

5. INTEREST RATE CHANGES**(A) The Index**

Any changes in the interest rate will be based on changes in a measure of the cost of home mortgage loans called the "Index". The Index is the "Contract Interest Rate, Purchase of Previously Occupied Homes, National Average for all Major Types of Lenders" made available by the Federal Home Loan Bank Board. If the Index ceases to be made available by the Federal Home Loan Bank Board, or by any successor to it, the Note Holder will set the Note interest rate by using a comparable national index.

(B) Setting the New Interest Rate

To set the new interest rate, the Note Holder will first determine a "preliminary rate". The preliminary rate will reflect the change between the most recent Index figure available on ... October 1st., 1981.. (the "Base Index figure") and the most recent Index figure available on the 1st day of July prior to each Change Date (the "current Index figure").

If the current Index figure is larger than the Base Index figure, the Note Holder will add the amount of the change to the Initial Interest Rate. If the current Index figure is smaller than the Base Index figure, the Note Holder will subtract the amount of the change from the Initial Interest Rate. The result of this addition or subtraction will be the preliminary rate. If there is no change between the Base Index figure and the current Index figure, the Initial Interest Rate will be the preliminary rate.

Next, the Note Holder will adjust the preliminary rate so that:

- (i) the change in the interest rate on any Change Date will not be more than 1½ . . . percentage points; and
- (ii) the new interest rate will not be more than .5 . . . percentage points higher or lower than the Initial Interest Rate.

My new interest rate will equal the figure that results from this adjustment of the preliminary rate.

(C) Effective Date of Changes

Each new interest rate will become effective on the next Change Date. If my monthly payment changes as a result of a change in the interest rate, my monthly payment will change as of the first monthly payment date after the Change Date.

(D) Notice to Borrower

The Note Holder will mail me a notice by first class mail (which may be certified) at least 90 days before each Change Date during the period I have my loan. The notice will include:

- (i) a statement that my loan interest rate is scheduled to be adjusted on the next Change Date;
- (ii) a statement that if I do not pay my loan in full by the next Change Date, the interest rate on my loan will be adjusted;
- (iii) the interest rate that will apply to my loan for the period beginning with the next Change Date;
- (iv) the amount of my monthly payment of principal and interest after the next Change Date;
- (v) the date of my first monthly payment after the next Change Date;
- (vi) a statement of what the principal balance of my loan will be on the next Change Date assuming I make my regular monthly payments;
- (vii) a reminder that there is no penalty if I pay off my entire loan or a part of it on the next Change Date or at any other time; and,
- (viii) the title and telephone number of an employee who will answer my questions regarding the notice.

6. BORROWER'S FAILURE TO PAY AS REQUIRED**(A) Late Charge for Overdue Payments**

If the Note Holder has not received the full amount of any of my monthly payments by the end of . . . 20 . . . calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be . . . 5 . . . % of my overdue payment of principal and interest. I will pay this late charge only once on any late payment.

(B) Notice from Note Holder

If I do not pay the full amount of each monthly payment on time, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date I will be in default. That date must be at least 30 days after the date on which the notice is mailed to me.

(C) Default

If I do not pay the overdue amount by the date stated in the notice described in (B) above, I will be in default. If I am in default, the Note Holder may require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount.

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(D) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all its reasonable costs and expenses to the extent not prohibited by applicable law. Those expenses may include, for example, reasonable attorneys' fees.