

(B) Payment Options. Instead of having my monthly payments increase during the second and third years that my loan is outstanding, I may elect to have my monthly payment frozen for the second and/or third years that the loan is outstanding at the monthly payment amount due during each respective preceding year. On the third anniversary of the date my first monthly payment is due, I may exercise either of the following options:

(a) At the beginning of the fourth year and all subsequent years the note holder will recalculate my full payment amount as described in section 3, and I will then make payments of the full payment amount beginning with the first monthly payment due after my election. Each twelve months the payment will change to reflect the current interest rate and index whose description is noted in section 2 (A) and 2 (B) above - or - (b) At the beginning of the fourth year I may elect to increase my payment by 1.075 of the previous years principal and interest payment. If this alternative is chosen then on each subsequent anniversary of the date my first monthly payment is due, until the twenty-ninth anniversary date, the lender will automatically adjust my payment amount to the lesser of (1) the previous years principal and interest payment amount multiplied by 1.075 as long as the limit on unpaid principal balance described in 6(C) hereafter has not been exceeded - or - (2) the full payment as described in section 3, above.

6. CHANGES IN MY UNPAID PRINCIPAL BALANCE

(A) Additions to My Unpaid Principal Balance

Each of my monthly payments could be less than the amount of the interest portion of a monthly payment which then would be sufficient to repay my unpaid principal balance in full on the maturity date at my current rate of interest in substantially equal payments. If so, each month that the amount of my monthly payment is less than the interest portion, the Note Holder will subtract the amount of my monthly payment from the interest portion and will add the difference to my unpaid principal balance. The Note Holder will also add interest on the interest added to principal, at the rate required by Section 2 above.

(B) Reductions in My Unpaid Principal Balance

My monthly payment could be greater than the amount of a monthly payment which then would be sufficient to repay my unpaid principal balance in full on the maturity date at my current rate of interest in substantially equal payments. If so, the Note Holder will subtract the difference from the unpaid balance of my loan each month until the next Interest Change Date as if I had made a partial prepayment under Section 8 (of the Note).

(C) Limit on My Unpaid Principal Balance; required Full Payment Amount

My unpaid principal balance can never exceed a maximum amount equal to one hundred twenty-five percent (125%) of the principal amount I originally borrowed. If my paying the amount of my monthly payment calculated under Section 5 above after any Interest Change Date would cause my unpaid principal balance to exceed that maximum amount at any time, I will instead pay the Full Payment Amount as my monthly payment until the next Interest Change Date.

7. NOTICE OF CHANGES

The Note Holder will mail or deliver to me a notice of any changes in the Full Payment Amount and my monthly payment before the effective date of any change. The notice will include information required by law to be given me and also the title and telephone number of a person who will answer any question I may have regarding the notice.