



**Loan Program Disclosure for:
LIBOR PRODUCTS**

- 5 Year Fixed/1- year LIBOR ARM Loan (5/1)**
(Codes: PA51, PA51J)
- 7 Year Fixed/1- year LIBOR ARM Loan (7/1)**
(Codes: PA71, PA71J)

Lender: **Provident Savings Bank, F.S.B.**

This disclosure describes the features of the adjustable rate mortgage (ARM) program you are considering. Information on other ARM programs is available upon request. This disclosure statement is not a contract and does not constitute a commitment to make a loan to you.

The 5/1 ARM and 7/1 ARM products are fully amortized over the full term of the loan.

What is an Adjustable Rate Mortgage?

An Adjustable Rate Mortgage (ARM) is a loan in which the interest rate and monthly payment (principal and interest) may change over the life of the loan. If the interest rate increases from the time you make your loan, your monthly payment will increase. If the interest rate decreases, your payment will decrease.

How Your Interest Rate and Payment Are Determined

Interest Rate: Your interest rate will be based on an index plus a margin.

Initial Interest Rate: Your initial interest rate may not necessarily be tied to the Index and margin for your loan. Please ask us for the current amount of our interest rate discounts or premiums. Your interest rate can increase even if the index plus your margin rounded to the nearest one-eighth of one percent (0.125%) has remained constant or decreased.

Subsequent interest rate: Subsequent interest rates will be based on the average of interbank offered rates for one year U.S. dollar-denominated deposits in the London Market ("Libor"), as published in the *Wall Street Journal*, plus our margin rounded to the nearest one-eighth of one percent (0.125%), unless your interest rate "caps" limit the amount of the change in the interest rate. Please ask for our current interest rate and margin.

Index: The "Index" is the average of interbank offered rates for one year U.S. dollar-denominated deposits in the London Market ("Libor"), as published in the *Wall Street Journal*. If this Index is no longer available, a comparable index will be substituted.

Payment for 5/1 and 7/1 ARMs: Your principal and interest payment will be based on the interest rate, loan balance and loan term. In addition, you may be required to make a monthly escrow deposits for real estate taxes, hazard insurance and/or flood insurance premium.

How Your Interest Rate Can Change

Interest Rate Change Date for 5/1 ARM: You interest rate will not change for the first 5 years of the loan. Thereafter, the interest rate may change every year. Each date on which your interest rate can change is called a "Change Date".

Interest Rate Change Date for 7/1 ARM: You interest rate will not change for the first 7 years of the loan. Thereafter, the interest rate may change every year. Each date on which your interest rate can change is called a "Change Date".

Interest Rate Change: Starting with the first Change Date, your interest rate will equal the sum of the current index (which is the most recent Index available 45 days before each Change Date) plus a margin, rounded to the nearest one-eighth of one percent (0.125%), unless the interest rate "cap" on your loan limits the change in your interest rate.

Interest Rate Caps for 5/1 ARM (PA51, PA51J): Your interest rate is subject to the following limits:

- At the first Change Date, your interest rate cannot increase by more than **2%** from the Initial Interest Rate.
- At each subsequent Change Date, your interest rate cannot increase or decrease more than **2%** from the interest rate from the preceding period.
- Over the term of the loan, your interest rate cannot increase more than **5%** from the Initial Interest Rate.
- Over the term of the loan, your interest rate cannot decrease to a rate less than your Initial Interest Rate.

Interest Rate Caps for 7/1 ARM (Codes, PA71, PA71J): Your interest rate is subject to the following limits:

- At the first Change Date, your interest rate cannot increase by more than **5%** from the Initial Interest Rate.
- At each subsequent Change Date, your interest rate cannot increase or decrease more than **2%** from the interest rate from the preceding period.
- Over the term of the loan, your interest rate cannot increase more than **5%** from the Initial Interest Rate.
- Over the term of the loan, your interest rate cannot decrease to a rate less than your Initial Interest Rate.

Because of the effect of interest rate caps on the method of calculating your new interest rate at each Change Date, your new interest rate may not correspond directly to changes in the Index

How Your Monthly Payment Can Change

Payment Change Dates: Your monthly payment can change at the first Change Date and every year thereafter, based on changes in the interest rate. If the interest rate changes, you will pay a new monthly payment on the first payment due date after the Change Date.

Payment Change for 5/1 and 7/1 ARM: At each Change Date, the Lender will recalculate your monthly payment based on the amount necessary to fully repay the balance with interest at the new interest rate over the remaining loan term.

Payment Change Notice: 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. You will also 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 Changes: Your monthly payments may increase or decrease substantially depending on changes in the rate. However, your Initial Interest Rate may not necessarily be tied to the Index and margin depending on whether your loan was originated at a discount or premium.

Example 5/1 ARM:	Loan Amount:	<u>10,000</u>
PA51, PA51J	Loan Term:	<u>30 Years</u>
2/2/5	Initial Interest Rate:	<u>3.875</u>
	Margin:	<u>2.750</u>
	Index:	<u>2.924 as of 04/05/2019</u>

The maximum amount that the interest rate can increase under this program is **5** percentage points to **8.875%**. The monthly payment can increase from the initial payment of \$ **47.02** (for the first year) to a maximum of \$ **74.31** in the **8th** year.

To see what your payments would be, divide your loan amount by \$10,000, then multiply the month payment by that amount. For our example, the monthly payment for a loan amount of \$60,000 would be $(\$60,000/\$10,000) = 6$, and $(6 \times \$47.02) = \282.12 per month.

Example 7/1 ARM:	Loan Amount:	<u>10,000</u>
PA71, PA71J,	Loan Term:	<u>30 Years</u>
5/2/5	Initial Interest Rate:	<u>4.250</u>
	Margin:	<u>2.750</u>
	Index:	<u>2.924 as of 04/05/2019</u>

The maximum amount that the interest rate can increase under this program is **5** percentage points to **9.250%**. The monthly payment can increase from the initial payment of \$ **49.19** (for the first year) to a maximum of \$ **75.83** in the **8th** year.

To see what your payments would be, divide your loan amount by \$10,000, then multiply the month payment by that amount. For our example, the monthly payment for a loan amount of \$60,000 would be $(\$60,000/\$10,000) = 6$, and $(6 \times \$49.19) = \295.14 per month.