

*Effectively managing monthly income and expenses, commonly referred to as your "cash flow," is an ongoing challenge for many homeowners. Income may vary on a monthly basis due to the seasonality of your business, commissions, bonuses, or distributions. Also, unplanned expenses may arise, such as home maintenance, auto repairs, and medical expenses.*

*In response to this need, we created the Cashflow Option Loan to provide you with greater flexibility in managing your monthly mortgage payment. Questions: call 425-961-0334*



American Residential Funding [www.425.com](http://www.425.com) Disclosures:

<sup>1</sup> This example illustrates payment terms for a 30-year adjustable-rate Cashflow Option Loan, based on a \$400,000 home purchase with a 25% down payment and a \$300,000 mortgage. Rates are current as of 7/26/02 and are subject to change without notice. The interest rate is adjusted monthly based on the 1-month LIBOR index plus a margin (2.25%). Current rate is 4.125%, 4.168% APR (APR may vary). This example assumes the interest rate remains constant throughout the life of the loan. Rates used in this example are not guaranteed and are subject to change without notice.

\* The minimum payment for the first year is set at 2.75% and would be \$1225. Thereafter the minimum payment may increase a maximum of 7.5% each year, except when the loan is recast every 5 years.

\* The interest-only payment for the first 15 years would be \$1031. Thereafter you would make 180 monthly payments of \$2238.

\* You also have the option of making the following amortizing payments, 360 monthly payments of \$1454 or 180 monthly payments of \$2238.

Payments will revert to fully amortizing over the remainder of the loan term if the outstanding loan amount reaches 110% of the initial mortgage amount due to deferred interest.

<sup>2</sup> Consult your tax advisor regarding the deductibility of interest paid on your mortgage and the effect of deferred interest for your specific tax situation.

*Providing you with greater flexibility in managing your monthly mortgage payment.*

For many of us, our mortgage payment is our largest monthly expense. It is also the least flexible. If life were as predictable as our mortgage payment, this would be fine. Unfortunately, in the real world, income fluctuations and unplanned expenses can wreak havoc on monthly cash flow.

### Greater Control With Four Payment Options

Our Cashflow Option Loan was specifically designed to give you greater control over your mortgage payment. You have the option of choosing one of four payment options each month based on your specific cash flow needs at the time.

**Minimum Payment** A payment that is based on an initial interest rate as low as 2.75%. This option not only maximizes cash flow, giving you more cash each month for other expenses, but may also defer payment of interest on your mortgage loan, potentially allowing you greater flexibility in managing your tax deductions.<sup>2</sup> Plus, this payment will not increase by more than 7.5% each year, except when your loan is recast every five years or your principal balance exceeds 110% of your initial loan balance.<sup>1</sup>

**Interest-Only Payment** Defer paying principal on your loan and improve your monthly cash flow. The money you normally use for the principal portion of your mortgage payment can instead be used for other purposes, such as paying off high cost credit obligations or investing. (This option is not available if the payment would be less than the minimum payment. In this situation, no interest is deferred when you make the minimum payment, since it is greater than the interest-only payment.)<sup>1</sup>

**Two Fully Amortizing Payment Options** Make a principal and interest payment based on a 30-year or 15-year payment schedule.<sup>1</sup>

### www.425.com Choose Your Index

Our Cashflow Option Loan is a monthly adjustable rate mortgage, with your choice of either the 1-month London InterBank Offered Rate (LIBOR) or 12-month treasury average (MTA) for your index.

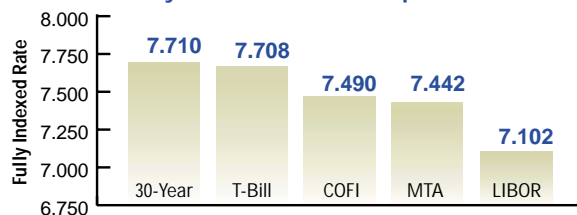
The LIBOR is the rate offered by banks in London for US deposits. This index has gained tremendous popularity as an attractive alternative to many of the other index choices because it is an international index that reflects the global economic climate.

The MTA index is based on the 12-month average of the monthly yields of U.S. Treasury securities adjusted to a constant maturity of one year. It is calculated by averaging the previous 12 monthly values of the 1-Year Constant Maturity Treasury (CMT) index. Because this index is an annual average, it is steadier than the 1-Year CMT index.

### Ten Year Fully Indexed Rate Comparison.

Below is a comparison between the fully indexed 1-month LIBOR, MTA, COFI, and 1-year Treasury Bill indices and a 30-year fixed rate mortgage from August 1992 to July 2002.

### Ten Year Fully Indexed Rate Comparison



The 10-year averages for fully indexed rates above are based on the following: 30-year fixed rate of 7.710%, 1-year Treasury Bill of 4.833% with a 2.875% margin, COFI index of 4.590 with a 2.9% margin, 12-Month Treasury Average of 4.942% with a 2.5% margin and 1-month LIBOR of 4.852 with a 2.25% margin.

### The AmRes Minimum Payment Advantage

The example below is based on a \$400,000 loan amount. It compares a traditional 30-year fixed rate mortgage payment based on a rate of 7.710% (the average for the 10-year period from August 1992 to July 2002) with the minimum payment option, based on an initial rate of 2.75% (4.137% APR) with payment caps of 7.5% per year.

	30-Year Fixed Rate Payment	Cashflow Minimum Payment	Monthly Savings	Annual Savings
Year 1	\$2,855	\$1,633	\$1,222	\$14,660
Year 2	\$2,855	\$1,755	\$1,099	\$13,190
Year 3	\$2,855	\$1,887	\$968	\$11,610
<b>Savings over 1st 3 years:</b>			<b>\$39,460</b>	
<b>Savings invested at 8%:</b>			<b>\$44,704</b>	

### Additional Options

For borrowers who are looking for the security of a fixed payment while still taking advantage of low adjustable interest rates, we now offer a 5-year fixed payment option. With our Cashflow 5-Year Fixed Payment Loan, you are guaranteed a fixed minimum payment for the first five years of your mortgage. As with the Cashflow Option Loan, you have the choice of one of four payment options each month based on your specific cash flow needs. And with both of these loans, we also offer you the ability to increase the term of the loan from 30 to 40 years.

### Deferred Interest Consideration

It is important to note that when you choose to defer the payment of interest by making less than the interest-only payment, the amount you defer is added to the loan's principal balance. Until this deferred interest is paid, you will be charged interest on this additional amount.