12-MTA Index Advantage

Adjustable Rate Mortgage (ARM)
A mortgage with an interest rate and payment that changes periodically over the life of the loan based on changes in a specified index.

What is an Index?
An index is an independent, published economic indicator. there are a variety of commonly used interest rate indices including the 12-Month Treasury Average Index (12-MTA), the 11th District Cost of Funds Index (COFI) and the 1-Year Constant Maturity Index (CMT). Lenders use indices to establish the interest rate for an adjustable rate mortgage. Additionally, ARM rates follow the movement of these indices. The lender adds a specified number of percentage points, called a margin, to the index to establish the actual ARM interest rate.

What is the 12-MTA?
The 12-Month Treasury Average Index (12-MTA) is based on average annual yields on U.S. Treasury Securities adjusted to a constant maturity of one year, as made available by the Federal Reserve. The 12-month average is determined by adding together the annual yields for the most recently available 12 months and dividing by 12.

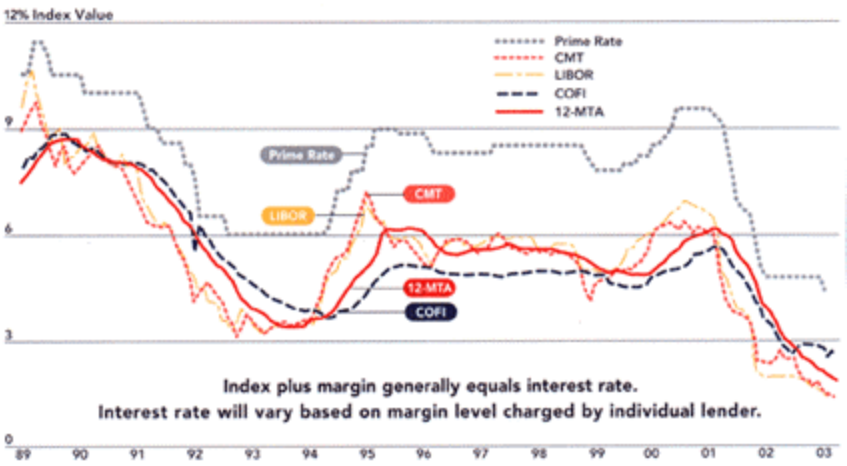
Stability: The 12-MTA Advantage
The 12-MTA Index does not move up or down as rapidly as other market interest rates because the 12-MTA is an average of annual yields on U.S. Treasury Securities over a 12-month period. As a result:

- Higher yields are offset by lower yields on a monthly basis throughout the year
- It creates an index which is far less volatile than other pure-rate indices
- Interest rate increases take longer to affect the 12-MTA than other ARM indices

Historically, home loans tied to the 12-MTA have not exhibited sharp interest rate increases such as those that occurred in the late 1980s. Additionally, unlike more volatile indices, the 12-MTA has never increased more than .25% in any month for over a decade.

Comparing ARM Indices
The following chart compares the movement of the 12-MTA Index to other popular indices. Historically, those indices may fall faster when interest rates drop, but they also climb more quickly when rates increase. Generally, the 12-MTA Index will rise and fall more gradually than the other interest rate indices.

Index Comparison Graph of Major ARM Indices



12-MTA
(12-Month Treasury Average)
The 12-month moving average of annual yields on actively traded United States Treasury Securities adjusted to a constant maturity of one year, as made available by the Federal Reserve and published in its Statistical Release, "H.15 - Selected Interest Rates."

COFI
(11th District Cost of Funds Index)
The monthly weighted average cost of deposits and borrowings for savings institutions in the Federal Home Loan Bank's 11th District, as made available by the Federal Home Loan Bank of San Francisco.

LIBOR
(6-Month London Interbank Offered Rate)
This is the rate at which deposits of U.S. dollars are traded in London, and is used as a common international interest rate index.

Prime Rate
The base rate on corporate loans posted by at least 75% of the nation's 30 largest banks.

CMT
(1-Year Constant Maturity Treasury Index)
The 1-Year CMT is the average yield of all Treasury Securities having one year remaining until maturity. This index is calculated weekly. It's made available by the Federal Reserve and published in its Statistical Release, "H.15 - Selected Interest Rates."

Why the 12-MTA Declines While Other Rates Rise
Even when other rates rise, the 12-MTA Index usually continues to decline for several more months because the 12-MTA is calculated as a 12-month moving average. As a result, it takes a longer period of time for interest rate increases to affect this calculation as lower values throughout the 12-month period keep index increases in check. That means you can enjoy the stability of your 12-MTA ARM, compared to other interest rate indices that generally rise and fall more rapidly.

A History of the 12-Month Treasury Average Index

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Jan	3.835%	3.438%	5.603%	5.785%	5.556%	5.599%	4.991%	5.212%	5.999%	3.260%	1.935%
Feb	3.760%	3.478%	5.838%	5.638%	5.605%	5.581%	4.940%	5.338%	5.871%	3.056%	1.858%
Mar	3.652%	3.560%	6.014%	5.548%	5.643%	5.547%	4.889%	5.458%	5.711%	2.912%	1.747%
Apr	3.563%	3.692%	6.135%	5.487%	5.681%	5.496%	4.832%	5.580%	5.530%	2.787%	1.646%
May	3.494%	3.854%	6.193%	5.457%	5.700%	5.460%	4.783%	5.703%	5.318%	2.668%	1.548%

June	3.442%	3.998%	6.223%	5.471%	5.690%	5.437%	4.757%	5.793%	5.102%	2.553%	1.449%
July	3.431%	4.166%	6.233%	5.493%	5.664%	5.422%	4.729%	5.880%	4.897%	2.414%	1.379%
Aug	3.428%	4.343%	6.248%	5.486%	5.655%	5.393%	4.728%	5.962%	4.671%	2.272%	1.342%
Sept	3.443%	4.543%	6.237%	5.503%	5.629%	5.325%	4.773%	6.035%	4.395%	2.180%	
Oct	3.451%	4.769%	6.193%	5.500%	5.622%	5.213%	4.883%	6.083%	4.088%	2.123%	
Nov	3.443%	5.016%	6.101%	5.499%	5.625%	5.136%	4.968%	6.128%	3.763%	2.066%	
Dec	3.434%	5.310%	5.948%	5.513%	5.630%	5.052%	5.078%	6.108%	3.481%	2.002%	

What the 12-MTA Index means to you:

- Stability
- Reliability
- Ease of Mind