

could change is called an "Interest Change Date". The first day on the month following "Interest Change Date" will be the "New Payment Date" the date on which my payment amount will change.

(B) The Index

"Index" means a percentage figure which is the Weekly Average Yield of the U.S. Treasury Securities adjusted to a Constant Maturity of One Year as published by the Federal Reserve Board. The most recent Index figure available as of sixty (60) days before each Interest Rate Change Date is called the "Current Index".

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

(C) Calculation of Changes

Before each Interest Change Date, the Note Holder will calculate my new interest rate by adding 2.95 percentage points (2.95%) to the then Current Index. The result of the calculation will be rounded up to the nearest one-eighth of one percentage point (0.125%), which rounded amount will be my new rate.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay in full the principal I am expected to owe on the New Payment Date in substantially equal payments by the maturity date of my new interest rate. The result of this calculations will be the new amount of my monthly payment, subject to the limitation in (E)(iii) below.

My new interest rate will become effective on each Interest Change Date. I will pay the amount of my new monthly payment beginning on the New Payment Date, the first monthly payment date after the Interest Change Date until the amount of my monthly payment changes again.

(E) Limitations on Changes

- (i) No increase or decrease of less than one-eighth of one percent (0.125%) will be made;
- (ii) in no event shall the interest rate be increased to a rate that is more than 16.00 %.
- (iii) any monthly payment increase set under the provisions of paragraph 4(C) shall not exceed 7-1/2% of the last monthly payment due prior to the Interest Rate Change Date except at each fifth Interest Rate Change Date. Then payments will be adjustable without the 7-1/2% limitation.

(F) Additions to My Unpaid Balance

My monthly payment could be less than the amount of the interest portion of a monthly payment which then would be sufficient to repay my unpaid balance in full on the maturity date at my current interest rate in substantially equal payments. If so, each month that the Limited Payment Amount is less than the interest portion, the Note Holder will subtract the Limited Payment Amount from the amount of the interest portion and will add the difference to my unpaid principal balance. The Note Holder will also add interest on the amount of this difference to my unpaid principal balance each month. The interest rate on the interest added to principal will be the rate required by Section 4(C) above. This amount is called Deferred Interest and the concept is commonly referred to as Negative Amortization.

In no event, however, shall the unpaid principal balance on my loan exceed 125% of the original principal amount.

(G) Notice of Changes

The Note Holder will mail or deliver to me a notice before each Interest Rate and Payment Change Date. The notice will advise me of: