



Initial Adjustable Rate Mortgage (ARM) Loan Disclosure Notice and Consumer Handbook on Adjustable Rate Mortgages (CHARM) Booklet

Please Read Carefully

This Disclosure Notice is being provided in connection with your application with Navy Federal Credit Union for an Adjustable Rate Mortgage (ARM) and includes information to explain the ARM program. Additional information is available on request.

CONSUMER HANDBOOK ON ADJUSTABLE RATE MORTGAGES (CHARM)

In addition to the below ARM Disclosure Notice, lenders are required to provide the Consumer Handbook on Adjustable Rate Mortgages (CHARM Booklet) to borrowers that apply for an ARM product. The Booklet can be found on the Consumer Financial Protection Bureau (CFPB) website, which, for your records, may be printed, saved, or revisited at a later time. The following third-party government agency web address may be copied and pasted into a web browser to view the Booklet: https://files.consumerfinance.gov/f/documents/cfpb_charm_booklet.pdf.

How Does an ARM Work?

Navy Federal Credit Union's ARMs begin with a low fixed rate and then adjust upward or downward after the initial fixed term. Rate changes are based on changes in an index and result in an increase or decrease in the regular monthly loan payment.

You may see an ARM described with figures such as 3/5 and 5/5. The first figure in each set refers to the initial period of the loan, during which your interest rate will stay the same as it was on the day you signed your loan papers. The second number is the adjustment period, showing how often adjustments can be made to the rate after the initial period has ended. The examples below are all five-year ARMs, meaning the adjustments could happen every five years.

- A 5/5 ARM would have the same interest rate for five years after closing, and then the rate adjusts every five years after that. In other words, the interest rate would be subject to change once every five years.
- In contrast, a 3/5 ARM would have the same interest rate for three years after closing, and then the rate adjusts every five years thereafter.

How Your Interest Rate and Payment Are Determined

- Your payment will be based on the interest rate, loan balance, and loan term.
- The index used to determine your initial interest rate and/or all adjustments is the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years.
- Information about the index is published by the U.S. Department of the Treasury.
(see: **Daily Treasury Par Yield Curve Rates**)

Note: If the index for your ARM loan is no longer available, the Lender will choose a new index that is based on comparable information.

- Your interest rate will be equal to the index rate plus our margin rounded down to the nearest .125%, unless your interest rate caps limit the amount of change in the interest rate.
- Ask us for our current interest rate and margin. We post the updated interest rate daily on the Navy Federal website.
- **Note:** None of these ARM products have a demand feature.

How Your Interest Rate and Monthly Payment Can Change

- Your interest rate remains fixed for an initial term, depending upon the ARM Program you choose.
- After the initial fixed-rate period, your interest rate and monthly payment can change thereafter, determined by the ARM product chosen.
- Each date that your interest is scheduled to change is called a “Change Date”.

When Your Payment Changes

Based on the type of ARM you choose, your monthly payments can increase or decrease substantially based on the specified changes in the interest rates.

- Many ARM loans carry a discount or a premium feature, and your initial interest rate will not be based on the index used for later adjustments. Please ask about our current discount or premium amount.
- Most ARM loans carry a provision for a change in the interest rate and monthly payment.
- You will be notified at least 210, but no more than 240, days before the first payment that the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
- You will be notified at least 25, but no more than 120, days before the first payment that the adjusted level is due after any interest rate adjustment resulting in a corresponding payment changes. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
- Any increase in interest will mean a higher payment amount.

Please review the Navy Federal ARM summaries below for the features of our various ARM options. Do not hesitate to contact us for further information of any of these and other mortgage loan options.

3/5 ARM, 3/5 ARM Jumbo

Your interest rate can change in 36 months and every five years thereafter.

- **Feature:** Discount
- **Index:** U.S. Treasury securities
- **Range:** Plus-minus 2 percentage points at initial and periodic adjustments
- **Term Range:** Plus-minus 5 percentage points over the term of the loan

Payment Example: On a \$10,000, 30-year loan with an initial interest rate of 5.000% in effect in April 2024, the maximum amount that the interest rate can rise under this program is five percentage points, to 10.000%, and the monthly payment can rise from a first-year payment of \$53.68 to a maximum of \$81.85 after the thirteenth year.

Calculating Your Principal and Interest Payment: Divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. For example, the monthly payment for a mortgage amount of \$100,000 would be: $\$100,000 / \$10,000 = 10$; $10 \times \$53.68 = \536.80 per month.

Additional Program Note: Someone buying this property cannot assume the remainder of the mortgage balance on the original mortgage terms.

5/5 ARM, 5/5 ARM Jumbo

Your interest rate can change in 60 months and every five years thereafter.

- **Feature:** Discount
- **Index:** U.S. Treasury securities
- **Range:** Plus-minus 2 percentage points at initial and periodic adjustments
- **Term Range:** Plus-minus 5 percentage points over the term of the loan

Payment Example: On a \$10,000, 30-year loan with an initial interest rate of 5.250% in effect in April 2024, the maximum amount that the interest rate can rise under this program is five percentage points, to 10.250%, and the monthly payment can rise from a first-year payment of \$55.22 to a maximum of \$81.74 after the fifteenth year.

Calculating Your Principal and Interest Payment: Divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. For example, the monthly payment for a mortgage amount of \$100,000 would be: $\$100,000 / \$10,000 = 10$; $10 \times \$55.22 = \552.20 per month.

Additional Program Note: Someone buying this property cannot assume the remainder of the mortgage balance on the original mortgage terms.

State-specific information for Minnesota and New York follows.

Minnesota:

The loan terms and conditions in this disclosure are not an offer to enter into an agreement. Such an offer may only be made pursuant to Minnesota Statutes 47.206, subd. 3 and 4.

New York:

YOU SHOULD CHECK WITH YOUR LEGAL ADVISOR AND WITH OTHER MORTGAGE LIEN HOLDERS AS TO WHETHER ANY PRIOR LIENS CONTAIN ACCELERATION CLAUSES, WHICH WOULD BE ACTIVATED BY A JUNIOR ENCUMBRANCE.