



MANUFACTURED OR MOBILE HOME LOAN

Thank you for your interest in a manufactured or mobile home loan from Montecito Bank & Trust. We appreciate this opportunity to assist you with your loan request.

The bank offers both a fixed rate (15-year term) and an adjustable rate (20 or 25-year term) manufactured home loan. Please indicate the option that you are applying for on the Loan Application where indicated.

Please complete and sign the following.

- Manufactured Home Loan Application
- Manufactured Home Adjustable Rate Mortgage Loan Programs Disclosure
- The Housing and Financial Discrimination Act of 1977 Fair Lending Notice, *read and sign one copy and retain the second copy for your personal record*
- Property Description *to assist with the appraisal and/or evaluation of your property*
- Request for Transcript of Tax Return, Form 4506-T
- Authorization to Release Information
- Certification of Trust, *if the property is held in the name of a trust*

Along with the enclosed forms to be completed and returned, **please provide the following:**

- A copy of your most recent statements for any liquid assets not held at Montecito Bank & Trust, dated within the last 60 days
- A copy of evidence of your homeowner's insurance (including flood insurance, if applicable)
- A copy of your most recent property tax bill or Department of Housing registration fee
- A copy of your current space rent agreement
- A copy of the Registration form for the manufactured home
- Monthly Space Rent Bill

Please provide evidence to verify each of the income sources listed on your application. If tax returns are provided, please provide original signatures on the tax returns certifying as to the authenticity of the tax return.

If your current year tax return has **not** been filed, please provide a copy of the extension, along with a W-2, business financial statement, or other document evidencing your income for the prior **full** year. Please also provide the following if you are:

Employed

- A full copy of your most recent two years federal tax returns.
- A copy of your most recent pay stub.
- Overtime and bonus income can be used if it is evidenced in your most recent two years' federal tax return and year-to-date paystub that you received it. Include this information only if you wish to have it included in the credit decision.

Self-Employed or Non-Salaried Income

- Full copies of federal tax returns of applicant and all related entities, including K-1's for the past two years. Please reflect the most recent earnings information on your application for credit.
- A copy of your current interim business financial statement.
- A copy of your current business debt schedule.
- An accounting of current year-to-date income.

Also enclosed are the following disclosure forms, which you should **review and maintain for your future reference:**

- Adjustable Rate Mortgage Program Disclosure for Automatic Debit Preferred-Rate Loans (applies to the 15-year, fixed-rate option)
- Disclosure of Right to Receive a Copy of the Appraisal
- Frequently Asked Questions about your Escrow Account
- Customer Privacy Policy
- Consumer Handbook on Adjustable Rate Mortgages

Thank you for considering Montecito Bank & Trust for your manufactured home loan. If you have any questions as you review these forms and disclosures, please feel free to contact us.

MANUFACTURED HOME LOAN APPLICATION

1. LOAN TYPE: Please choose one.

Fixed Rate, 15-year term	Adjustable Rate, 20-year term (rate adjusts every 5 years)
Adjustable Rate, 20-year term (rate adjusts every 10 years)	Adjustable Rate, 25-year term (rate adjusts every 5 years)

2. APPLICATION STATUS: Please mark one box below and see instructions.

Individual Credit: If you are applying individually and are NOT married and are NOT a registered domestic partner, please complete all sections of this application except those pertaining to a spouse or registered domestic partner. If you are applying individually and are married or are a registered domestic partner, please complete all sections of this application and include all information about your spouse or partner. Your spouse or partner is NOT required to sign this application.

Joint Credit With Spouse or Registered Domestic Partner: Please complete all sections of this application. Both parties are required to sign this application. We intend to apply jointly: Applicant: Yes No Initial____ Co-Applicant: Yes No Initial____

Joint Credit With Person(s) Other Than Spouse or Registered Domestic Partner, or Individual Credit Relying on Another Person's Income: If you are married or are a registered domestic partner, please complete all sections of this application and include all information about your spouse or partner. Your spouse or partner is not required to sign this application. The co-applicant or person on whose income you are relying must complete a separate application. We intend to apply jointly: Applicant: Yes No Initial____ Co-Applicant: Yes No Initial____

3. PLEASE TELL US ABOUT YOUR CREDIT REQUEST:

TOTAL AMOUNT REQUESTED \$ _____ Check Box if Application is a request for a Preapproval (where a property has not yet been identified)

FUNDS TO BE USED FOR THE PURPOSE OF (Complete all applicable boxes. Total(s) must equal Total Amount Requested above.)

Home Purchase \$ _____

Home Improvement \$ _____

Other \$ _____ (Please describe other purpose:)

Refinance an Existing Mortgage Used to Purchase a Home \$ _____

ARE YOU PAYING ANY BROKER or REAL ESTATE AGENT or REALTOR FEES IN CONNECTION WITH THIS TRANSACTION? YES NO

IF YES, INDICATE AMOUNT: \$ _____

Name(s) in which Title will be held: _____

Manner in which Title will be held: _____

4. PLEASE TELL US ABOUT THE DWELLING YOU WISH TO USE AS COLLATERAL:

Dwelling Address (street, city, state, & ZIP)		Primary Residence	Second Home
Year Acquired	Original Cost \$	Estimated Market Value \$	Amount of Existing Liens \$
Name of Manufactured Home Park			Monthly Space Rent \$
Is your dwelling occupied?	<input type="radio"/> Yes <input type="radio"/> No	Is there a mortgage on your dwelling?	Yes No
Is your dwelling for sale?	<input type="radio"/> Yes <input type="radio"/> No		
Are taxes & insurance impounded?	Yes No		

5. PLEASE TELL US ABOUT YOURSELF:

Name (include Jr. or Sr. if applicable)		Driver's License No./State /	Driver's License Issue Date	Driver's License Expiration Date
Social Security Number		Date of Birth		
Home Phone		Cell Phone	E-mail*	
*To unsubscribe from Montecito Bank & Trust emails with special offers, deals, promotions or surveys email unsubscribe@montecito.bank .				
Marital Status Married Unmarried (Single, Divorced, Widowed) Registered Domestic Partner	Separated	Dependents (not listed by Co-Borrower) No. Ages:	Present Physical Address (street, city, state, ZIP)	
Own/Rent Own Rent	No. of Years There	Present Mailing Address (if different from above address)		
If residing at present address for less than two years, complete the following:				
Former Address (street, city, state, ZIP)		Own/Rent Own Rent	No. of Years There	

CO-APPLICANT INFORMATION:

Name (include Jr. or Sr. if applicable)		Driver's License No./State /	Driver's License Issue Date	Driver's License Expiration Date
Social Security Number		Date of Birth		
Home Phone		Cell Phone	E-mail*	

*To unsubscribe from Montecito Bank & Trust emails with special offers, deals, promotions or surveys email unsubscribe@montecito.bank.

Marital Status Married Separated Unmarried (Single, Divorced, Widowed) Registered Domestic Partner	Dependents (not listed by Co-Borrower) No. Ages:	Present Physical Address (street, city, state, ZIP)
Own/Rent Own Rent	No. of Years There	Present Mailing Address (if different from above address)

If residing at present address for less than two years, complete the following:

Former Address (street, city, state, ZIP)	Own/Rent Own Rent	No. of Years There
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6. PLEASE PROVIDE YOUR EMPLOYMENT INFORMATION:

Name of Employer		Address of Employer		Self-Employed? Active Military? Retired?
Years on this job	Years employed in this line of work or profession	Position/Title/Type of Business	Business Phone	Supervisor Name/Phone /

If employed in current position for less than two years, or if currently employed in more than one position, complete the following:

Name of Employer		Address of Employer		Self-Employed? Yes No
Dates (From – To)	Position/Title/Type of Business		Business Phone	

CO-APPLICANT EMPLOYMENT INFORMATION:

Name of Employer		Address of Employer		Self-Employed? Active Military? Retired?
Years on this job	Years employed in this line of work or profession	Position/Title/Type of Business	Business Phone	Supervisor Name/Phone /

If employed in current position for less than two years, or if currently employed in more than one position, complete the following:

Name of Employer		Address of Employer		Self-Employed? Yes No
Dates (From – To)	Position/Title/Type of Business		Business Phone	

7. PLEASE PROVIDE YOUR MONTHLY INCOME:

Gross Monthly Salary and Wages \$	Net Monthly Salary and Wages \$	Salary Wages Paid Monthly Bi-Monthly Weekly Bi-Weekly			
<i>Alimony, child support or separate maintenance income needs to be listed only if you wish such income to be considered in evaluating this application. Include overtime pay, bonuses, commissions, rental income, and income from part-time employment if you receive it on a regular basis.</i>					
Alimony, child support, or separate maintenance received under: Court Order Written Agreement Oral Understanding Number of years remaining _____					
Other Income (Gross Monthly) \$	Source	Other Income (Gross Monthly) \$	Source		
Other Income (Gross Monthly) \$	Source	Other Income (Gross Monthly) \$	Source		

CO-APPLICANT MONTHLY INCOME:

Gross Monthly Salary and Wages \$	Net Monthly Salary and Wages \$	Salary Wages Paid Monthly Bi-Monthly Weekly Bi-Weekly			
<i>Alimony, child support or separate maintenance income needs to be listed only if you wish such income to be considered in evaluating this application. Include overtime pay, bonuses, commissions, rental income, and income from part-time employment if you receive it on a regular basis.</i>					
Alimony, child support, or separate maintenance received under: Court Order Written Agreement Oral Understanding Number of years remaining _____					
Other Income (Gross Monthly) \$	Source	Other Income (Gross Monthly) \$	Source		
Other Income (Gross Monthly) \$	Source	Other Income (Gross Monthly) \$	Source		

8. PLEASE TELL US ABOUT YOUR PERSONAL FINANCES:

List assets and liabilities for you and, if married or a Registered Domestic Partner, your spouse or partner. If married or a Registered Domestic Partner, we will assume all assets are community property and all debts are community obligations unless you indicate otherwise. Attach a separate sheet if you need more space.

ASSETS		LIABILITIES		
DESCRIPTION	CASH OR MARKET VALUE	CREDITORS' NAMES, ADDRESSES, & ACCOUNT #'s	MONTHLY PAYMENT & NO. OF MONTHS LEFT TO PAY	UNPAID BALANCE
Checking and savings accounts (show name of institution and account number):	\$	Debts (include "revolving" charge accounts):	\$ payment / # of months	\$
(checking)	\$		\$ /	\$
(checking)	\$		\$ /	\$
(savings)	\$		\$ /	\$
(savings)	\$		\$ /	\$
IRA/KEOGH	\$		\$ /	\$
STOCKS & BONDS (attach schedule)	\$		\$ /	\$
LIFE INSURANCE (cash value)	\$	OTHER LIABILITIES	\$ /	\$
REAL ESTATE OWNED FROM SCHEDULE BELOW	\$	REAL ESTATE LOANS: FIRST MORTGAGE	\$ /	\$
ADDITIONAL REAL ESTATE OWNED	\$	SECOND MORTGAGE	\$ /	\$
AUTO (make & year) -	\$	AUTO LOAN	\$ /	\$
AUTO (make & year) -	\$	AUTO LOAN	\$ /	\$
VESTED INTEREST in RETIREMENT FUND	\$	PROPERTY TAXES & HAZARD INSURANCE PREMIUMS	\$ /	
FURNITURE AND PERSONAL PROPERTY	\$	HOMEOWNERS ASSOCIATION DUES	\$ /	
NET WORTH OF BUSINESS OWNED	\$	RENT OR SPACE RENT	\$ /	
OTHER ASSETS	\$	ALIMONY, CHILD SUPPORT & SEPARATE MAINTENANCE	\$ /	
TOTAL ASSETS	\$	TOTAL LIABILITIES	\$	

SCHEDULE OF REAL ESTATE OWNED

Property Address	Purchase Year	Purchase Price	Market Value	Monthly Income	Monthly Payment	Loan Balance
		\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$
Totals		\$	\$	\$	\$	\$

9. REPRESENTATIONS

1. Have you or your spouse ever been the subject of bankruptcy proceedings or other debt reorganization or debt relief?	Yes	No
2. Have you ever had voluntary or involuntary repossessions of a vehicle, appliance or any other item?	Yes	No
3. Have you had any property foreclosed upon, including deed-in-lieu, within the last 7 years?	Yes	No
4. Have you ever had a loan charged off?	Yes	No
5. Are you a Guarantor, Co-maker or Endorser on anyone's debt?	Yes	No
6. Have you ever applied or obtained credit under another name? If yes, list name(s) _____	Yes	No
7. Are there any suits or unpaid judgments now pending against you?	Yes	No
8. Are any assets held in trust?	Yes	No
9. Are any assets encumbered or debts secured except as indicated in this application?	Yes	No

AGREEMENT. Each of the undersigned ("You, "Your") specifically represents to Montecito Bank & Trust ("Lender") and agrees and acknowledges that: (1) the information provided in this application, as well as any other information that you provide to Lender (such as tax returns) is true and correct as of the date set forth opposite your signature and that any intentional or negligent misrepresentation of this information may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that you have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a consensual security interest in the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) the property will be occupied as indicated in this application; (5) Lender may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (6) Lender may continuously rely on the information contained in the application, you are obligated to amend and/or supplement the information provided in this application if any of the material facts that you have represented herein should change prior to the Loan closing; (7) in the event that your payments on the Loan become delinquent, Lender may, in addition to any other rights and remedies that it may have relating to such delinquency, report your name and account information to one or more consumer reporting agencies; and (8) Lender has not made any representation or warranty, express or implied, to you regarding the property or the condition or value of the property.

Acknowledgement. Each of you hereby acknowledges that Lender may verify or re-verify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency. You authorize Montecito Bank & Trust ("Lender") to make all inquiries it deems necessary, including the obtaining of a credit bureau report, and to verify the accuracy of your statements with any source (including credit bureaus), and to determine your creditworthiness, now and on an ongoing basis, and you release all parties from any and all liability or claims for any damage whatsoever that may result therefrom. This means that Lender is authorized to contact the employer(s) listed above. You authorize Lender to use this information, and information from any credit bureau, in selecting and informing you about other products and services offered by Lender.

If your loan is approved, Lender may obtain future consumer credit reports on you to use in extending, modifying, or otherwise reviewing your loan. The undersigned acknowledge receipt of the following disclosures: 1) Manufactured Home Adjustable Rate Mortgage Loan Program Disclosure; 2) Consumer Handbook on Adjustable Rate Mortgages (CHARM Booklet); 3) Adjustable Rate Mortgage Program Disclosure for Preferred Rate Discount for Automatic Debit; 4) Disclosure of Right to Receive Copy of Appraisal; 5) The Housing and Financial Discrimination Act of 1977 Fair Lending Notice; and 6) Customer Privacy Policy.

USA PATRIOT ACT: Customer Identification Program – Enacted to help the government fight the funding of terrorism and money laundering activities. Federal law requires financial institutions to obtain, verify, and record information that identifies each person who opens an account. When you open an account we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

I authorize Montecito Bank & Trust to deduct payments for my Manufactured Home Loan each month from the Montecito Bank & Trust checking account listed below in accordance with the provisions in the Manufactured Home Loan documents. Payments can only be debited from an account with the same entitlement/ownership. Please enter account number below.

No, I do not want automatic repayment and understand that the interest rate will be increased by one quarter of one percent (.250%) and that my monthly payment will be increased.

Montecito Bank & Trust Account Number:

X _____
Signature of Applicant Date

X _____
Signature of Co-Applicant Date

Mortgage Loan Originator Names and Nationwide Mortgage Licensing System and Registry IDs	Branch Associate:
Montecito Bank & Trust NMLSR ID: 472185	MLO? <input type="checkbox"/> Yes <input type="checkbox"/> No NMLSR ID:

BANK USE ONLY:	Application Accepted By:	Branch Number Responsible:	Date Received by Branch:
CLG Received by:	Date CLG Received:		

Demographic Information of Applicant and Co-Applicant

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, race, and sex) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race". The law provides that we may not discriminate on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, race, and sex on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

Applicant: _____

Ethnicity – Check one or more

Hispanic or Latino
 Mexican Puerto Rican Cuban
 Other Hispanic or Latino – Print origin:

Examples: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, etc.

Not Hispanic or Latino
 I do not wish to provide this information

Race – Check one or more

American Indian or Alaska native - Print name of enrolled or

principal tribe: _____

Asian
 Asian Indian Chinese Filipino
 Japanese Korean Vietnamese
 Other Asian – Print race

Examples: Hmong, Laotian, Thai, Pakistani, Cambodian, etc.

Black or African American
 Native Hawaiian or Other Pacific Islander
 Native Hawaiian Guamanian or Chamorro Somoan
 Other Pacific Islander – Print race:

Examples: Fijian, Tongan, etc.

White
 I do not wish to provide this information

Sex

Female
 Male
 I do not wish to provide this information

Co-Applicant: _____

Ethnicity – Check one or more

Hispanic or Latino
 Mexican Puerto Rican Cuban
 Other Hispanic or Latino – Print origin:

Examples: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on

Not Hispanic or Latino
 I do not wish to provide this information

Race – Check one or more

American Indian or Alaska native - Print name of enrolled or

principal tribe: _____

Asian
 Asian Indian Chinese Filipino
 Japanese Korean Vietnamese
 Other Asian – Print race

Examples: Hmong, Laotian, Thai, Pakistani, Cambodian, etc.

Black or African American
 Native Hawaiian or Other Pacific Islander
 Native Hawaiian Guamanian or Chamorro Somoan
 Other Pacific Islander – Print race:

Examples: Fijian, Tongan, etc.

White
 I do not wish to provide this information

Sex

Female
 Male
 I do not wish to provide this information

To be completed by Financial Institution (for an application taken in person):	Applicant		Co-Applicant	
Was the ethnicity of the applicant(s) collected on the basis of visual observation or	No	Yes	No	Yes
Was the race of the applicant(s) collected on the basis of visual observation or surname?	No	Yes	No	Yes
Was the sex of the applicant(s) collected on the basis of visual observation or surname?	No	Yes	No	Yes

The Demographic Information of the Applicant(s) was provided through:

Applicant:	Face-to-Face	Telephone	Fax or Mail	Email or Internet
Co-Applicant:	Face-to-Face	Telephone	Fax or Mail	Email or Internet

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MANUFACTURED HOME ADJUSTABLE RATE MORTGAGE LOAN PROGRAMS DISCLOSURE

This disclosure describes the features of the Adjustable Rate Mortgage (ARM) program you are considering. Information on other ARM programs we offer is available upon request. We begin with the features that all of the manufactured home ARMs discussed below have in common and then discuss some of the features that are particular to each manufactured home ARM.

COMMON FEATURES OF OUR MANUFACTURED HOME ARM PROGRAMS

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

- This program features an initial fixed rate period and then converts to an adjustable rate indexed to the appropriate weekly average yield on U.S. Treasury securities as described below.
- Your interest rate will be based on an index plus a margin.
- Your payment will be based on the interest rate, loan balance, and remaining loan term.
 - The interest rate will be based on the weekly average yield on U.S. Treasury securities adjusted to a constant maturity, as specified below, plus our margin. Ask for our current interest rate and margin.
 - Information about the index is published by the Federal Reserve in Statistical Release H.15, which is available at the Federal Reserve Board's website at www.federalreserve.gov/releases/h15/update.
 - The initial interest rate is not based on the index used to make later adjustments. However, the initial interest rate may be equal to the index plus the margin or may include a discount or may include a premium. If your initial interest rate includes a discount, the initial rate will be lower than the sum of the index plus the margin. If your initial interest rate includes a premium, the initial rate will be higher than the sum of the index plus the margin. Ask us for the current initial interest rate and any discount or premium.

*****Note: All features described above apply to all manufactured home ARM programs discussed below.*****

FEATURES SPECIFIC TO OUR MANUFACTURED HOME ARM PROGRAMS

I. MANUFACTURED HOME ARMS WITH 5-YEAR FIXED-RATE PERIOD

HOW YOUR INTEREST RATE CAN CHANGE

- The interest rate will be based on the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five (5) years plus our margin. Ask us for our current interest rate and margin.
- The first adjustment to your interest rate may occur after five (5) years and every five (5) years thereafter.
- Your interest rate will have a limitation (cap). Your interest rate cannot increase to more than twelve percent (12.000%) over the term of the loan.
- Your interest rate may include a preferred rate reduction of 0.25%, if, at loan origination, you have authorized lender to deduct payments from your checking account maintained with lender. Your interest rate may increase based on the occurrence of any of the following events:
 - You at any time revoke your authorization for lender to deduct payments from your checking account maintained with lender;
 - You close the checking account maintained with lender for automatic payments; or
 - On three (3) or more occasions during a twelve (12) month period there are insufficient funds available in the checking account to satisfy the payment amount due.
- If you cease making payments by automatic withdrawal, whether voluntarily or involuntarily, then lender may immediately increase the interest rate by 0.25%.

HOW YOUR PAYMENT CAN CHANGE

- After the first five (5) years, your payment can change every five (5) years based on changes in the interest rate.

- *Initial Payment Change Notice:* You will be notified 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.
- *Payment Change Notices:* 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.
- Changes in the interest rate on your loan will mean that your payment will change to an amount sufficient to repay your loan over its lifetime at the new interest rate. Your monthly payment may therefore increase or decrease substantially depending on changes in the interest rate.
- For example, on a \$10,000 20-year loan with an initial interest rate of 5.600% in effect July 2017, the maximum amount that the interest rate can rise under this program is 6.400 percentage points, to 12.000%, and the monthly payment can rise from a first-year payment of \$69.37 to a maximum of \$101.27 in the sixth year. To see what your payment would be, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the first year monthly payment for a mortgage amount of \$60,000 would be: $\$60,000 \div \$10,000 = 6$; $6 \times \$69.37 = \416.22 per month.)
- For example, on a \$10,000 25-year loan with an initial interest rate of 5.85% in effect July 2017, the maximum amount that the interest rate can rise under this program is 6.15 percentage points, to 12.000%, and the monthly payment can rise from a first-year payment of \$63.54 to a maximum of \$98.87 in the sixth year. To see what your payment would be, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the first year monthly payment for a mortgage amount of \$60,000 would be: $\$60,000 \div \$10,000 = 6$; $6 \times \$63.54 = \381.24 per month.)

II. MANUFACTURED HOME ARM WITH 10-YEAR FIXED-RATE PERIOD

HOW YOUR INTEREST RATE CAN CHANGE

- The interest rate will be based on the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of ten (10) years plus our margin. Ask us for our current interest rate and margin.
- Your interest rate can change after ten (10) years, but will remain the same thereafter.
- Your interest rate will have a limitation (cap). Your interest rate cannot increase to more than twelve percent (12.000%) over the term of the loan.
- Your interest rate may include a preferred rate reduction of 0.25%, if, at loan origination, you have authorized lender to deduct payments from your checking account maintained with lender. Your interest rate may increase based on the occurrence of any of the following events:
 - You at any time revoke your authorization for lender to deduct payments from your checking account maintained with lender;
 - You close the checking account maintained with lender for automatic payments; or
 - On three (3) or more occasions during a twelve (12) month period there are insufficient funds available in the checking account to satisfy the payment amount due.
- If you cease making payments by automatic withdrawal, whether voluntarily or involuntarily, then lender may immediately increase the interest rate by 0.25%.

HOW YOUR PAYMENT CAN CHANGE

- After the first ten (10) years, your payment can change based on a change in the interest rate.
- *Initial Payment Change Notice:* You will be notified 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.
- *Payment Change Notices:* 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.
- Changes in the interest rate on your loan will mean that your payment will change to an amount sufficient to repay your loan over its lifetime at the new interest rate. Your monthly payment may therefore increase or decrease substantially depending on changes in the interest rate.

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THE HOUSING FINANCIAL DISCRIMINATION ACT OF 1977**FAIR LENDING NOTICE****IT IS ILLEGAL TO DISCRIMINATE IN THE PROVISION OF OR IN THE AVAILABILITY OF FINANCIAL ASSISTANCE BECAUSE OF THE CONSIDERATION OF:**

1. TRENDS, CHARACTERISTICS OR CONDITIONS IN THE NEIGHBORHOOD OR GEOGRAPHIC AREA SURROUNDING A HOUSING ACCOMMODATION, UNLESS THE FINANCIAL INSTITUTION CAN DEMONSTRATE IN THE PARTICULAR CASE THAT SUCH CONSIDERATION IS REQUIRED TO AVOID AN UNSAFE AND UNSOUND BUSINESS PRACTICE; OR
2. RACE, COLOR, RELIGION, SEX, MARITAL STATUS, NATIONAL ORIGIN OR ANCESTRY

IT IS ILLEGAL TO CONSIDER THE RACIAL, ETHNIC, RELIGIOUS OR NATIONAL ORIGIN COMPOSITION OF A NEIGHBORHOOD OR GEOGRAPHIC AREA SURROUNDING A HOUSING ACCOMMODATION OR WHETHER OR NOT SUCH COMPOSITION IS UNDERGOING CHANGE, OR IS EXPECTED TO UNDERGO CHANGE, IN APPRAISING A HOUSING ACCOMMODATION OR IN DETERMINING WHETHER OR NOT, OR UNDER WHAT TERMS AND CONDITIONS, TO PROVIDE FINANCIAL ASSISTANCE.

THESE PROVISIONS GOVERN FINANCIAL ASSISTANCE FOR THE PURPOSE OF THE PURCHASE, CONSTRUCTION, REHABILITATION OR REFINANCING OF ONE- TO FOUR-UNIT FAMILY RESIDENCES OCCUPIED BY THE OWNER AND FOR THE PURPOSE OF THE HOME IMPROVEMENT OF ANY ONE- TO FOUR-UNIT FAMILY RESIDENCE.

IF YOU HAVE QUESTIONS ABOUT YOUR RIGHTS, OR IF YOU WISH TO FILE A COMPLAINT, CONTACT THE MANAGEMENT OF THIS FINANCIAL INSTITUTION OR:

Department of Business Oversight

300 South Spring Street
Suite 15513
Los Angeles, California 90013-1259

Department of Business Oversight

1 Sansome Street
Suite 600
San Francisco, CA 94104-4428

ACKNOWLEDGEMENT OF RECEIPT

I (we) received a copy of this notice.

Signature of Applicant

Date

Signature of Applicant

Date

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THE HOUSING FINANCIAL DISCRIMINATION ACT OF 1977**FAIR LENDING NOTICE****IT IS ILLEGAL TO DISCRIMINATE IN THE PROVISION OF OR IN THE AVAILABILITY OF FINANCIAL ASSISTANCE BECAUSE OF THE CONSIDERATION OF:**

1. TRENDS, CHARACTERISTICS OR CONDITIONS IN THE NEIGHBORHOOD OR GEOGRAPHIC AREA SURROUNDING A HOUSING ACCOMMODATION, UNLESS THE FINANCIAL INSTITUTION CAN DEMONSTRATE IN THE PARTICULAR CASE THAT SUCH CONSIDERATION IS REQUIRED TO AVOID AN UNSAFE AND UNSOUND BUSINESS PRACTICE; OR
2. RACE, COLOR, RELIGION, SEX, MARITAL STATUS, NATIONAL ORIGIN OR ANCESTRY

IT IS ILLEGAL TO CONSIDER THE RACIAL, ETHNIC, RELIGIOUS OR NATIONAL ORIGIN COMPOSITION OF A NEIGHBORHOOD OR GEOGRAPHIC AREA SURROUNDING A HOUSING ACCOMMODATION OR WHETHER OR NOT SUCH COMPOSITION IS UNDERGOING CHANGE, OR IS EXPECTED TO UNDERGO CHANGE, IN APPRAISING A HOUSING ACCOMMODATION OR IN DETERMINING WHETHER OR NOT, OR UNDER WHAT TERMS AND CONDITIONS, TO PROVIDE FINANCIAL ASSISTANCE.

THESE PROVISIONS GOVERN FINANCIAL ASSISTANCE FOR THE PURPOSE OF THE PURCHASE, CONSTRUCTION, REHABILITATION OR REFINANCING OF ONE- TO FOUR-UNIT FAMILY RESIDENCES OCCUPIED BY THE OWNER AND FOR THE PURPOSE OF THE HOME IMPROVEMENT OF ANY ONE- TO FOUR-UNIT FAMILY RESIDENCE.

IF YOU HAVE QUESTIONS ABOUT YOUR RIGHTS, OR IF YOU WISH TO FILE A COMPLAINT, CONTACT THE MANAGEMENT OF THIS FINANCIAL INSTITUTION OR:

Department of Business Oversight

300 South Spring Street
Suite 15513
Los Angeles, California 90013-1259

Department of Business Oversight

1 Sansome Street
Suite 600
San Francisco, CA 94104-4428

ACKNOWLEDGEMENT OF RECEIPT

I (we) received a copy of this notice.

Signature of Applicant

Date

Signature of Applicant

Date

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PROPERTY DESCRIPTION

To assist us in understanding your property, please describe your home.

Property Address: _____

Single family residence	Year purchased: _____	Square footage: _____
Condominium	Purchase price: _____	Bedrooms: _____
Manufactured home	Lot size: _____	Bathrooms: _____
Duplex	Year built: _____	Total rooms: _____
Other _____		

Please describe any additional features of your home (Pool, spa, guest house, barn, court, etc.):

View: _____

Condition: _____

Parking: _____

If you have remodeled or added an addition, please describe the cost and date of construction:

If you are in a homeowners' association, please list the association name and monthly dues:

Completed by: _____ Date: _____

Request for Transcript of Tax Return

- ▶ **Do not sign this form unless all applicable lines have been completed.**
- ▶ **Request may be rejected if the form is incomplete or illegible.**
- ▶ **For more information about Form 4506-T, visit www.irs.gov/form4506t.**

OMB No. 1545-1872

Tip. Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on "Get a Tax Transcript..." under "Tools" or call 1-800-908-9946. If you need a copy of your return, use **Form 4506, Request for Copy of Tax Return**. There is a fee to get a copy of your return.

1a Name shown on tax return. If a joint return, enter the name shown first.	1b First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)
2a If a joint return, enter spouse's name shown on tax return.	2b Second social security number or individual taxpayer identification number if joint tax return
3 Current name, address (including apt., room, or suite no.), city, state, and ZIP code (see instructions)	
4 Previous address shown on the last return filed if different from line 3 (see instructions)	
5 If the transcript or tax information is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number.	

Caution: If the tax transcript is being mailed to a third party, ensure that you have filled in lines 6 through 9 before signing. Sign and date the form once you have filled in these lines. Completing these steps helps to protect your privacy. Once the IRS discloses your tax transcript to the third party listed on line 5, the IRS has no control over what the third party does with the information. If you would like to limit the third party's authority to disclose your transcript information, you can specify this limitation in your written agreement with the third party.

6 Transcript requested. Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. ▶ _____

a Return Transcript, which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120-A, Form 1120-H, Form 1120-L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days

b Account Transcript, which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. Most requests will be processed within 10 business days

c Record of Account, which provides the most detailed information as it is a combination of the Return Transcript and the Account Transcript. Available for current year and 3 prior tax years. Most requests will be processed within 10 business days

7 Verification of Nonfiling, which is proof from the IRS that you **did not** file a return for the year. Current year requests are only available after June 15th. There are no availability restrictions on prior year requests. Most requests will be processed within 10 business days

8 Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript. The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2011, filed in 2012, will likely not be available from the IRS until 2013. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213. Most requests will be processed within 10 business days

Caution: If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.

9 Year or period requested. Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than four years or periods, you must attach another Form 4506-T. For requests relating to quarterly tax returns, such as Form 941, you must enter each quarter or tax period separately.

/	/	/	/

Caution: Do not sign this form unless all applicable lines have been completed.

Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, at least one spouse must sign. If signed by a corporate officer, 1 percent or more shareholder, partner, managing member, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-T on behalf of the taxpayer. **Note:** This form must be received by IRS within 120 days of the signature date.

Signatory attests that he/she has read the attestation clause and upon so reading declares that he/she has the authority to sign the Form 4506-T. See instructions.

Signature (see instructions)	Date
Title (if line 1a above is a corporation, partnership, estate, or trust)	
Spouse's signature	Date

Phone number of taxpayer on line 1a or 2a

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about Form 4506-T and its instructions, go to www.irs.gov/form4506t. Information about any recent developments affecting Form 4506-T (such as legislation enacted after we released it) will be posted on that page.

General Instructions

Caution: Do not sign this form unless all applicable lines have been completed.

Purpose of form. Use Form 4506-T to request tax return information. You can also designate (on line 5) a third party to receive the information. Taxpayers using a tax year beginning in one calendar year and ending in the following year (fiscal tax year) must file Form 4506-T to request a return transcript.

Note: If you are unsure of which type of transcript you need, request the Record of Account, as it provides the most detailed information.

Tip. Use Form 4506, Request for Copy of Tax Return, to request copies of tax returns.

Automated transcript request. You can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on "Get a Tax Transcript..." under "Tools" or call 1-800-908-9946.

Where to file. Mail or fax Form 4506-T to the address below for the state you lived in, or the state your business was in, when that return was filed. There are two address charts: one for individual transcripts (Form 1040 series and Form W-2) and one for all other transcripts.

If you are requesting more than one transcript or other product and the chart below shows two different addresses, send your request to the address based on the address of your most recent return.

Chart for individual transcripts (Form 1040 series and Form W-2 and Form 1099)

If you filed an individual return and lived in:	Mail or fax to:
Alabama, Kentucky, Louisiana, Mississippi, Tennessee, Texas, a foreign country, American Samoa, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, or A.P.O. or F.P.O. address	Internal Revenue Service RAIVS Team Stop 6716 AUSC Austin, TX 73301 855-587-9604
Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	Internal Revenue Service RAIVS Team Stop 37106 Fresno, CA 93888 855-800-8105
Connecticut, Delaware, District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia	Internal Revenue Service RAIVS Team Stop 6705 P-6 Kansas City, MO 64999 855-821-0094

Chart for all other transcripts

If you lived in or your business was in:	Mail or fax to:
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming, a foreign country, American Samoa, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, or A.P.O. or F.P.O. address	Internal Revenue Service RAIVS Team P.O. Box 9941 Mail Stop 6734 Ogden, UT 84409 855-298-1145
Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Internal Revenue Service RAIVS Team P.O. Box 145500 Stop 2800 F Cincinnati, OH 45250 855-800-8015

Line 1b. Enter your employer identification number (EIN) if your request relates to a business return. Otherwise, enter the first social security number (SSN) or your individual taxpayer identification number (ITIN) shown on the return. For example, if you are requesting Form 1040 that includes Schedule C (Form 1040), enter your SSN.

Line 3. Enter your current address. If you use a P.O. box, include it on this line.

Line 4. Enter the address shown on the last return filed if different from the address entered on line 3.

Note: If the addresses on lines 3 and 4 are different and you have not changed your address with the IRS, file Form 8822, Change of Address. For a business address, file Form 8822-B, Change of Address or Responsible Party — Business.

Line 6. Enter only one tax form number per request.

Signature and date. Form 4506-T must be signed and dated by the taxpayer listed on line 1a or 2a. The IRS must receive Form 4506-T within 120 days of the date signed by the taxpayer or it will be rejected. Ensure that all applicable lines are completed before signing.



You must check the box in the signature area to acknowledge you have the authority to sign and request the information. The form will not be processed and returned to you if the box is unchecked.

Individuals. Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. Sign Form 4506-T exactly as your name appeared on the original return. If you changed your name, also sign your current name.

Corporations. Generally, Form 4506-T can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer. A bona fide shareholder of record owning 1 percent or more of the outstanding stock of the corporation may submit a Form 4506-T but must provide documentation to support the requester's right to receive the information.

Partnerships. Generally, Form 4506-T can be signed by any person who was a member of the partnership during any part of the tax period requested on line 9.

All others. See section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

Note: If you are Heir at law, Next of kin, or Beneficiary you must be able to establish a material interest in the estate or trust.

Documentation. For entities other than individuals, you must attach the authorization document. For example, this could be the letter from the principal officer authorizing an employee of the corporation or the letters testamentary authorizing an individual to act for an estate.

Signature by a representative. A representative can sign Form 4506-T for a taxpayer only if the taxpayer has specifically delegated this authority to the representative on Form 2848, line 5. The representative must attach Form 2848 showing the delegation to Form 4506-T.

Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on this form to establish your right to gain access to the requested tax information under the Internal Revenue Code. We need this information to properly identify the tax information and respond to your request. You are not required to request any transcript; if you do request a transcript, sections 6103 and 6109 and their regulations require you to provide this information, including your SSN or EIN. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506-T will vary depending on individual circumstances. The estimated average time is: **Learning about the law or the form,** 10 min.; **Preparing the form,** 12 min.; and **Copying, assembling, and sending the form to the IRS,** 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506-T simpler, we would be happy to hear from you. You can write to:

Internal Revenue Service
Tax Forms and Publications Division
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

Do not send the form to this address. Instead, see *Where to file* on this page.

AUTHORIZATION TO RELEASE INFORMATION

Applicant Name: _____

Mailing Address: _____

I (we) have applied for a loan or line of credit (the “Loan”) with Montecito Bank & Trust (the “Bank”). As part of the application process, the Bank may verify information contained in my (our) loan application and/or in other documents required in connection with the Loan, either before the Loan is closed or as part of the Bank’s quality control program.

I (we) authorize the Bank to obtain any and all information required to process my/our loan application, including but not limited to:

- Employment history (dates, title, income, hours worked, etc.)
- Banking and savings accounts of record.
- Mortgage loan rating (opening date, high credit, payment amount, loan balance, and payment record).
- Rental verification (opening date, payment amount, payment record).
- Any information deemed necessary in connection with a consumer credit report for the Loan, including my/our consumer and business credit histories.
- Re-verification of information after closing for quality control needs.

In addition, I (we) authorize release of information regarding the amount needed to pay off existing loans related to this application. I (we) further authorize the Bank to directly request relevant payoff statements (demand statements). The information is for the confidential use of the Bank in determining my (our) creditworthiness for the Loan or to confirm information I (we) have supplied. In addition, I (we) are aware that the documentation supplied is subject to re-verification after the loan disbursement.

A photocopy or FAX copy of this authorization may be deemed to be the equivalent of the original and may be used as a duplicate original.

NOTICE TO APPLICANT: Federal law requires all financial institutions to require, obtain, and verify information that identifies each person who opens an account. What this means to you: When you open an account (including the Loan), the Bank will ask for your name, residential address, date of birth and social security number, which will allow the Bank to verify your identity.

Please respond as soon as possible to facilitate the processing of this Loan application. A separate form should be completed for additional applicants.

Applicant _____
(Please Print)

Social Security Number _____

Date of Birth _____

Date _____

Supervisor/HR Phone _____

Applicant Signature _____

Applicant _____
(Please Print)

Social Security Number _____

Date of Birth _____

Date _____

Supervisor/HR Phone _____

Applicant Signature _____

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**CERTIFICATION OF TRUST
(Loans, Deposits, Safe Deposit and Investments) (Probate Code 18100.5)**

Revocable Trusts: The current, acting trustee or trustees should complete the following Certification of Trust (“Certification”). Do not request or accept copies of pages from the trust or the trust agreement.

Irrevocable Trusts: The current, acting trustee or trustees should complete the following Certification. Attach the following pages of the trust agreement to this Certification: 1) the page that gives the name of the trust; 2) the page(s) that identify the trustee(s) and successor trustee(s); and 3) the signature page showing that the trust agreement has been executed. With the exception of situations where Montecito Bank & Trust is appointed as trustee or successor trustee, DO NOT ATTACH A FULL COPY OF THE TRUST AGREEMENT. Inconsistencies in the information provided in this Certification and such information as set forth in the pages of the Trust Agreement provided to Montecito Bank & Trust (“Bank”) shall be resolved in favor of the facts as stated in the pages of the Trust Agreement provided to the Bank.

Each of the undersigned as trustee of the Trust (“Trustee”), and as an individual, certifies as follows:

1. **Full Name of Trust** (e.g., “*Smith Family Living Trust under Declaration of Trust dated 1/1/90*”):
 _____ (the
 “Trust” or “Trust Agreement”).
2. **Date of Trust.** The Trust Agreement is dated: _____.
3. **Revocability** (*one box must be checked*):
 - A. **Revocable.** The Trust is a revocable trust. The power to revoke is currently held by the trustors/settlors named below.
 Trustor: _____
 Trustor: _____
 Trustor: _____
 - B. **Irrevocable.** The Trust is an irrevocable trust.
4. **Trustors (aka Settlers).** The names of all trustors, as stated in the Trust Agreement (as amended), are:
 - a. _____
 - b. _____
 - c. _____
5. **Current Trustees.** The names of all currently acting trustees, as stated in the Trust Agreement (as amended), are:
 - a. _____
 - b. _____
 - c. _____
6. **Number of Trustees** (*one box must be checked*):
 - A. I am the current and sole Trustee of the Trust.
 - B. We are all of the current Co-Trustees of the Trust.

7. **Signature Authority** *(one box must be checked):*

- A. As sole Trustee, I have all necessary signature authority to bind the Trust and take the actions specified in Section 8 below.
- B. The Trust Agreement provides that _____ of _____ Co-Trustees is the minimum number of Trustees required to sign to bind the Trust and take the actions specified in Section 8 below.

8. **Authorizations.**

Borrowing Powers - As Trustee, I/we have the authority and power to:

- A. Borrow from Bank from time to time on such terms and in such amounts as may be agreed upon with Bank (the "Loan" or "Loans") without the consent or approval of any other person(s) and execute and deliver promissory notes, loan agreements and related loan documents (collectively, "Loan Documents") on behalf of the Trust which evidence a Loan or Loans.
- B. Execute and deliver to Bank all renewals, extensions, increases, modifications or substitutions for any and all of the Loans or Loan Documents.
- C. Mortgage, pledge, grant security interests in, assign or otherwise encumber and deliver to Bank (collectively, grant a "Security Interest") any real property, personal property, insurance policies and proceeds thereof, deposit accounts or investment accounts in which the Trust holds an interest ("Trust Property"), as security for the repayment of any Loan and the performance of any obligation by the Trust pursuant to any Loan Documents, and execute and deliver to Bank any deed of trust, pledge agreement, security agreement, financing statement and the like (collectively, "Security Instrument").
- D. *(If Trust will act as guarantor.)* Execute and deliver a guaranty in form and content acceptable to Bank ("Guaranty"), whereby the Trust guarantees any and all obligations of any third party including Trustee(s) in their individual capacities, with the following limitations, if any:

- E. *(If Trust will grant collateral to secure its guarantor obligations.)* Grant Security Interests in, and execute any Security Instrument covering, any Trust Property to secure the performance of any and all obligations of any third party including Trustee(s) in their individual capacities and to secure the performance by the Trust of its obligations under any Guaranty executed by the Trust with the following limitations, if any:

- F. Act in the capacity of:
 - Manager of a manager-managed limited liability company or member of a member-managed limited liability company, with the power to verify the existence of, execute documents on behalf of, and contractually bind the limited liability company. The name(s) of the limited liability company(ies) in which Trust is authorized to participate and act as manager is/are:

 - General Partner in a general or limited partnership with the power to verify the existence of, execute documents on behalf of, and contractually bind the partnership. The name(s) of the partnership(s) in which Trust is authorized to participate and act as general partner is/are:

Deposit Account, Investment Account and Safe Deposit Powers - As Trustee, I/we have the authority and power to:

- G. Draw, endorse, and discount with Bank any checks, drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Trust, and either to receive cash for the same or to cause such proceeds to be credited to any of the Trust's accounts with Bank or to make such other dispositions of the proceeds.
- H. Open and close deposit and investment accounts ("Accounts"), including checking and savings accounts, mutual funds, annuities, non-deposit investment products and other uninsured investment products, on behalf of the Trust, deposit funds into, sign checks drawn upon, and withdraw funds from the accounts established for the Trust, all without limitation or the consent of any other person.
- I. Open and close any safe deposit box on behalf of the Trust, enter into rental agreements for, deposit Trust property into, and withdraw Trust property from and surrender such safe deposit box established for the Trust.

9. Co-Trustees. Where this Certification is signed by Co-Trustees, each Trustee certifies for himself or herself and not for the other(s). References to the singular include the plural.

10. Tax Identification Number. The tax identification number of the Trust is _____.

11. Title. Title to Trust assets should be taken as follows: *(Example: "John Doe and Jane Doe, as Trustees of the Doe Family Living Trust Under Trust Agreement Dated January 4, 1999")*: _____

12. Miscellaneous. The Trust is in full force and has not been revoked, modified or amended in any manner which would cause the representations in this Certification to be incorrect. This Certification is being signed by all of the currently acting trustees of the Trust. This Certification shall be continuing and shall remain in full force and effect until written notice of its revocation shall have been received by the Bank. Any and all acts authorized pursuant to this Certification and performed prior to the delivery of this Certification are hereby ratified and approved. Trustee(s) agree that the Trustee(s) will provide written notice to Bank prior to the transfer from Trust of any Trust asset and prior to changing any of the information set forth herein.

[Signature(s) on following page.]

Individually and as Trustee on behalf of the Trust, I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: _____

Trustee: _____
(Signature)

Trustee: _____
(Signature)

(Type or Print Name)

(Type or Print Name)

ALL SIGNATURES MUST BE NOTARIZED

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____, personally

appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(SEAL)

For subsequently opened Accounts or safe deposit boxes, all Trustees verify that there are no changes to this Certification of Trust and the Trust is in full force and has not been revoked, modified or amended in any manner which would cause the representations in this Certification to be incorrect.

Date Verified: _____ Trustees' Initials: _____ Associate Initials: _____

Date Verified: _____ Trustees' Initials: _____ Associate Initials: _____

Date Verified: _____ Trustees' Initials: _____ Associate Initials: _____

Date Verified: _____ Trustees' Initials: _____ Associate Initials: _____

Date Verified: _____ Trustees' Initials: _____ Associate Initials: _____

MANUFACTURED HOME LOAN – *FIXED RATE OPTION*
ADJUSTABLE RATE MORTGAGE PROGRAM DISCLOSURE
FOR PREFERRED RATE DISCOUNT FOR AUTOMATIC DEBIT

This disclosure describes the features of the automatic debit preferred-rate loan you are considering. You are being offered a preferred interest rate if you agree to have your regular loan payments automatically deducted from an account at Montecito Bank & Trust.

- The interest rate on your loan will be based on the Montecito Bank & Trust loan rate index in effect on the date your loan is originated. This loan rate index is determined solely at the discretion of Montecito Bank & Trust. Ask us about our current index rate.
- The interest rate for your loan will be equal to the Montecito Bank & Trust index rate in effect at the time your loan is originated. Monthly payments shall be determined by applying the interest rate stated in your loan contract, and are based upon the amount borrowed and amortized over the term of the loan.
- The interest rate and payment amount for your loan can change during the term of the loan if, at any time, regular payments are no longer automatically deducted from an account at Montecito Bank & Trust.
- A margin of one-quarter of one percent (.25%) will be added to the index rate if, at any time during the term of the loan, regular loan payments are no longer automatically deducted from an account at Montecito Bank & Trust. This will become the new interest rate for the remainder of your loan term.
- You will be notified in writing of any increase in your loan interest rate at least 15 days before the due date of your next payment at the new rate. The written notice will contain information about the new interest rate, new payment amount and loan balance.
- Your interest rate and monthly payment can change only once under this loan program.
- This loan program includes a demand feature.

DISCLOSURE OF RIGHT TO RECEIVE COPY OF APPRAISAL

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close.

You can pay for an additional appraisal for your own use at your own cost.

Frequently Asked Questions about your Escrow Account

An escrow account is used to disburse your tax and insurance payments on your behalf. The amount in your escrow account is based on the estimated amount necessary to pay these obligations each year. The following are the most common questions about escrow accounts. We hope that these will answer all of your questions. Should you still have questions or need more information please contact our Loan Services Department at (805) 564-0229.

- What is an Escrow Account?
- Can I pay my Total Annual Escrow Amount if full?
- What is an Escrow Account Analysis?
- When an Escrow Account Analysis is performed on my account, how is my new payment calculated?
- What is a Reserve or Cushion Requirement?
- What is a Deficiency?
- What is a Shortage?
- What is an Overage?
- Will an Escrow Account affect my credit?

What is an Escrow Account?

Part of your monthly loan payment goes into an account to pay for your property taxes and insurance premiums. This is called an Escrow Account. During the year, payments are made out of this account as bills come due.

Note: Your taxing authority and insurance company determine the amount of your tax and insurance payments. We take responsibility for administering the payment of your tax and insurance bills from your escrow account; however, the payment liability is still your obligation. If you should receive any notices from your insurance carrier, broker or agent or the taxing authority regarding your payment, please call us immediately at (805) 564-0229.

Can I pay my Total Annual Escrow Amount in full?

You may pay your Total Annual Escrow amount in full. To do so please contact (805) 564-0229.

What is an Escrow Account Analysis?

An Escrow Account Analysis helps determine how much money should be deposited into an escrow account to cover future tax and insurance obligations. An annual escrow analysis is performed to determine whether the monthly payment amount needs to be adjusted for the next year. Adjustments will be based on payments that have already been made on your behalf, estimated future amounts and the amount in your escrow account at the time of the account analysis.

Please Note: There are some exceptions to this requirement, such as for seriously delinquent accounts. Also, if there are significant changes in any of the billed amounts, we may analyze the account more often.

When an Escrow Account Analysis is performed on my account, how is my new payment calculated?

Your new payment amount is calculated by adding the following elements:

- *Principal & Interest* – This is the amount of your total monthly payment that is required for your principal and interest per the terms of your loan or your last statement.
- *Shortage Payment* – If there is an escrow shortage on your account at the time of review, the shortage amount may be incorporated into the monthly payment until the next escrow account analysis.
- *Reserve Requirement* – This is an additional safeguard to cover unanticipated disbursements or disbursements made before all of your payments have been made into your escrow account.
- *Rounding Amount* – Federal Law allows us to round up or down to the nearest dollar amount. Any additional funds collected are deposited into your escrow account.

What is a Reserve or Cushion Requirement?

Your loan documents refer to a reserve requirement, sometimes also called a "cushion". This reserve requirement is allowed by federal and most state laws and acts as an additional safeguard to cover unanticipated disbursements or disbursements made before all of your payments have been made into your escrow account. The reserve may be up to 1/6 of your total yearly expenses.

What is a Deficiency?

A deficiency is a negative balance in your escrow account. We may require you to make additional monthly deposits into the escrow account to eliminate the deficiency. If the deficiency is less than one month's escrow payment, we may require you to repay the deficiency within 30 days or repay it in 2 or more equal monthly installments. If the deficiency is greater than or equal to one month's escrow payment, we may require you to repay the deficiency in 2 or more equal monthly installments.

What is a Shortage?

A shortage is the amount by which the escrow account balance is expected to fall short of the target balance at the time of the escrow account analysis. If a shortage exists, we may permit it to exist, we can collect it within 30 days if the amount is less than one month's escrow payment or we can spread repayment out over 12 months. If the amount is greater than or equal to one month's payment, we may permit it to exist or require repayment over at least a 12-month period.

What is an Overage?

Due to the complexities involved in estimating an escrow account, over collection may sometimes occur. If there is a surplus of funds in your account after analysis, this is called an overage. If the overage is \$50 or more after the first year, it will be refunded within 30 days of the escrow account analysis (provided your loan is current). Otherwise, the additional funds will remain in your escrow account and will be credited against the next year's escrow payments.

Will an Escrow Account affect my credit?

Yes, if the account is delinquent more than 30 days, we may report information about your account to the Credit Bureaus. Late payments, missed payments or other defaults on your account may be reflected in your credit report.

FACTS
WHAT DOES MONTECITO BANK & TRUST DO WITH YOUR PERSONAL INFORMATION?
Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- transaction history and payment history
- checking account information and account transactions

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Montecito Bank & Trust chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Montecito Bank & Trust share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We do not share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We do not share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We do not share
For our affiliates to market to you –	No	We do not share
For nonaffiliates to market to you	No	We do not share

Questions?

Call (805) 963-7511 or go to <https://montecito.bank>

What we do	
How does Montecito Bank & Trust protect my personal information?	<p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p> <p>We value the trust you have placed in us as your bank of choice, and are constantly refining our security practices to continue protecting your information from intrusion or alteration.</p>
How does Montecito Bank & Trust collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> ▪ open an account or apply for a loan ▪ pay your bills or use your credit or debit card ▪ tell us about your investment or retirement portfolio <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> ▪ sharing for affiliates' everyday business purposes – information about your creditworthiness ▪ affiliates from using your information to market to you ▪ sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing.</p>
What happens when I limit sharing for an account I hold jointly with someone else?	<p>Your choices will apply to everyone on your account – unless you tell us otherwise.</p>
Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ <i>Montecito Bank & Trust does not share with our affiliates</i>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ <i>Montecito Bank & Trust does not share with nonaffiliates so they can market to you</i>
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> ▪ <i>Montecito Bank & Trust does not jointly market</i>

Consumer handbook on adjustable-rate mortgages



Consumer Financial
Protection Bureau

January 2014

This booklet was initially prepared by the Board of Governors of the Federal Reserve System and the Office of Thrift Supervision in consultation with the organizations listed below. The Consumer Financial Protection Bureau (CFPB) has made technical updates to the booklet to reflect new mortgage rules under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A larger update of this booklet is planned in the future to reflect other changes under the Dodd-Frank Act and to align with other CFPB resources and tools for consumers as part of the CFPB's broader mission to educate consumers. Consumers are encouraged to visit the CFPB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

- AARP
- American Association of Residential Mortgage Regulators
- America's Community Bankers
- Center for Responsible Lending
- Conference of State Bank Supervisors
- Consumer Federation of America
- Consumer Mortgage Coalition
- Consumers Union
- Credit Union National Association
- Federal Deposit Insurance Corporation
- Federal Reserve Board's Consumer Advisory Council
- Federal Trade Commission
- Financial Services Roundtable
- Independent Community Bankers Association
- Mortgage Bankers Association
- Mortgage Insurance Companies of America
- National Association of Federal Credit Unions
- National Association of Home Builders
- National Association of Mortgage Brokers
- National Association of Realtors
- National Community Reinvestment Coalition
- National Consumer Law Center
- National Credit Union Administration

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1. Introduction

This handbook gives you an overview of adjustable-rate mortgages (ARMs), explains how ARMs work, and discusses some of the issues you might face as a borrower. It includes:

- ways to reduce the risks associated with ARMs;
- pointers about advertising and other sources of information, such as lenders and trusted advisers;
- a glossary of important ARM terms; and
- a worksheet that can help you ask the right questions and figure out whether an ARM is right for you. (Ask lenders to help you fill out the worksheet so you can get the information you need to compare mortgages.)

An ARM is a loan with an interest rate that changes. ARMs may start with lower monthly payments than fixed-rate mortgages, but keep in mind the following:

- Your monthly payments could change. They could go up— sometimes by a lot—even if interest rates don't go up. See page 20.
- Your payments may not go down much, or at all—even if interest rates go down. See page 16.
- You could end up owing more money than you borrowed—even if you make all your payments on time. See page 22.
- If you want to convert your ARM to a fixed-rate mortgage, you might not be able to. See page 28.

You need to compare the features of ARMs to find the one that best fits your needs. The Mortgage Shopping Worksheet on page 6 can help you get started.

1.1 Mortgage shopping worksheet

Ask your lender or broker to help you fill out this worksheet.

Name of lender or broker and contact information	
Mortgage amount	
Loan term (e.g. 15 yr, 30 yr)	
Loan description (e.g. fixed-rate, 3/1 ARM, payment-option ARM, interest-only ARM)	

Basic features for comparison	Fixed-rate mortgage	ARM 1	ARM 2	ARM 3
Fixed-rate mortgage interest rate and annual percentage rate (APR) (for graduated-payment or stepped-rate mortgages, use the ARM columns)				
ARM initial interest rate and APR				
<ul style="list-style-type: none"> How long does the initial rate apply? 				

	Fixed-rate mortgage	ARM 1	ARM 2	ARM 3
<ul style="list-style-type: none"> What will the interest rate be after the initial period? 				
ARM features				
<ul style="list-style-type: none"> How often can the interest rate adjust? 				
<ul style="list-style-type: none"> What is the index and what is the current rate? (see chart on page 14) 				
<ul style="list-style-type: none"> What is the margin for this loan? 				
Interest-rate caps				
<ul style="list-style-type: none"> What is the periodic interest-rate cap? 				
<ul style="list-style-type: none"> What is the lifetime interest-rate cap? How high could the rate go? 				
<ul style="list-style-type: none"> How low could the interest rate go on this loan? 				
What is the payment cap?				

	Fixed-rate mortgage	ARM 1	ARM 2	ARM 3
Can this loan have negative amortization (that is, can the loan amount increase)?				
What is the limit to how much the balance can grow before the loan will be recalculated?				
Is there a prepayment penalty if I pay off this mortgage early?				
How long does that penalty last? How much is it?				
Is there a balloon payment on this mortgage? If so, what is the estimated amount and when would it be due?				
What are the estimated origination fees and charges for this loan?				
Monthly payment amounts	Fixed-rate mortgage	ARM 1	ARM 2	ARM 3
What will the monthly payments be for the first year of the loan?				
Does this include taxes and insurance? Condo or homeowner's association fees? If not, what are the estimates for these amounts?				

	Fixed-rate mortgage	ARM 1	ARM 2	ARM 3
What will my monthly payment be after 12 months if the index rate...				
<ul style="list-style-type: none"> stays the same? 				
<ul style="list-style-type: none"> goes up 2%? 				
<ul style="list-style-type: none"> goes down 2%? 				
What is the most my minimum monthly payment could be after one year?				
What is the most my minimum monthly payment could be after three years?				
What is the most my minimum monthly payment could be after five years?				

2. What is an ARM?

An adjustable-rate mortgage differs from a fixed-rate mortgage in many ways. Most importantly, with a fixed-rate mortgage, the interest rate and the monthly payment of principal and interest stay the same during the life of the loan. With an ARM, the interest rate changes periodically, usually in relation to an index, and payments may go up or down accordingly.

To compare two ARMs, or to compare an ARM with a fixed-rate mortgage, you need to know about indexes, margins, discounts, caps on rates and payments, negative amortization, payment options, and recasting (recalculating) your loan. You need to consider the maximum amount your monthly payment could increase. Most importantly, you need to know what might happen to your monthly mortgage payment in relation to your future ability to afford higher payments.

Lenders generally charge lower initial interest rates for ARMs than for fixed-rate mortgages. At first, this makes the ARM easier on your pocketbook than a fixed-rate mortgage for the same loan amount. Moreover, your ARM could be less expensive over a long period than a fixed-rate mortgage—for example, if interest rates remain steady or move lower.

Against these advantages, you have to weigh the risk that an increase in interest rates would lead to higher monthly payments in the future. It's a trade-off—you get a lower initial rate with an ARM in exchange for assuming more risk over the long run. Here are some questions you need to consider:

- Is my income enough—or likely to rise enough—to cover higher mortgage payments if interest rates go up?

🗨 **Lenders and brokers:** Mortgage loans are offered by many kinds of lenders—such as banks, mortgage companies, and credit unions. You can also get a loan through a mortgage broker. Brokers “arrange” loans; in other words, they find a lender for you. Brokers generally take your application and contact several lenders, but keep in mind that brokers are not required to find the best deal for you unless they have contracted with you to act as your agent, or have a duty to do so under state law.

- Will I be taking on other sizable debts, such as a loan for a car or school tuition, in the near future?
- How long do I plan to own this home? If you plan to sell soon, rising interest rates may not pose the problem they might if you plan to own the house for a long time.
- Do I plan to make any additional payments or pay the loan off early?

3. How ARMs work: the basic features

3.1 Initial rate and payment

The initial rate and payment amount on an ARM will remain in effect for a limited period—ranging from just one month to five years or more. For some ARMs, the initial rate and payment can vary greatly from the rates and payments later in the loan term. Even if interest rates are stable, your rates and payments could change a lot. If lenders or brokers quote the initial rate and payment on a loan, ask them for the annual percentage rate (APR). If the APR is significantly higher than the initial rate, then it is likely that your rate and payments will be a lot higher when the loan adjusts, even if general interest rates remain the same.

3.2 The adjustment period

Depending on the type of ARM loan, the interest rate and monthly payment will change every month, quarter, year, three years, or five years. The period between rate changes is called the adjustment period. For example, a loan with an adjustment period of one year is called a one-year ARM, because the interest rate and payment change once every year; a loan with a three-year adjustment period is called a three-year ARM.

If you take out an adjustable-rate mortgage, the company that collects your mortgage payments (your servicer) must notify you about the first interest rate adjustment at least seven months before you owe a payment at the adjusted interest rate. The advance notification needs to show:

- An estimate of the new interest rate and payment amount

- Alternatives available to you
- How to contact a HUD-approved housing counselor

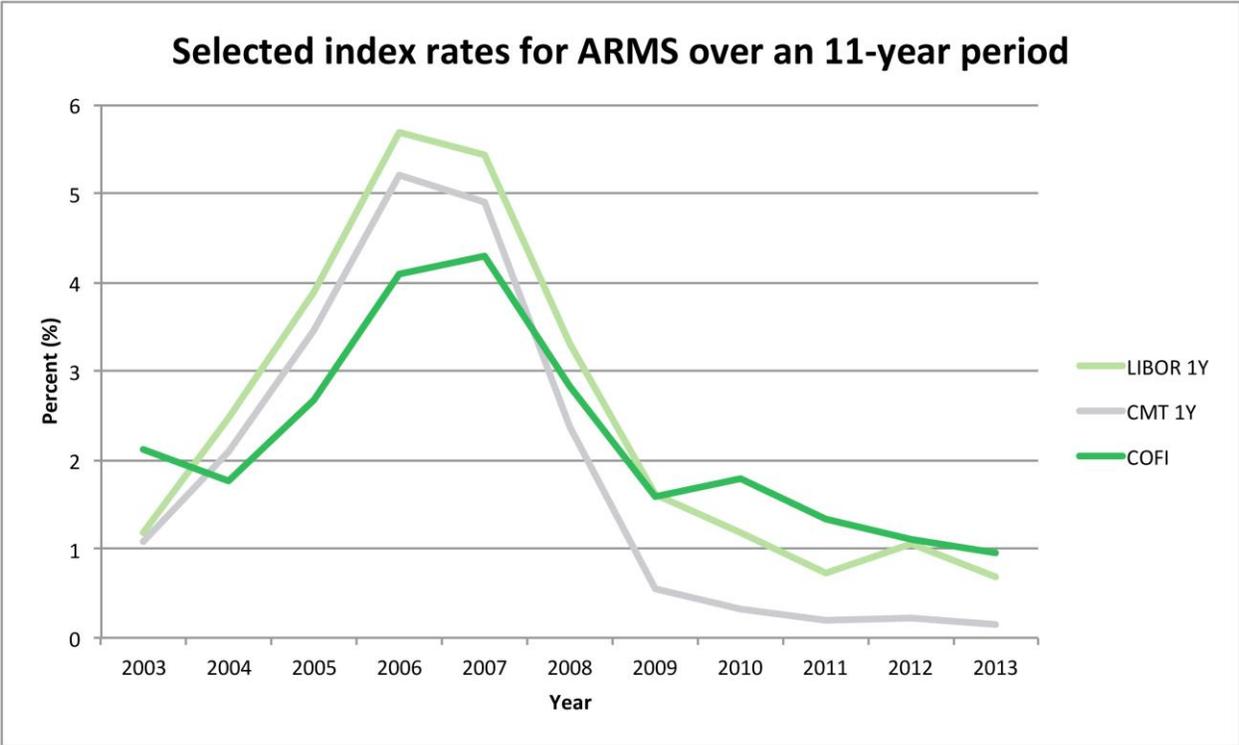
For the first interest rate adjustment, as well as for any adjustments that come later that give you a different payment amount, your servicer must also send you another notice, at least 60 days in advance, telling you what your new payment will be.

3.3 The index

The interest rate on an ARM is made up of two parts: the index and the margin. The index is a measure of interest rates generally, and the margin is an extra amount that the lender adds above the index. Your payments will be affected by any caps, or limits, on how high or low your rate can go. If the index rate moves up, your interest rate will also go up in most circumstances, and you will probably have to make higher monthly payments. On the other hand, if the index rate goes down, your monthly payment could go down. Not all ARMs adjust downward, however—be sure to read the information for the loan you are considering.

Lenders base ARM rates on a variety of indexes. Among the most common indexes are the rates on one-year constant-maturity Treasury (CMT) securities, the Cost of Funds Index (COFI), and the London Interbank Offered Rate (LIBOR). A few lenders use their own cost of funds as an index, rather than using other indexes. You should ask what index will be used, how it has fluctuated in the past, and where it is published—you can find a lot of this information in major newspapers and on the Internet.

To help you get an idea of how to compare different indexes, the following chart shows a few common indexes over an 11-year period (2003–2013). As you can see, some index rates tend to be higher than others, and some change more often than others.



3.4 The margin

To set the interest rate on an ARM, lenders add a few percentage points to the index rate, called the *margin*. The amount of the margin may differ from one lender to another, but it usually stays the same over the life of the loan. The *fully indexed rate* is equal to the margin plus the index. For example, if the lender uses an index that currently is 4 percent and adds a 3 percent margin, the fully indexed rate would be

Index	4%
Margin	3%
Fully indexed rate	7%

If the index on this loan rose to 5 percent, the fully indexed rate at the next adjustment would be 8 percent (5 percent + 3 percent). If the index fell to 2 percent, the fully indexed rate at adjustment would be 5 percent (2 percent + 3 percent).

Some lenders base the amount of the margin on your credit record—the better your credit, the lower the margin they add—and the lower the interest you will have to pay on your mortgage. The amount of the margin could also be based on other factors. In comparing ARMs, look at both the index and margin for each program.

If the initial rate on the loan is less than the fully indexed rate, it is called a discounted (or “teaser”) index rate. Many ARM loans offer a discounted index rate until the first adjustment period, but some ARM loans have an initial rate that is higher than the fully indexed rate.

☞ **Ability to repay:** When you apply for a loan, lenders are generally required to collect and verify enough of your financial information to determine you have the ability to repay the loan. For example, a lender might ask to see copies of your most recent pay stubs, income tax filings, and bank account statements. Lenders are generally required to consider your ability to repay the loan based on the fully indexed rate, or the highest rate you will be expected to pay in the first five years of the loan.

3.5 Interest-rate caps

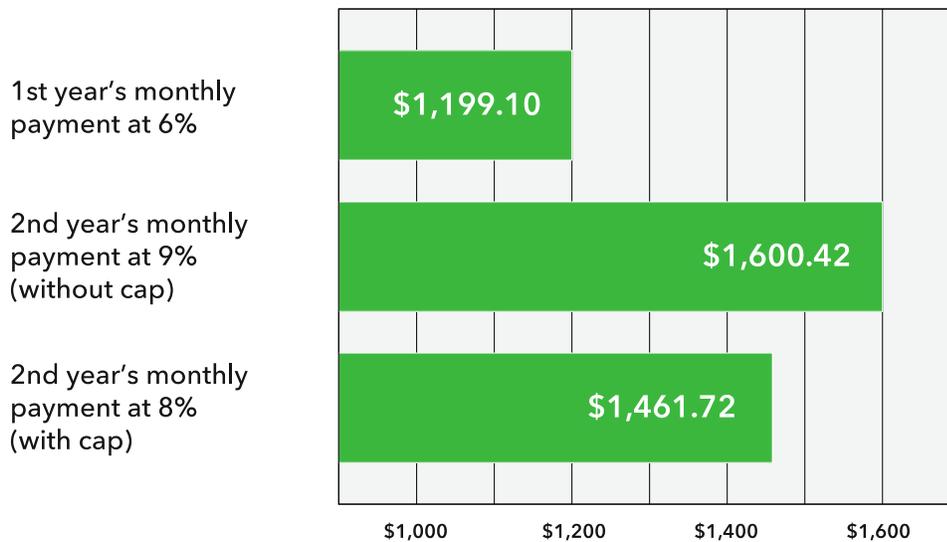
An interest-rate cap places a limit on the amount your interest rate can increase. Interest-rate caps come in two versions:

- *A periodic adjustment cap*, which limits the amount the interest rate can adjust up or down from one adjustment period to the next after the first adjustment, and
- *A lifetime cap*, which limits the interest-rate increase over the life of the loan. By law, virtually all ARMs must have a lifetime cap.

3.5.1 Periodic adjustment caps

Let's suppose you have an ARM with a periodic adjustment interest-rate cap of 2 percent. However, at the first adjustment, the index rate has risen 3 percent. The following example shows what happens.

Examples in this handbook: All examples in this handbook are based on a \$200,000 loan amount and a 30-year term. Payment amounts in the examples do not include taxes, insurance, condominium or homeowner association fees, or similar items. These amounts can be a significant part of your monthly payment.



Difference in 2nd year between payment with cap and payment without = \$138.70 per month

In this example, because of the cap on your loan, your monthly payment in year two is \$138.70 per month lower than it would be without the cap, saving you \$1,664.40 over the year.

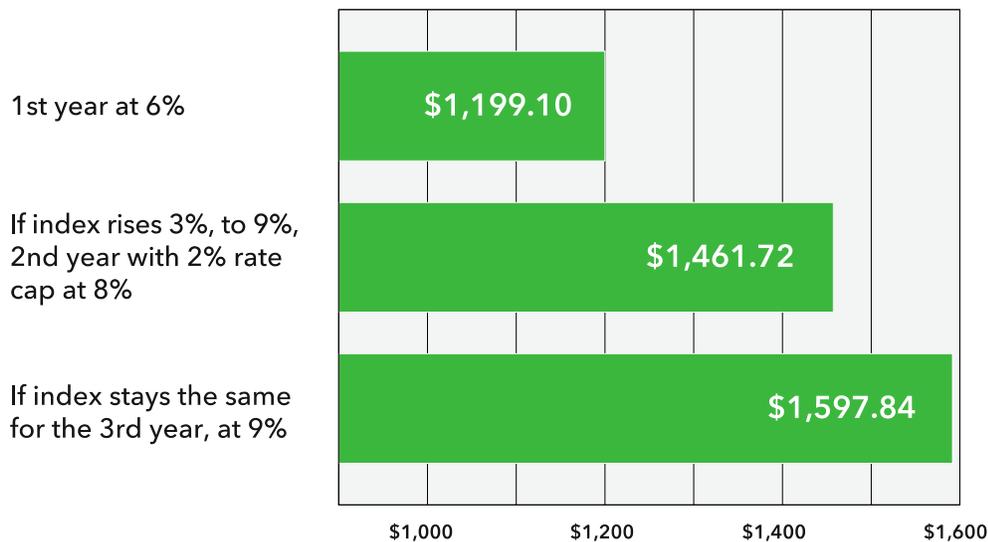
Some ARMs allow a larger rate change at the first adjustment and then apply a periodic adjustment cap to all future adjustments.

A drop in interest rates does not always lead to a drop in your monthly payments. With some ARMs that have interest-rate caps, the cap may hold your rate and payment below what it would

have been if the change in the index rate had been fully applied. The increase in the interest that was not imposed because of the rate cap might carry over to future rate adjustments. This is called *carryover*. So, at the next adjustment date, your payment might increase even though the index rate has stayed the same or declined.

The following example shows how carryovers work. Suppose the index on your ARM increased 3 percent during the first year.

Because this ARM loan limits rate increases to 2 percent at any one time, the rate is adjusted by only 2 percent, to 8 percent for the second year. However, the remaining 1 percent increase in the index carries over to the next time the lender can adjust rates. So, when the lender adjusts the interest rate for the third year, even if there has been no change in the index during the second year, the rate still increases by 1 percent, to 9 percent.

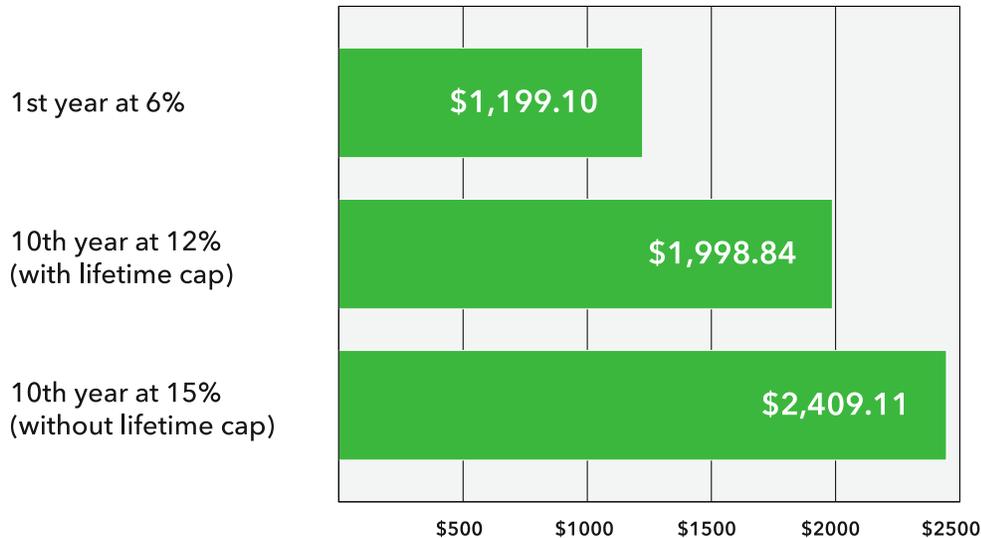


In general, the rate on your loan can go up at any scheduled adjustment date when the lender’s standard ARM rate (the index plus the margin) is higher than the rate you are paying before that adjustment.

3.5.2 Lifetime caps

The next example shows how a lifetime rate cap would affect your loan. Let’s say that your ARM starts out with a 6 percent rate and the loan has a 6 percent lifetime cap—that is, the rate can

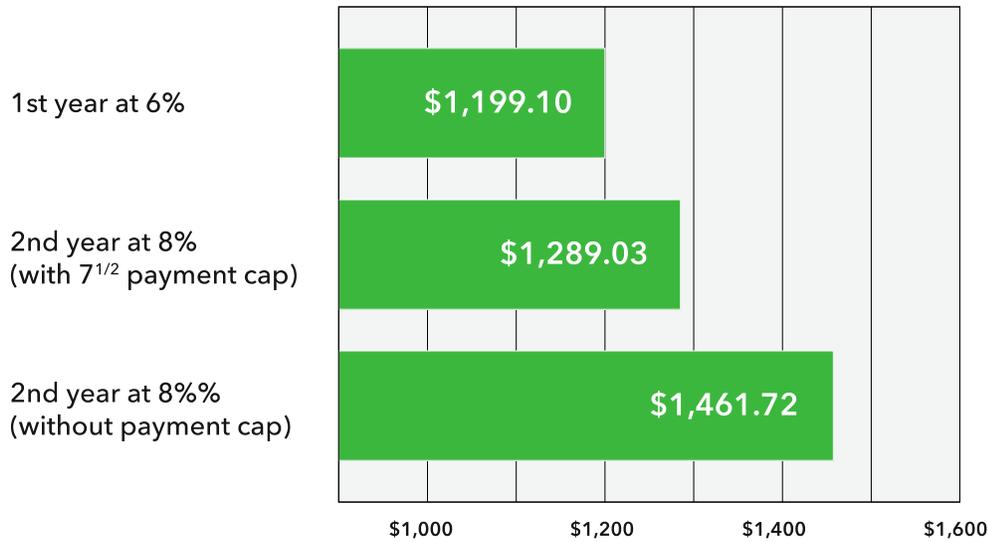
never exceed 12 percent. Suppose the index rate increases 1 percent in each of the next nine years. With a 6 percent overall cap, your payment would never exceed \$1,998.84—compared with the \$2,409.11 that it would have reached in the tenth year without a cap.



3.6 Payment caps

In addition to interest-rate caps, many ARMs—including payment-option ARMs (discussed on page 21)—limit, or cap, the amount your monthly payment may increase at the time of each adjustment. For example, if your loan has a payment cap of 7½ percent, your monthly payment won’t increase more than 7½ percent over your previous payment, even if interest rates rise more. For example, if your monthly payment in year 1 of your mortgage was \$1,000, it could only go up to \$1,075 in year 2 (7½ percent of \$1,000 is an additional \$75). Any interest you don’t pay because of the payment cap will be added to the balance of your loan. A payment cap can limit the increase to your monthly payments but also can add to the amount you owe on the loan. This is called negative amortization, a term explained on page 27.

Let’s assume that your rate changes in the first year by two percentage points, but your payments can increase no more than 7½ percent in any one year. The following graph shows what your monthly payments would look like.



Difference in monthly payment = \$172.69

While your monthly payment will be only \$1,289.03 for the second year, the difference of \$172.69 each month will be added to the balance of your loan and will lead to negative amortization.

Some ARMs with payment caps do not have periodic interest-rate caps. In addition, as explained below, most payment-option ARMs have a built-in recalculation period, usually every five years. At that point, your payment will be recalculated (lenders use the term recast) based on the remaining term of the loan. If you have a 30-year loan and you are at the end of year five, your payment will be recalculated for the remaining 25 years. The payment cap does not apply to this adjustment. If your loan balance has increased, or if interest rates have risen faster than your payments, your payments could go up a lot.

4. Types of ARMs

4.1 Hybrid ARMs

Hybrid ARMs often are advertised as 3/1 or 5/1 ARMs—you might also see ads for 7/1 or 10/1 ARMs. These loans are a mix— or a hybrid—of a fixed-rate period and an adjustable-rate period. The interest rate is fixed for the first few years of these loans—for example, for five years in a 5/1 ARM. After that, the rate may adjust annually (the 1 in the 5/1 example), until the loan is paid off. In the case of 3/1, 5/1, 7/1 or 10/1 ARMs:

- the first number tells you how long the fixed interest-rate period will be, and
- the second number tells you how often the rate will adjust after the initial period.

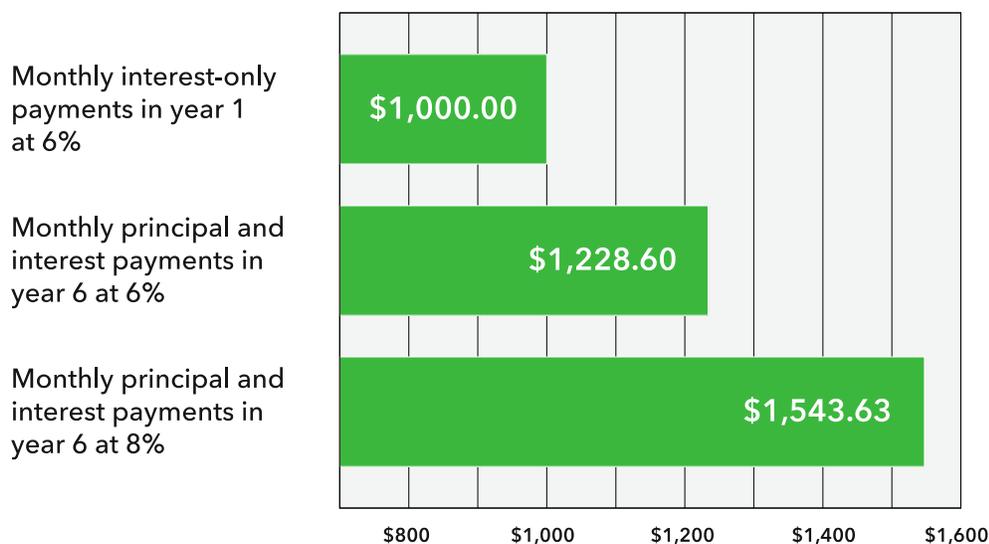
You may also see ads for 2/28 or 3/27 ARMs—the first number tells you how many years the fixed interest-rate period will be, and the second number tells you the number of years the rates on the loan will be adjustable. Some 2/28 and 3/27 mortgages adjust every six months, not annually.

4.2 Interest-only ARMs

An interest-only (I-O) ARM payment plan allows you to pay only the interest for a specified number of years, typically for three to 10 years. This allows you to have smaller monthly payments for a period. After that, your monthly payment will increase—even if interest rates stay the same—because you must start paying back the principal as well as the interest each month.

For some I-O loans, the interest rate adjusts during the I-O period as well.

For example, if you take out a 30-year mortgage loan with a five-year I-O payment period, you can pay only interest for five years and then you must pay both the principal and interest over the next 25 years. Because you begin to pay back the principal, your payments increase after year five, even if the rate stays the same. Keep in mind that the longer the I-O period, the higher your monthly payments will be after the I-O period ends.



4.3 Payment-option ARMs

A payment-option ARM is an adjustable-rate mortgage that allows you to choose among several payment options each month. The options typically include the following:

- *A traditional payment of principal and interest*, which reduces the amount you owe on your mortgage. These payments are based on a set loan term, such as a 15-, 30-, or 40-year payment schedule.
- *An interest-only payment*, which pays the interest but does not reduce the amount you owe on your mortgage as you make your payments.

- *A minimum (or limited) payment*, which may be less than the amount of interest due that month and may not reduce the amount you owe on your mortgage. If you choose this option, the amount of any interest you do not pay will be added to the principal of the loan, increasing the amount you owe and your future monthly payments, and increasing the amount of interest you will pay over the life of the loan. In addition, if you pay only the minimum payment in the last few years of the loan, you may owe a larger payment at the end of the loan term, called a *balloon payment*.

In addition to these options, in most cases you can choose to pay any amount over the required minimum payment.

The interest rate on a payment-option ARM is typically very low for the first few months (for example, 2 percent for the first one to three months). After that, the interest rate usually rises to a rate closer to that of other mortgage loans. Your payments during the first year are based on the initial low rate, meaning that if you only make the minimum payment each month, it will not reduce the amount you owe and it may not cover the interest due. The unpaid interest is added to the amount you owe on the mortgage, and your loan balance increases. This is called *negative amortization*. This means that even after making many payments, you could owe more than you did at the beginning of the loan. See a further caution about negative amortization in the “Consumer Cautions” section below. Also, as interest rates go up, your payments are likely to go up.

Payment-option ARMs have a built-in recalculation period, usually every five years. At this point, your payment will be recalculated (or “recast”) based on the remaining term of the loan. If you have a 30-year loan and you are at the end of year five, your payment will be recalculated for the remaining 25 years. If your loan balance has increased because you have made only minimum payments, or if interest rates have risen faster than your payments, your payments will increase each time your loan is recast. At each recast, your new minimum payment will be a fully amortizing payment and any payment cap will not apply. This means that your monthly payment can increase a lot at each recast.

Lenders may recalculate your loan payments before the recast period if the amount of principal you owe grows beyond a set limit, say 110 percent or 125 percent of your original mortgage amount. For example, suppose you made only minimum payments on your \$200,000 mortgage and had any unpaid interest added to your balance. If the balance grew to \$250,000 (125 percent of \$200,000), your lender would recalculate your payments so that you would pay off the loan over the remaining term. It is likely that your payments would go up substantially.

More information on interest-only and payment-option ARMs is available in a Federal Reserve Board brochure, *Interest-Only Mortgage Payments and Payment-Option ARMs—Are They for You?* (available online at [fdic.gov/consumers/consumer/interest-only](https://www.fdic.gov/consumers/consumer/interest-only/)).

5. Consumer cautions

5.1 Discounted interest rates

Many lenders offer more than one type of ARM. Some lenders offer an ARM with an initial rate that is lower than their fully indexed ARM rate (that is, lower than the sum of the index plus the margin). Such rates—called discounted rates, start rates, or teaser rates—are often combined with large initial loan fees, sometimes called *points*, and with higher rates after the initial discounted rate expires.

Your lender or broker may offer you a choice of loans that may include “discount points” or a “discount fee.” You may choose to pay these points or fees in return for a lower interest rate. But keep in mind that the lower interest rate may only last until the first adjustment.

If a lender offers you a loan with a discount rate, don’t assume that means the loan is a good one for you. You should carefully consider whether you will be able to afford higher payments in later years when the discount expires and the rate is adjusted.

Here is an example of how a discounted initial rate might work. Let’s assume that the lender’s fully indexed 1-year ARM rate (index rate plus margin) is currently 6 percent; the monthly payment for the first year would be \$1,199.10. But your lender is offering an ARM with a discounted initial rate of 4 percent for the first year. With the 4 percent rate, your first-year’s monthly payment would be \$954.83.

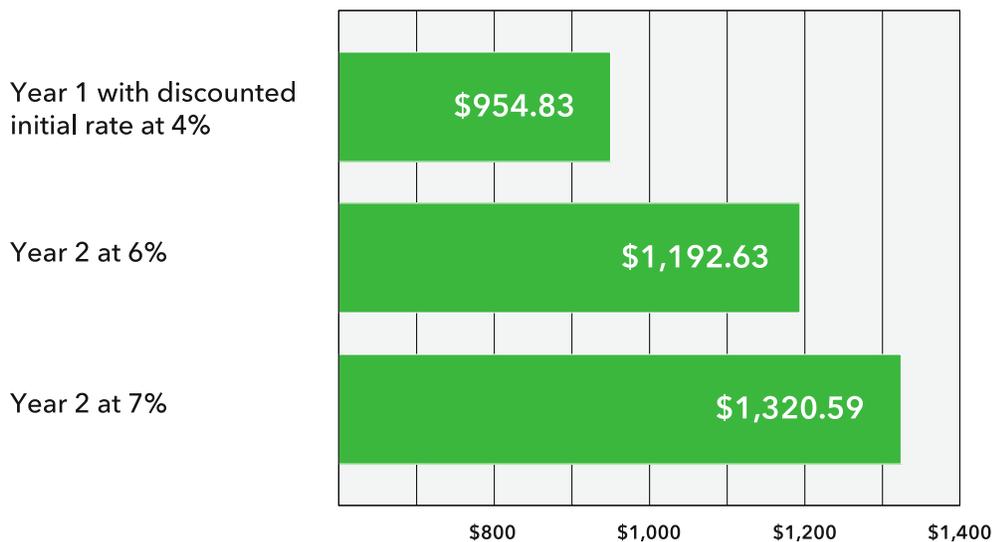
With a discounted ARM, your initial payment will probably remain at \$954.83 for only a limited time—and any savings during the discount period may be offset by higher payments over the remaining life of the mortgage. If you are considering a discount ARM, be sure to compare future payments with those for a fully indexed ARM. Lenders are generally required to consider your ability to repay the loan based on the fully indexed rate, or the highest rate you will be

expected to pay in the first five years of the loan. Even so, if you buy a home or refinance using a deeply discounted initial rate, you run the risk of payment shock, negative amortization, or conversion fees. You should always look at your own budget to see how high of a payment and how big of a home loan you feel you can afford.

Another way you may get a discounted interest rate is through a “buydown.” This is when the house seller pays an amount to the lender so the lender can give you a lower rate and lower payments, usually for an initial period in an ARM. The seller may increase the sales price to cover the cost of the buydown.

5.2 Payment shock

Payment shock may occur if your mortgage payment rises sharply at a rate adjustment. Let’s see what would happen in the second year if the rate on your discounted 4 percent ARM were to rise to the 6 percent fully indexed rate.



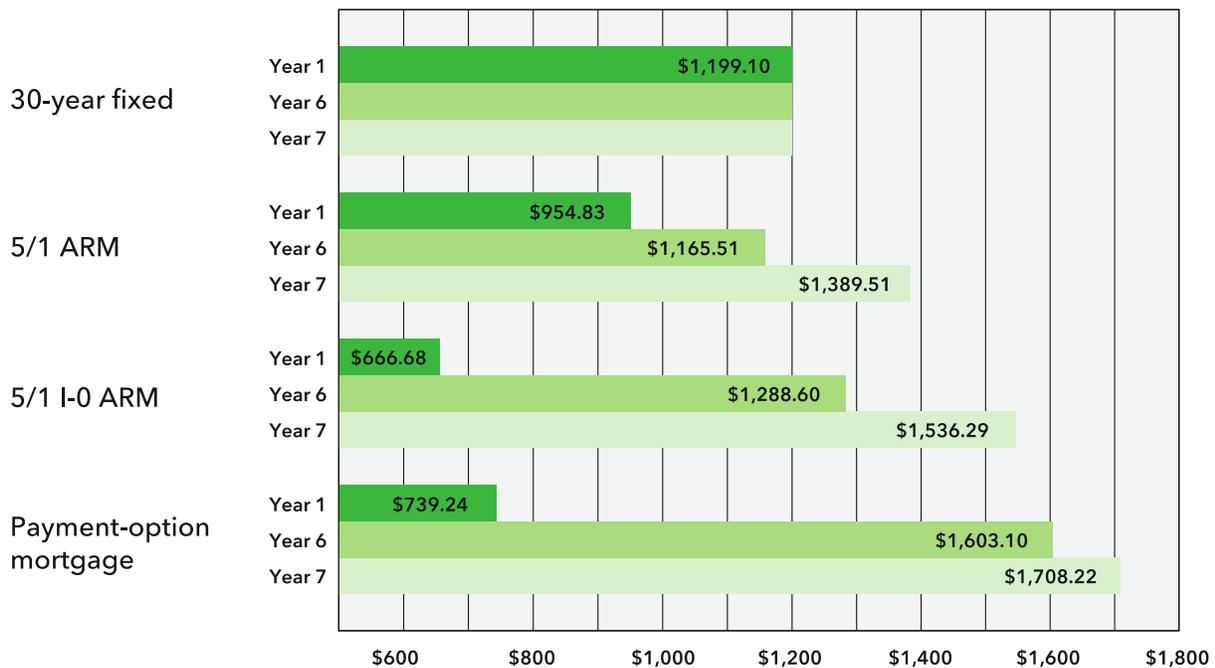
As the example shows, even if the index rate were to stay the same, your monthly payment would go up from \$954.83 to \$1,192.63 in the second year.

Suppose that the index rate increases 1 percent in one year and the ARM rate rises to 7 percent. Your payment in the second year would be \$1,320.59.

That’s an increase of \$365.76 in your monthly payment. You can see what might happen if you choose an ARM because of a low initial rate. While your lender generally needs to consider this indexed rate in determining your ability to repay the loan, you also need to consider whether you will be able to afford future payments.

If you have an interest-only ARM, payment shock can also occur when the interest-only period ends. Or, if you have a payment-option ARM, payment shock can happen when the loan is recast.

The following example compares several different loans over the first seven years of their terms; the payments shown are for years one, six, and seven of the mortgage, assuming you make interest-only payments or minimum payments. The main point is that, depending on the terms and conditions of your mortgage and changes in interest rates, ARM payments can change quite a bit over the life of the loan—so while you could save money in the first few years of an ARM, you could also face much higher payments in the future.



5.3 Negative amortization

Negative amortization means that the amount you owe increases even when you make all your required payments on time. It occurs whenever your monthly mortgage payments are not large enough to pay all of the interest due on your mortgage—meaning the unpaid interest is added to the principal on your mortgage and you will owe more than you originally borrowed. This can happen because you are making only minimum payments on a payment-option mortgage or because your loan has a payment cap.

For example, suppose you have a \$200,000, 30-year payment-option ARM with a 2 percent rate for the first three months and a 6 percent rate for the remaining nine months of the year. Your minimum payment for the year is \$739.24, as shown in the previous graph. However, once the 6 percent rate is applied to your loan balance, you are no longer covering the interest costs. If you continue to make minimum payments on this loan, your loan balance at the end of the first year of your mortgage would be \$201,118—or \$1,118 more than you originally borrowed.

Because payment caps limit only the amount of payment increases, and not interest-rate increases, payments sometimes do not cover all the interest due on your loan. This means that the unpaid interest is automatically added to your debt, and interest may be charged on that amount. You might owe more later in the loan term than you did at the beginning.

A payment cap limits the increase in your monthly payment by deferring some of the interest. Eventually, you would have to repay the higher remaining loan balance at the interest rate then in effect. When this happens, there may be a substantial increase in your monthly payment.

Some mortgages include a cap on negative amortization. The cap typically limits the

🗨 **Home prices, home equity, and ARMs:**

Sometimes home prices rise rapidly, allowing people to quickly build equity in their homes. This can make some people think that even if the rate and payments on their ARM get too high, they can avoid those higher payments by refinancing their loan or, in the worst case, selling their home. It's important to remember that home prices do not always go up quickly—they may increase a little or remain the same, and sometimes they fall. If housing prices fall, your home may not be worth as much as you owe on the mortgage. Also, you may find it difficult to refinance your loan to get a lower monthly payment or rate. Even if home prices stay the same, if your loan lets you make minimum payments (see payment-option ARMs above), you may owe your lender more on your mortgage than you could get from selling your home.

total amount you can owe to 110 percent to 125 percent of the original loan amount. When you reach that point, the lender will set the monthly payment amounts to fully repay the loan over the remaining term. Your payment cap will not apply, and your payments could be substantially higher. You may limit negative amortization by voluntarily increasing your monthly payment.

Be sure you know whether the ARM you are considering can have negative amortization. If so, and if you are a first-time borrower, your lender is required to make sure you get homeownership counseling before the lender can lend you the money.

5.4 Prepayment penalties and conversion

If you get an ARM, you may decide later that you don't want to risk any increases in the interest rate and payment amount. When you are considering an ARM, ask whether you would be able to convert your ARM to a fixed-rate mortgage.

5.4.1 Prepayment penalties

Some mortgage loans can require you to pay special fees or penalties if you refinance or pay off the loan early (usually within the first three years of the loan). These are called prepayment penalties, and they are not allowed on ARMs.

5.4.2 Conversion fees

Your agreement with the lender may include a clause that lets you convert the ARM to a fixed-rate mortgage at designated times. When you convert, the new rate is generally set using a formula given in your loan documents.

The interest rate or up-front fees may be somewhat higher for a convertible ARM. Also, a convertible ARM may require a fee at the time of conversion.

5.5 Graduated-payment or stepped-rate loans

Some fixed-rate loans start with one rate for one or two years and then change to another rate for the remaining term of the loan. While these are not ARMs, your payment will go up according to the terms of your contract. Talk with your lender or broker and read the information provided to you to make sure you understand when and by how much the payment will change.

6. Where to get information

6.1 Disclosures from lenders

You should receive information in writing about each ARM program you are interested in before you have paid a nonrefundable fee. It is important that you read this information and ask the lender or broker about anything you don't understand—index rates, margins, caps, and other features such as negative amortization. After you have applied for a loan, you will get more information from the lender about your loan, including the annual percentage rate (APR) and a rate and payment summary table.

The APR is the cost of your credit as a yearly rate. It takes into account interest, points paid on the loan, any fees paid to the lender for making the loan, and any mortgage insurance premiums you may have to pay. You can compare APRs on similar ARMs (for example, compare APRs on a 5/1 and a 3/1 ARM) to determine which loan will cost you less in the long term, but you should keep in mind that because the interest rate for an ARM can change, APRs on ARMs cannot be compared directly to APRs for fixed-rate mortgages.

You may want to talk with financial advisers, housing counselors, and other trusted advisers. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the Consumer Financial Protection Bureau's website at consumerfinance.gov/find-a-housing-counselor or by calling HUD's interactive toll-free number at 800-569-4287.

Also, see the *More information* and *Contact information* appendices below for more information available from the CFPB and a list of other federal agencies that can provide more information and assistance.

6.2 Newspapers and the Internet

When buying a home or refinancing your existing mortgage, remember to shop around. Compare costs and terms, and negotiate for the best deal. Your local newspaper and the Internet are good places to start shopping for a loan. You can usually find information on interest rates and points for several lenders. Since rates and points can change daily, you'll want to check information sources often when shopping for a home loan.

The Mortgage Shopping Worksheet at the beginning of this booklet may also help you. Take it with you when you speak to each lender or broker, and write down the information you obtain. Don't be afraid to make lenders and brokers compete with each other for your business by letting them know that you are shopping for the best deal.

6.3 Advertisements

Any initial information you receive about mortgages probably will come from advertisements or mail solicitations from builders, real estate brokers, mortgage brokers, and lenders. Although this information can be helpful, keep in mind that these are marketing materials—the ads and mailings are designed to make the mortgage look as attractive as possible. These ads may play up low initial interest rates and monthly payments, without emphasizing that those rates and payments could increase substantially later. So, get all the facts.

Any ad for an ARM that shows an initial interest rate should also show how long the rate is in effect and the APR on the loan. If the APR is much higher than the initial rate, your payments may increase a lot after the introductory period, even if interest rates stay the same.

Choosing a mortgage may be the most important financial decision you will make. You are entitled to have all the information you need to make the right decision. Don't hesitate to ask questions about ARM features when you talk to lenders, mortgage brokers, real estate agents, sellers, and your attorney, and keep asking until you get clear and complete answers.

APPENDIX A:

Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

DEFINED TERM

ADJUSTABLE-RATE MORTGAGE (ARM)

A mortgage that does not have a fixed interest rate. The rate changes during the life of the loan based on movements in an index rate, such as the rate for Treasury securities or the Cost of Funds Index. ARMs usually offer a lower initial interest rate than fixed-rate loans. The interest rate fluctuates over the life of the loan based on market conditions, but the loan agreement generally sets maximum and minimum rates. When interest rates increase, generally your loan payments increase; and when interest rates decrease, your monthly payments may decrease.

ANNUAL PERCENTAGE RATE (APR)

The cost of credit expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

BALLOON PAYMENT

A large extra payment that may be charged at the end of a mortgage loan or lease.

BUYDOWN

When the seller pays an amount to the lender so that the lender can give you a lower rate and lower payments, usually for an initial period in an ARM. The seller may increase the sales price to cover the cost of the buydown. Buydowns can occur in all types of mortgages, not just ARMs.

CAP, INTEREST RATE

A limit on the amount that your interest rate can increase. The two types of interest rate caps are periodic adjustment caps and lifetime caps. Periodic adjustment caps limit the interest-rate increase from one adjustment period to the next. Lifetime caps limit the interest-rate increase over the life of the loan. All adjustable-rate mortgages have an overall cap.

CAP, PAYMENT

A limit on the amount that your monthly mortgage payment on a loan may change, usually a percentage of the loan. The limit can be applied each time the payment changes or during the life of the mortgage. Payment caps may lead to negative amortization because they do not limit the amount of interest the lender is earning.

CONVERSION CLAUSE

A provision in some ARMs that allows you to change the ARM to a fixed-rate loan at some point during the term. Conversion is usually allowed at the end of the first adjustment period. At the time of the conversion, the new fixed rate is generally set at one of the rates then prevailing for fixed-rate mortgages. The conversion feature may be available at extra cost.

DISCOUNTED INITIAL RATE (ALSO KNOWN AS A START RATE OR TEASER RATE)

In an ARM with a discounted initial rate, the lender offers you a lower rate and lower payments for part of the mortgage term (usually for 1, 3, or 5 years). After the discount period, the ARM rate will probably go up depending on the index rate. Discounts can occur in all types of mortgages, not just ARMs.

EQUITY

In housing markets, equity is the difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

HYBRID ARM

These ARMs are a mix—or a hybrid—of a fixed-rate period and an adjustable-rate period. The interest rate is fixed for the first several years of the loan; after that period, the rate can adjust annually. For example, hybrid ARMs can be advertised as 3/1 or 5/1—the first number tells you how long the fixed interest-rate period will be and the second number tells you how often the rate will adjust after the initial period. For example, a 3/1 loan has a fixed rate for the first 3 years and then the rate adjusts once each year beginning in year 4.

INDEX

The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also the chart on page 14, Selected index rates for ARMs over an 11-year period, for examples of common indexes that have changed in the past.

INTEREST

The rate used to determine the cost of borrowing money, usually stated as a percentage and as an annual rate.

**INTEREST-ONLY (I-O)
ARM**

Interest-only ARMs allow you to pay only the interest for a specified number of years, typically between three and 10 years. This arrangement allows you to have smaller monthly payments for a prescribed period. After that period, your monthly payment will increase— even if interest rates stay the same—because you must start paying back the principal and the interest each month. For some I-O loans, the interest rate adjusts during the I-O period as well.

MARGIN

The number of percentage points the lender adds to the index rate to calculate the interest rate of an adjustable-rate mortgage (ARM) at each adjustment.

**NEGATIVE
AMORTIZATION**

Occurs when the monthly payments in an adjustable-rate mortgage loan do not cover all the interest owed. The interest that is not paid in the monthly payment is added to the loan balance. This means that even after making many payments, you could owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that are not high enough to cover the interest due or when the minimum payments are set at an amount lower than the amount you owe in interest.

PAYMENT-OPTION ARM

An ARM that allows the borrower to choose among several payment options each month. The options typically include (1) a traditional amortizing payment of principal and interest, (2) an interest-only payment, or (3) a minimum (or limited) payment that may be less than the amount of interest due that month. If the borrower chooses the minimum-payment option, the amount of any interest that is not paid will be added to the principal of the loan. See also the definition of negative amortization, above.

**POINTS (ALSO CALLED
DISCOUNT POINTS)**

One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if the mortgage is \$200,000, one point equals \$2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that the borrower voluntarily chooses to pay in return for a lower interest rate.

PREPAYMENT PENALTY

Extra fees that may be due if you pay off your loan early by refinancing the loan or by selling the home. These fees are not allowed for ARMs or for high-cost mortgages. For mortgages where they are allowed, the penalty cannot go beyond the first three years of the loan's term.

PRINCIPAL

The amount of money borrowed or the amount still owed on a loan.

APPENDIX B:

More information

For more information about mortgages, visit consumerfinance.gov/mortgage. For answers to questions about mortgages and other financial topics, visit consumerfinance.gov/askcfpb. You may also visit the CFPB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's website at consumerfinance.gov/find-a-housing-counselor or by calling HUD's interactive toll-free number at 800-569-4287.

The company that collects your mortgage payments is your loan servicer. This may not be the same company as your lender. If you have concerns about how your loan is being serviced, or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at consumerfinance.gov/complaint or by calling (855) 411-CFPB (2372).

When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get a response. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB.

APPENDIX C:

Contact information

For additional information or to submit a complaint, you can contact the CFPB or one of the other federal agencies listed below, depending on the type of institution. If you are not sure which agency to contact, you can submit a complaint to the CFPB and if the CFPB determines that another agency would be better able to assist you, the CFPB will refer your complaint to that agency and let you know.

Regulatory agency	Regulated entities	Contact information
Consumer Financial Protection Bureau (CFPB) P.O. Box 4503 Iowa City, IA 52244	Insured depository institutions and credit unions with assets greater than \$10 billion (and their affiliates), and non-bank providers of consumer financial products and services, including mortgages, credit cards, debt collection, consumer reports, prepaid cards, private education loans, and payday lending	(855) 411-CFPB (2372) consumerfinance.gov consumerfinance.gov/complaint
Board of Governors of the Federal Reserve System (FRB) Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 federalreserveconsumerhelp.gov

Regulatory agency	Regulated entities	Contact information
<p>Office of the Comptroller of the Currency (OCC) Customer Assistance Group 1301 McKinney Street Suite 3450 Houston, TX 77010</p>	<p>National banks and federally chartered savings banks/associations</p>	<p>(800) 613-6743 occ.treas.gov helpwithmybank.gov</p>
<p>Federal Deposit Insurance Corporation (FDIC) Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106</p>	<p>Federally insured state-chartered banks that are not members of the Federal Reserve System</p>	<p>(877) ASK-FDIC or (877) 275-3342 fdic.gov fdic.gov/consumers</p>
<p>Federal Housing Finance Agency (FHFA) Consumer Communications Constitution Center 400 7th Street, S.W. Washington, DC 20024</p>	<p>Fannie Mae, Freddie Mac, and the Federal Home Loan Banks</p>	<p>Consumer Helpline (202) 649-3811 fhfa.gov fhfa.gov/Default.aspx?Page=369 ConsumerHelp@fhfa.gov</p>
<p>National Credit Union Administration (NCUA) Consumer Assistance 1775 Duke Street Alexandria, VA 22314</p>	<p>Federally chartered credit unions</p>	<p>(800) 755-1030 ncua.gov mycreditunion.gov</p>
<p>Federal Trade Commission (FTC) Consumer Response Center 600 Pennsylvania Ave, N.W. Washington, DC 20580</p>	<p>Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus</p>	<p>(877) FTC-HELP or (877) 382-4357 ftc.gov ftc.gov/bcp</p>

Regulatory agency	Regulated entities	Contact information
<p>Securities and Exchange Commission (SEC) Complaint Center 100 F Street, N.E. Washington, DC 20549</p>	<p>Brokerage firms, mutual fund companies, and investment advisers</p>	<p>(202) 551-6551 sec.gov sec.gov/complaint/select.shtml</p>
<p>Farm Credit Administration Office of Congressional and Public Affairs 1501 Farm Credit Drive McLean, VA 22102</p>	<p>Agricultural lenders</p>	<p>(703) 883-4056 fca.gov</p>
<p>Small Business Administration (SBA) Consumer Affairs 409 3rd Street, S.W. Washington, DC 20416</p>	<p>Small business lenders</p>	<p>(800) U-ASK-SBA or (800) 827-5722 sba.gov</p>
<p>Commodity Futures Trading Commission (CFTC) 1155 21st Street, N.W. Washington, DC 20581</p>	<p>Commodity brokers, commodity trading advisers, commodity pols, and introducing brokers</p>	<p>(866) 366-2382 cftc.gov/Consumer-Protection</p>

Regulatory agency	Regulated entities	Contact information
<p>U.S. Department of Justice (DOJ) Civil Rights Division 950 Pennsylvania Ave, N.W. Housing and Civil Enforcement Section Washington DC 20530</p>	<p>Fair lending and housing issues</p>	<p>(202) 514-4713 TTY-(202) 305-1882 FAX-(202) 514-1116 To report an incident of housing discrimination: 1-800-896-7743 fairhousing@usdoj.gov</p>
<p>Department of Housing and Urban Development (HUD) Office of Fair Housing/Equal Opportunity 451 7th Street, S.W. Washington, DC 20410</p>	<p>Fair lending and housing issues</p>	<p>(800) 669-9777 hud.gov/complaints</p>

APPENDIX D:

More resources

Looking for the Best Mortgage—Shop, Compare, Negotiate
hud.gov/buying/booklet.pdf

*Interest-Only Mortgage Payments and Payment-Option
ARMs—Are They for You?*
fdic.gov/consumers/consumer/interest-only/

A Consumer’s Guide to Mortgage Lock-Ins
federalreserve.gov/pubs/lockins/default.htm

A Consumer’s Guide to Mortgage Settlement Costs
federalreserve.gov/pubs/settlement/default.htm

*Know Before You Go . . . To Get a Mortgage: A Guide to Mortgage Products and a Glossary of
Lending Terms*
bos.frb.org/consumer/knowbeforeyougo/mortgage/mortgage.pdf

Online Mortgage Calculator
mortgagecalculator.org/