the least flexible. If life were as predictable as our mortgage payment, this would be fine. Unfortunately, in the real world, income fluctuations and unplanned expenses can wreak havoc on monthly cash flow.

Greater Control With Four Payment Options

Our Cashflow Option Loan was specifically designed to give you greater control over your mortgage payment. You have the option of choosing one of four payment options each month based on your specific cash flow needs at the time.

Minimum Payment A payment that is set for 12 months at a reduced rate. This option not only maximizes cash flow, giving you more cash each month for other expenses, but may also defer payment of interest on your mortgage loan, potentially allowing you greater flexibility in managing your tax deductions.² Plus, this payment will not increase by more than 7.5% each year, except when your loan is recast every five years or your principal balance exceeds 110% of your initial loan balance.¹

Interest-Only Payment Defer paying principal on your loan and improve your monthly cash flow. The money you normally use for the principal portion of your mortgage payment can instead be used for other purposes, such as paying off high cost credit obligations or investing. (This option is not available if the payment would be less than the minimum payment. In this situation, no interest is deferred when you make the minimum payment.)¹

Two Fully Amortizing Payment Options Make a principal and interest payment based on a 30-year or 15-year payment schedule.¹

Choose Your Index

Our Cashflow Option Loan is a monthly adjustable rate mortgage, with your choice of either the 1-month London InterBank Offered Rate (LIBOR) or 12-month treasury average (MTA) for your index.

The LIBOR is the rate offered by banks in London for U.S. deposits. This index has gained tremendous popularity as an attractive alternative to many of the other index choices because it is an international index that reflects the global economic climate.

The MTA index is based on the 12-month average of the monthly yields of U.S. Treasury securities adjusted to a constant maturity of one year. It is calculated by averaging the previous 12 monthly values of the 1-Year Constant Maturity Treasury (CMT) index. Because this index is an annual average, it is steadier than the 1-Year CMT index.

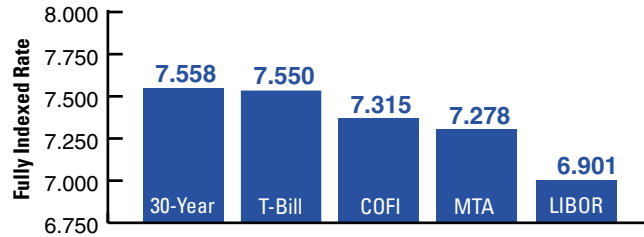
Deferred Interest Consideration

It is important to note that when you choose to defer the payment of interest by making less than the interest-only payment, the amount you defer is added to the loan's principal balance. Until this deferred interest is paid, you will be charged interest on this additional amount.

Ten Year Fully Indexed Rate Comparison

Below is a comparison between the fully indexed 1-month LIBOR, MTA, COFI, and 1-year Treasury Bill indices and a 30-year fixed rate mortgage from June 1993 to May 2003.

Ten Year Fully Indexed Rate Comparison



The 10-year averages for fully indexed rates above are based on the following: 30-year fixed rate of 7.558%, 1-year Treasury Bill of 4.675% with a 2.875% margin, COFI index of 4.415 with a 2.9% margin, 12-Month Treasury Average (MTA) of 4.778% with a 2.5% margin and 1-month LIBOR of 4.701 with a 2.20% margin.

Additional Options

For borrowers who are looking for the security of a fixed payment while still taking advantage of low adjustable interest rates, we now offer a 5-year fixed payment option. With our Cashflow 5-Year Fixed Payment Loan, you are guaranteed a fixed minimum payment for the first five years of your mortgage. As with the Cashflow Option Loan, you have the choice of one of four payment options each month based on your specific cash flow needs. And with both of these loans, we also offer you the ability to increase the term of the loan from 30 to 40 years.

The Minimum Payment Advantage

The example below is based on a \$300,000 loan amount. It compares a traditional 30-year fixed rate mortgage payment based on a rate of 7.558% (the average for the 10-year period from June 1993 to May 2003) with the minimum payment option, based on an initial rate of 1.95% (3.537% APR) with payment caps of 7.5% per year.

	30-Year Fixed Rate Payment	Cashflow Minimum Payment	Monthly Savings	Annual Savings
Year 1	\$2,110	\$1,101	\$1,008	\$12,098
Year 2	\$2,110	\$1,184	\$ 926	\$11,107
Year 3	\$2,110	\$1,273	\$ 837	\$10,042
Savings over 1st 3 years:			\$33,247	
Savings invested at 8%:			\$37,620	

Important Disclosures:

1 This example illustrates payment terms for a 30-year adjustable-rate Cashflow Option 1-Year Fixed Payment Loan, based on a \$400,000 home purchase with a 25% down payment, a \$300,000 mortgage and a discounted Interest Rate of 1.95% for the first month, in effect as of 5/31/03. The Interest Rate adjusts monthly based on the 1-month LIBOR index plus a Margin, set at 2.20% in this example. With a 1.319% LIBOR rate, this would make the fully indexed Rate 3.50%, which is a 3.537% annual percentage rate. (The APR may vary.) The following payment examples assume that the fully indexed rate, the Index plus the Margin, remains constant throughout the life of the loan; rates can increase during the life of the loan. Rates used in this example are not guaranteed and are subject to change without notice.

Using the assumptions above and a fully indexed rate that remains constant throughout the life of the loan, here are examples of the payment choices:

- The Minimum Payment for the first year would be \$1101 based upon the discounted 1.95% Interest Rate. After the first year, the Minimum Payment could increase or decrease, but any payment change would be limited to 7.5% each year until the end of the 5th year, and

every 5th year thereafter, when the Minimum Payment is recalculated using the current fully indexed rate without regard to the 7.5% payment cap.

- The Interest-Only Payment option is not available for the first month. For the remainder of the term, the interest-only payment would be \$873 at the fully indexed rate. However, the Interest-Only Payment option is not available when it is less than the Minimum Payment.
- There is also the option of making amortizing payments based upon a 30 or 15-year term beginning in the second month. For the 30-year term, such a payment would be \$1347 at the fully indexed rate. For the 15-year term, the payment would be \$2149 at the fully indexed rate.

Payments may revert to fully amortizing over the remainder of the loan term if the outstanding loan amount reaches 110% of the initial loan amount due to deferred interest.

2 Consult your tax advisor regarding the deductibility of interest paid on your mortgage and the effect of deferred interest for your specific tax situation.

