

LOAN PROGRAM DISCLOSURE

3/2 ARM WSB

This Loan Program Disclosure describes features of the 3/2 ARM WSB Adjustable Rate Mortgage program you are considering. Information on other ARM programs is available upon request. **THIS IS NOT A COMMITMENT FROM THE LENDER TO MAKE A LOAN TO YOU.**

GENERAL DESCRIPTION OF THE ARM. The loan offered by THE WESTERN STATE BANK ("The Lender") is an "adjustable rate mortgage" or an "ARM." It is different from a fixed rate loan in that the interest rate and principal and interest payments can change during the life of your loan. The interest rate will change based upon the movement of an interest rate "Index." Generally, your principal and interest payments may increase if the Index rises or decrease if the Index falls. Because future movements of the Index are related to financial market conditions that cannot be predicted, it is impossible to know in advance how much you will have to pay, either each payment or over the life of the loan. Interest rate and payment changes will be made according to certain rules that are explained in more detail below. We have also included an example at the end of this Disclosure to show you how the 3/2 ARM WSB ARM will work.

HOW YOUR INTEREST RATE AND PAYMENT ARE DETERMINED

* Your interest rate will be based on an index rate plus a margin, rounded to the nearest Zero and 125/1000 of one percent (0.125).

* Your payment will be based on the interest rate, loan balance, and loan term.

* The interest rate will be based on THE FEDERAL COST OF FUNDS INDEX www.freddiemac.com/news/finance/docs/monthly.cofi.xls, plus our margin. Ask us for our current interest rate and margin.

* Information about the index rate is available from FREDDIE MAC www.freddiemac.com/news/finance/docs/monthly_cofi.xls

* Your initial interest rate may be discounted and not based on the index used to make later adjustments. Ask us for the amount of the current interest rate discount.

HOW YOUR INTEREST RATE CAN CHANGE

* Your interest rate may change on the 36th payment date. The first Change Date will be shown in the Note you sign. Subsequent rate changes will occur on that date every 24th payment thereafter. For example, if your first payment date is January 1st, 2017, your first Change Date would be December 1st, 2019.

* This loan has "Interest Rate Caps" which limit the changes in the interest rate on each Change Date and over the life of the loan. On each Change Date, the interest rate cannot increase or decrease more than 2.000 percentage points at each adjustment. Over the term of the loan, the interest rate cannot increase more than 6.000 percentage points or decrease more than 0.000 percentage points.

HOW YOUR PAYMENT CAN CHANGE

* Your payment can increase or decrease substantially based on changes in the interest rate.

* Your payment may change every 24th payment date.

* For example, on a \$10,000 20 year loan with an initial interest rate of 5.750 in effect October 11, 2016, the maximum amount that the interest rate can rise under this program is 6.000 percentage points, to 11.750, and the payment can rise from a first-year payment of \$ 70.21 to a maximum of \$ 100.36 in the 8th year. To see what your payments would be, divide your mortgage amount by \$10,000; then multiply the payment by that amount. (For example, the payment for a mortgage amount of 90,000.00 would be: 90,000.00 / \$10,000 = 9.00; 9.00 x 70.21 = \$ 631.89 per month.)

NOTICE OF CHANGES.

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. 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.

PREPAYMENT. You have the right to make payments of principal at any time before they are due without paying any prepayment charge.

LATE CHARGE. The Note authorizes the imposition of a late charge if the Lender does not receive the full amount of any payment by the end of 15 calendar days after the due date. The amount of the late charge will be 4.000 % of the overdue principal and interest payment.

ESCROW PAYMENTS. In addition to your periodic principal and interest payments, the Lender may require you to pay escrow payments based on the estimated annual property taxes, hazard insurance premiums, lease hold payments, ground rents, assessments, private mortgage insurance, if any, and other recurring charges (unless such payments are prohibited by the laws of the state in which the Property is located.) These escrow payments will be payable to build up a fund to pay the charges as they become due. If the amount of the annual requirement for these items increases, the escrow payments will also increase. The servicer shall conduct an escrow account analysis annually to determine whether a surplus, shortage or deficiency exists. If the analysis discloses a surplus, and your loan is current, the servicer shall, within 30 days from the date of the analysis, refund the surplus to you if the surplus is greater than or equal to \$50. If the surplus is less than \$50, the servicer may refund such amount to you, or credit such amount against next year's escrow payments. If the analysis discloses a shortage, the servicer may allow the shortage to exist, may require you to repay the shortage within 30 days (only if the shortage is less than one escrow payment), or may require you to repay the shortage amount in equal payments over at least a 12-month period. If the escrow analysis confirms a negative balance in the escrow account (deficiency), and your loan is current, the servicer may require the borrower to pay additional periodic deposits to eliminate the deficiency. If you fail to pay the escrow payments, it will be considered a breach under the Security Instrument and the Lender will have the right to give you notice allowing you 30 days in which to make the payment. If the payment is not made, the Lender will have the right to make the loan become immediately due and payable at the end of 30 days.

FEES. You will be charged fees by the Lender in connection with the origination of the ARM. The Lender will give you an estimate of these fees after receiving a loan application. No costs or fees will be charged in connection with any regularly scheduled adjustment to the interest rate, the payment, the outstanding principal balance, or the loan term initiated by the Lender.

DUE-ON-SALE CLAUSE; ASSUMPTION OF YOUR LOAN. If you sell your property or any interest in it without the Lender's prior consent, the Lender may require immediate payment in full of your Loan. The Lender will not exercise this option if it is prohibited by Federal Law as of the date of your mortgage or if information required by the Lender to evaluate the intended purchaser of your Property ("Purchaser") as if a new Loan were being made to the Purchaser is submitted to the Lender and the loan assumption is approved. The Lender may charge a fee as a condition of the assumption and require the Purchaser to sign an assumption agreement which obligates the Purchaser to keep the promises and agreements in the Loan Documents. You will continue to be obligated under your Loan Documents unless the Lender releases you in writing. If the Lender elects to exercise its option to require immediate payment in full of the Loan, it will give you a notice which will provide a period of not less than 30 days from the date the notice is delivered or mailed to you, within which you must pay all sums secured by the Security Instrument. If you do not pay these sums prior to the expiration of such period, the Lender may invoke any remedies permitted by the Loan Documents without further notice to you.

I hereby acknowledge receipt of this ARM Program Disclosure and a copy of the Consumers Handbook of Adjustable Rate Mortgages.

Date: _____

A copy of this Disclosure and the "Consumers Handbook of Adjustable Rate Mortgages" were handed/mailed to the customers on _____.

By: _____

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