

The Baldwin State Bank

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Lender

Borrower

ADJUSTABLE RATE MORTGAGE PROGRAM DISCLOSURE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering.

- * This loan program has an adjustable rate feature. This means that your interest rate and payment amount can change.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- * Your interest rate will be based on an index plus a margin.
- * Your monthly payment will be based on the interest rate, loan balance, and remaining loan term.
- * Your payment will be rounded to the nearest \$0.01.
- * The interest rate will be based on the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks known as the Wall Street Journal U.S. Prime Rate (Wall Street Journal U.S. Prime Rate) plus our margin. Ask us for our current interest rate and margin.
- * Information about the index is published daily in the Wall Street Journal.
- * Your interest rate will equal the index rate plus margin, unless your interest rate "caps" limit the amount of change in the interest rate.

HOW YOUR INTEREST RATE CAN CHANGE

- * Your interest rate can change annually after remaining fixed for 5 years.
- * Your interest rate cannot increase or decrease more than 2.000 percentage point(s) at the initial adjustment.
- * Your interest rate cannot increase or decrease more than 2.000 percentage point(s) at each adjustment after the initial adjustment.
- * Your interest rate will never be greater than 10.000 percent.
- * Your interest rate will never be less than 4.000 percent.

HOW YOUR PAYMENT CAN CHANGE

- * Your payment can change every 12 payment(s) based on changes in the interest rate after remaining fixed for 60 payment(s).
- * Your monthly payment may increase or decrease substantially based on changes in the interest rate.
- * You will be notified in writing at least 210, but no more than 240, days before the first payment at 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 60, but no more than 120, days before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.
- * For example, on a \$10,000 360-month loan with an initial interest rate of 4.000 in effect in January 2014, the maximum amount that the interest rate can attain under this program is 10.000 percent, and the monthly payment can rise from an initial payment of \$47.74 to a maximum of \$81.19 in the 85th month (7 years, 1 month). To see what your payments would be, 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 \$60,000 would be: $\$60,000 / \$10,000 = 6$; $6 \times \$47.74 = \286.44 per month).

EXAMPLE

The example below shows how your payments would have changed under this ARM program based on actual changes in the index from 2000 to 2014. This does not necessarily indicate how your index will change in the future.

The example is based on the following assumptions:

Amount of Loan:	\$10,000.00
Term:	360 months
Payment Adjustment:	Every 12 payment(s) after remaining fixed for 60 payment(s)
Interest Adjustment:	Annually after remaining fixed for 5 years
Margin (*):	0.750 percentage point(s)
Caps	
Initial Periodic Interest Rate (increase or decrease):	2.000 percentage point(s)
Subsequent Periodic Interest Rate (increases or decreases):	2.000 percentage point(s) at each adjustment
Lifetime Interest Rate (ceiling):	Interest rate will never be greater than 10.000 percent
Lifetime Interest Rate (floor):	Interest rate will never be less than 4.000 percent
Index:	the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks known as the Wall Street Journal U.S. Prime Rate

YEAR As of the first business day of January	INDEX (%)	MARGIN (%)	INTEREST RATE (%)	MONTHLY PAYMENT (\$)	REMAINING BALANCE (\$)
2000	8.500	0.750	9.250	82.27	9,935.04
2001	9.500	0.750	9.250	82.27	9,863.82
2002	4.750	0.750	9.250	82.27	9,785.74
2003	4.250	0.750	9.250	82.27	9,700.11
2004	4.000	0.750	9.250	82.27	9,606.23
2005	5.250	0.750	7.250 (C)	69.43	9,464.90
2006	7.250	0.750	8.000	74.02	9,328.95
2007	8.250	0.750	9.000	80.16	9,201.47
2008	7.250	0.750	8.000	74.18	9,041.64
2009	3.250	0.750	6.000 (C)	63.19	8,819.83
2010	3.250	0.750	4.000	53.45	8,525.88
2011	3.250	0.750	4.000	53.45	8,219.94
2012	3.250	0.750	4.000	53.45	7,901.55
2013	3.250	0.750	4.000	53.45	7,570.19
2014	3.250	0.750	4.000	53.45	7,225.32

To see what your payments would have been during that period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount (for example, in 2014 the monthly payment for a mortgage amount of \$60,000 taken out in 2000 would be: $\$60,000 / \$10,000 = 6$; $6 \times \$53.45 = \320.70 per month).

* This is a margin we have used recently; your margin may be different.

(C) This rate reflects a 2.000 percentage point annual cap on decreases.

This is not a commitment to make a loan.