

ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE
2-YEAR FIXED/6 MONTH LIBOR
PLEASE READ CAREFULLY

This disclosure is provided to you in connection with your application for an adjustable rate mortgage loan with and provides information that you should read. An adjustable rate mortgage loan (an "ARM") is a type of loan that permits changes in the loan interest rate. Such changes generally are based on changes in the index and normally result in an increase or decrease in the regular monthly loan payment. The purpose of this disclosure is to explain how ARMs provided by Mortgage Express, Inc. operate. You may obtain disclosures for other adjustable rate loan programs upon request.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

Your interest rate will be based on an index rate plus a margin, with that sum rounded to the next highest one-eighth of one percentage point (0.125%). Your monthly (principal and interest) payment will be based on the interest rate, loan balance, and loan term. The term of your loan is 360 months. If you prepay the principal of your loan, you may be required to pay a prepayment penalty.

Your initial rate will be discounted - that is, it will be less than it would be if it were calculated based on the interest rate index plus our margin. The initial interest rate is established by Mortgage Express, Inc. based on the current market conditions. Ask us for the amount of our current market conditions. Ask us for the amount of our current interest rate discounts.

Beginning with the first change date and on each change date thereafter, the interest rate will be determined based on the average of Interbank offered rates for six month U.S. Dollar - denominated deposits in the London market ("LIBOR") in effect as of the date which is 45 days before each change date, plus our margin, with that sum rounded to the next highest one-eighth of one percentage point (0.125). Ask us for our current interest rate and margin.

Information about the index value is available from the "Money Rates" section of The Wall Street Journal, or if the "Money Rates" section ceases to be published or becomes unavailable for any reason then as set forth on a comparable new index and will notify you of the change in the index.

Your interest rate will equal that index rate plus our margin, with that sum rounded to the next highest one-eighth of one percentage point (0.125) unless your interest rate "cap" or "floor" limits the amount of change in the interest rate.

HOW YOUR INTEREST RATE CAN CHANGE

Your initial rate will remain fixed for the first two (2) years. Thereafter, your interest rate can be adjusted every six (6) months. On the first change date, your interest rate cannot increase to more than three (3) percentage points higher than your initial rate. Thereafter, your interest rate cannot increase more than one (1) percentage point every six (6) months or more than two (2) percentage points per year. Your interest rate cannot exceed the initial interest rate by more than six (6) percentage points over the term of the loan regardless of the how much the index changes. In no event will your interest rate be less than the floor (which is the initial interest rate on the loan).

HOW YOUR PAYMENT CAN CHANGE

After the expiration of the initial fixed rate period of two (2) years, your payment can change every six (6) months based on changes in the interest rate. You will be notified in writing at least thirty (30) days but not more than one hundred twenty (120) days before a payment change becomes effective. This notice will contain information about your interest rates, payment amount, and loan balance.