

MORTGAGE LOAN DISCLOSURE STATEMENT – GOOD FAITH ESTIMATE
NONTRADITIONAL MORTGAGE LOAN PRODUCT (ONE TO FOUR RESIDENTIAL UNITS (RE885)
INFORMATIONAL SHEET

WHEN TO USE THIS FORM

NONTRADITIONAL LOAN PRODUCTS – THIS FORM MUST BE USED WHEN THE LOAN PRODUCT BEING OFFERED TO THE CONSUMER ALLOWS THE BORROWER TO DEFER REPAYMENT OF PRINCIPAL OR INTEREST AND IS SECURED BY A 1 TO 4 UNIT RESIDENTIAL PROPERTY WHETHER OWNER OR NON-OWNER OCCUPIED.

Commissioner’s Regulation 2842 defines a nontraditional loan product as “a loan that allows borrowers to defer repayment of principal or interest. Such products include, but are not limited to, interest only loans where the borrower pays no loan principal for a period of time and payment option loans where one or more of the payment options may result in negative amortization. A “nontraditional loan product” does not include reverse mortgages or home equity lines of credit (other than simultaneous second lien loans).”

If the loan product is **NOT** a nontraditional loan product the RE882 or RE883 form may be used.

PROPERTY SECURING THE LOAN – This form is used only when the real property securing the nontraditional loan is a 1 to 4 unit residential property whether owner or non-owner occupied. When the property securing the loan is **NOT** a 1 to 4 unit residential property the RE882 or RE883 may be used.

TIPS ON COMPLETING THIS FORM

Page 1 – Compensation to Broker (Not Paid Out of Loan Proceeds) – This section is completed to disclose any compensation received by the broker from a lender in the form of a yield/spread premium, service release premium or any other rebate or compensation.

Page 2 - Section III – If the “Initial Adjustable Rate” box is checked, complete sections IV through XI. If the “Fixed Rate ” box is checked and the loan has an interest only or negative amortization payment feature skip sections IV through IX and complete section X and XI as appropriate.

Page 3 – Certification – If any or all of the columns on page 4, section XIX, with the exception of the last column “Proposed Loan”, in the Typical Mortgage Transactions portion of the form are not completed, the broker **MUST** read and complete the Certification on page 3.

Page 4 - Section XIX – Comparison of Sample Mortgage Features (One to Four Residential Units) – Use the “Instructional Guide for Nontraditional Loan Disclosure (Page 4)” found on the DRE Web site at www.dre.ca.gov/frm_forms.html and go to Mortgage Lending Brokers. If the broker does not offer one or more comparison loan products, the box “not offered” should be checked for that particular loan product. However, the broker must provide the required information in all columns except those for which the broker has executed the CERTIFICATION on page 3 of the RE885.

DO NOT LEAVE ANY LINES OR SPACES BLANK.

After completion, the form must be signed by the broker or broker’s representative and provided to the borrower within THREE (3) DAYS OF RECEIVING THE BORROWER’S COMPLETED WRITTEN LOAN APPLICATION.

A COPY OF THE FORM SIGNED BY THE BORROWER MUST BE RETAINED BY THE BROKER FOR A PERIOD OF THREE (3) YEARS.

**MORTGAGE LOAN DISCLOSURE STATEMENT/ GOOD FAITH ESTIMATE
 NONTRADITIONAL MORTGAGE PRODUCT (ONE TO FOUR RESIDENTIAL UNITS)**

RE 885 (Rev. 8/08)

Borrower's Name(s): _____

Real Property Collateral: The intended security for this proposed loan will be a Deed of Trust on (street address or legal description) _____

This joint Mortgage Loan Disclosure Statement/Good Faith Estimate is being provided by _____, a real estate broker acting as a mortgage broker, pursuant to the Federal Real Estate Settlement Procedures Act (RESPA) if applicable and similar California law. In a transaction subject to RESPA, a lender will provide you with an additional Good Faith Estimate within three business days of the receipt of your loan application. You will also be informed of material changes before settlement/close of escrow. The name of the intended lender to whom your loan application will be delivered is:

Unknown _____ (Name of lender, if known)

GOOD FAITH ESTIMATE OF CLOSING COSTS

The information provided below reflects estimates of the charges you are likely to incur at the settlement of your loan. The fees, commissions, costs and expenses listed are estimates; the actual charges may be more or less. Your transaction may not involve a charge for every item listed and any additional items charged will be listed. The numbers listed beside the estimated items generally correspond to the numbered lines contained in the HUD-1 Settlement Statement which you will receive at settlement if this transaction is subject to RESPA. The HUD-1 Settlement Statement contains the actual costs for the items paid at settlement. When this transaction is subject to RESPA, by signing page four of this form you are also acknowledging receipt of the HUD Guide to Settlement Costs.

HUD-1	Item	Paid to Others	Paid to Broker
800	<i>Items Payable in Connection with Loan</i>		
801	Lender's Loan Origination Fee	\$ _____	\$ _____
802	Lender's Loan Discount Fee	\$ _____	\$ _____
803	Appraisal Fee	\$ _____	\$ _____
804	Credit Report	\$ _____	\$ _____
805	Lender's Inspection Fee	\$ _____	\$ _____
808	Mortgage Broker Commission/Fee	\$ _____	\$ _____
809	Tax Service Fee	\$ _____	\$ _____
810	Processing Fee	\$ _____	\$ _____
811	Underwriting Fee	\$ _____	\$ _____
812	Wire Transfer Fee	\$ _____	\$ _____
	_____	\$ _____	\$ _____
900	<i>Items Required by Lender to be Paid in Advance</i>		
901	Interest for ____ days at \$ _____ per day	\$ _____	\$ _____
902	Mortgage Insurance Premiums	\$ _____	\$ _____
903	Hazard Insurance Premiums	\$ _____	\$ _____
904	County Property Taxes	\$ _____	\$ _____
905	VA Funding Fee	\$ _____	\$ _____
	_____	\$ _____	\$ _____
1000	<i>Reserves Deposited with Lender</i>		
1001	Hazard Insurance: ____ months at \$ _____ /mo.	\$ _____	\$ _____
1002	Mortgage Insurance: ____ months at \$ _____ /mo.	\$ _____	\$ _____
1004	Co. Property Taxes: ____ months at \$ _____ /mo.	\$ _____	\$ _____
	_____	\$ _____	\$ _____
1100	<i>Title Charges</i>		
1101	Settlement or Closing/Escrow Fee	\$ _____	\$ _____
1105	Document Preparation Fee	\$ _____	\$ _____
1106	Notary Fee	\$ _____	\$ _____
1108	Title Insurance	\$ _____	\$ _____
	_____	\$ _____	\$ _____
1200	<i>Government Recording and Transfer Charges</i>		
1201	Recording Fees	\$ _____	\$ _____
1202	City/County Tax/Stamps	\$ _____	\$ _____
	_____	\$ _____	\$ _____
1300	<i>Additional Settlement Charges</i>		
1302	Pest Inspection	\$ _____	\$ _____
	_____	\$ _____	\$ _____
Subtotals of Initial Fees, Commissions, Costs and Expenses		\$ _____	\$ _____
Total of Initial Fees, Commissions, Costs and Expenses		\$ _____	
Compensation to Broker (Not Paid Out of Loan Proceeds):			
	Mortgage Broker Commission/Fee	\$ _____	
	Any Additional Compensation from Lender	<input type="checkbox"/> No <input type="checkbox"/> Yes	\$ _____
	(Approximate Yield Spread Premium or Other Rebate)		

ADDITIONAL REQUIRED CALIFORNIA DISCLOSURES

I. Proposed Loan Amount: \$ _____

Initial Commissions, Fees, Costs and Expenses Summarized on Page 1: \$ _____

Payment of Other Obligations (List):

Credit Life and/or Disability Insurance (see XIV below) \$ _____

_____ \$ _____

_____ \$ _____

Subtotal of All Deductions: \$ _____

Estimated Cash at Closing **To You** **That you must pay** \$ _____

II. Proposed Loan Term: _____ Years Months

III. Proposed Interest Rate: _____% Fixed Rate Initial Adjustable Rate

If the Fixed Rate Box is checked in Section III immediately above, proceed to section X. Do not complete sections IV through IX.

IV. Initial Adjustable Rate in effect for _____ Months

V. Fully Indexed Interest Rate _____%

VI. Maximum Interest Rate _____%

VII. Proposed Initial (Minimum) Loan Payment \$ _____ Monthly

VIII. Interest Rate can Increase _____% each _____ Months

IX. Payment Options end after _____ Months or _____% of Original Balance, whichever comes first

X. After _____ months you will not have the option to make minimum or interest only payments and negative amortization (increases in your principal balance), if any, will no longer be allowed. Assuming you have made minimum payments, you may then have to make principal and interest payments of \$ _____ at the maximum interest rate in effect for the remaining _____ months of the loan. *These payments will be significantly higher than the minimum or interest only payments.*

XI. If your loan contains negative amortization, at the time no additional negative amortization will accrue, your loan balance will be \$ _____ assuming minimum payments are made.

XII. The loan is subject to a balloon payment: No Yes. If Yes, the following paragraph applies and a final balloon payment of \$ _____ will be due on ___/___/___ [estimated date (month/day/year)].

NOTICE TO BORROWER: IF YOU DO NOT HAVE THE FUNDS TO PAY THE BALLOON PAYMENT WHEN IT COMES DUE, YOU MAY HAVE TO OBTAIN A NEW LOAN AGAINST YOUR PROPERTY TO MAKE THE BALLOON PAYMENT. IN THAT CASE, YOU MAY AGAIN HAVE TO PAY COMMISSIONS, FEES, AND EXPENSES FOR THE ARRANGING OF THE NEW LOAN. IN ADDITION, IF YOU ARE UNABLE TO MAKE THE MONTHLY PAYMENTS OR THE BALLOON PAYMENT, YOU MAY LOSE THE PROPERTY AND ALL OF YOUR EQUITY THROUGH FORECLOSURE. KEEP THIS IN MIND IN DECIDING UPON THE AMOUNT AND TERMS OF THIS LOAN.

XIII. Prepayments: The proposed loan has the following prepayment provisions:

- No prepayment penalty (you will not be charged a penalty to pay off or refinance the loan before maturity)
- You will have to pay a prepayment penalty if the loan is paid off or refinanced in the first _____ years. The prepayment penalty could be as much as \$ _____. Any prepayment of principal in excess of 20% of the
 - original loan balance or
 - unpaid balance

for the first _____ years will include a penalty not to exceed _____ months interest at the note interest rate but not more than the interest you would be charged if the loan were paid to maturity.

Other – you will have to pay a prepayment penalty if the loan is paid off or refinanced in the first _____ years as follows:

XIV. Taxes and Insurance:

There will be an impound (escrow) account which will collect approximately \$ _____ a month in addition to your principal and interest payments for the payment of county property taxes* hazard insurance mortgage insurance flood insurance other.

If there is no impound (escrow) account you will have to plan for the payment of county property taxes* hazard insurance mortgage insurance flood insurance other _____ of approximately \$ _____ per year.

*** In a purchase transaction, county property taxes are calculated based on the sales price of the property and may require the payment of an additional (supplemental) tax bill from the county tax authority by your lender (if escrowed) or you if not escrowed.**

XV. Credit Life and/or Disability Insurance: The purchase of credit life and/or disability insurance by a borrower is NOT required as a condition of making this proposed loan.

XVI. Other Liens: Are there liens currently on this property for which the borrower is obligated? No Yes
If Yes, describe below:

<i>Lienholder's Name</i>	<i>Amount Owning</i>	<i>Priority</i>

Liens that will remain or are anticipated on this property after the proposed loan for which you are applying is made or arranged (including the proposed loan for which you are applying):

<i>Lienholder's Name</i>	<i>Amount Owning</i>	<i>Priority</i>

NOTICE TO BORROWER: Be sure that you state the amount of all liens as accurately as possible. If you contract with the broker to arrange this loan, but it cannot be arranged because you did not state these liens correctly, you may be liable to pay commissions, costs, fees, and expenses even though you do not obtain the loan.

XVII. Article 7 Compliance: If this proposed loan is secured by a first deed of trust in a principal amount of less than \$30,000 or secured by a junior lien in a principal amount of less than \$20,000, the undersigned broker certifies that the loan will be made in compliance with Article 7 of Chapter 3 of the Real Estate Law.

A. This loan may will will not be made wholly or in part from broker controlled funds as defined in Section 10241(j) of the Business and Professions Code.

B. If the broker indicates in the above statement that the loan "may" be made out of broker-controlled funds, the broker must inform the borrower prior to the close of escrow if the funds to be received by the borrower are in fact broker-controlled funds.

XVIII. This loan is based on limited or no documentation of your income and/or assets and may have a higher interest rate, or more points or fees than other products requiring documentation: No Yes

NOTICE TO BROKER

If any of the columns in section XIX, Comparison of Sample Mortgage Features, on page 4 of this RE 885 form, are not completed, you must certify to the following:

CERTIFICATION

I, _____, hereby certify (or declare) that the failure to complete the information in any or all of the columns (with the exception of the last column "Proposed Loan" in the Typical Mortgage Transactions portion of this RE 885) is either because (1) after a diligent search, I have determined that the product specified in that column is not available to consumers from mortgage lenders, or (2) the borrower to whom this form applies does not qualify for that particular product.

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Broker

Date



TYPICAL MORTGAGE TRANSACTIONS

**PROPOSED
LOAN AMOUNT**
\$ _____
____-YEAR TERM

<u>Principal and Interest</u> <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	<u>Interest Only</u> <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	<u>5/1 ARM</u> <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	<u>Interest Only</u> <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	<u>Option Payment</u> <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	Proposed Loan Type of Loan: Type of Amortization:
Fixed Rate (____%)	Fixed Rate (____%) Interest Only for First 5 Years	Fixed Rate for First 5 Years; Adjustable Each Year After First 5 Years (Initial rate for 1 to 5 is ____%; Maximum Rate is ____%)	Interest Only and Fixed Rate for First 5 years; Adjustable Rate Each Year After First 5 Years (Initial rate for 1 to 5 is ____%; Maximum Rate is ____%)	Adjustable Rate for Entire Term of the Mortgage (Rate in month 1 is ____%; Rate in month 2 through year 5 is ____%; Maximum Rate is ____%)	Explanation of Type of Proposed Loan Product:

Payment Scenarios

Minimum Monthly Payment Years 1-5 except as noted	\$ _____**	\$ _____	\$ _____	\$ _____	\$ _____**** (1st year only)	\$ _____
Monthly Payment in Year 6 with no change in rates	\$ _____	\$ _____***	\$ _____	\$ _____	\$ _____	\$ _____
Monthly Payment in Year 6 with a 2% rise in rates	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Minimum Monthly Payment	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Your Gross Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Difference	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Maximum Monthly Payment in Year 6 with a 5% rise in rates	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Your Gross Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Difference	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Loan Balance Scenarios

How much will be owed after 5 years?	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Has the loan balance been reduced after 5 years of payments?	Yes The loan balance was reduced by \$ _____	No The loan balance was not reduced	Yes The loan balance was reduced by \$ _____	No The loan balance was not reduced	No The loan balance increased by \$ _____	No/Yes The loan balance: did not change/ increased/decreased by \$ _____

* "Not offered" indicates the broker does not offer the comparison loan product.

The information provided for the products not offered was obtained from sources deemed reliable. Yes No

** This illustrates an interest rate and payments that are fixed for the life of the loan.

*** This illustrates payments that are fixed after the first five years of the loan at a higher amount because they include both principal and interest.

**** This illustrates minimum monthly payments that are based on an interest rate that is in effect during the first month only. The payments required during the first year will not be sufficient to cover all of the interest that is due when the rate increases in the second month of the loan. Any unpaid interest amount will be added to the loan balance. Minimum payments for years 2-5 are based on the higher interest rate in effect at the time, subject to any contract limits on payment increases. Minimum payments will be recast (recalculated) after 5 years, or when the loan balance reaches a certain limit, to cover both principal and interest at the applicable rate.

IMPORTANT NOTE: Please use this chart to discuss possible loans with your broker or lender

If a mortgage loan broker licensed by the California Department of Real Estate is acting as your agent in connection with your home loan/mortgage, the agent owes you certain fiduciary duties, and California statutory law imposes other duties.

XX. NOTICE TO BORROWER: THIS IS NOT A LOAN COMMITMENT. Do not sign this statement until you have read and understood all of the information in it. All parts of this form must be completed before you sign. Borrower hereby acknowledges the receipt of a copy of this statement.

_____ <i>Name of Broker</i>	_____ <i>License #</i>	_____ <i>Broker's Representative</i>	_____ <i>License #</i>
_____ <i>Broker's Address</i>			
_____ <i>Signature of Broker</i>	_____ <i>Date</i>	OR	_____ <i>Signature of Representative</i>
			_____ <i>Date</i>
_____ <i>Borrower</i>	_____ <i>Date</i>	_____ <i>Borrower</i>	_____ <i>Date</i>

Department of Real Estate license information telephone number: (916) 227-0931, or check license status at www.dre.ca.gov

INSTRUCTIONAL GUIDE FOR NONTRADITIONAL LOAN DISCLOSURE (PAGE 4)
(ONE TO FOUR RESIDENTIAL UNITS)

PROPOSED LOAN AMOUNT \$ <u>①</u> ① -YEAR TERM	Principal and Interest <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	Interest Only <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	5/1 ARM <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	Interest Only <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	Option Payment <i>Fully Amortizing</i> <input type="checkbox"/> Not Offered*	Proposed Loan Type of Loan: _____ ②⑤ Type of Amortization: _____ ②⑥
	Fixed Rate (<u>②</u> %)	Fixed Rate (<u>③</u> %) Interest Only for First 5 Years	Fixed Rate for First 5 Years; Adjustable Each Year After First 5 Years (Initial rate for 1 to 5 is <u>④</u> %; Maximum Rate is <u>④</u> %)	Interest Only and Fixed Rate for First 5 years; Adjustable Rate Each Year After First 5 Years (Initial rate for 1 to 5 is <u>④</u> %; Maximum Rate is <u>④</u> %)	Adjustable Rate for Entire Term of the Mortgage (Rate in month 1 is <u>⑤</u> %; Rate in month 2 through year 5 is <u>⑤</u> %; Maximum Rate is <u>⑤</u> %)	Explanation of Type of Proposed Loan Product: _____ ②⑥

Payment Scenarios

Minimum Monthly Payment Years 1-5 except as noted	\$ <u>⑥</u> **	\$ <u>⑦</u>	\$ <u>⑧</u>	\$ <u>⑦</u>	\$ <u>⑨</u> **** (1st year only)	\$ <u>②⑥</u>
Monthly Payment in Year 6 with no change in rates	\$ <u>⑥</u>	\$ <u>⑩</u> ***	\$ <u>⑪</u>	\$ <u>⑫</u>	\$ <u>⑬</u>	\$ <u>②⑥</u>
Monthly Payment in Year 6 with a 2% rise in rates	\$ <u>⑥</u>	\$ <u>⑩</u>	\$ <u>⑭</u>	\$ <u>⑮</u>	\$ <u>⑯</u>	\$ <u>②⑥</u>
Minimum Monthly Payment	\$ <u>⑥</u>	\$ <u>⑦</u>	\$ <u>⑧</u>	\$ <u>⑦</u>	\$ <u>⑨</u>	\$ <u>②⑥</u>
Your Gross Income	\$ <u>⑰</u>	\$ <u>⑰</u>	\$ <u>⑰</u>	\$ <u>⑰</u>	\$ <u>⑰</u>	\$ <u>⑰</u>
Difference	\$ <u>⑱</u>	\$ <u>⑱</u>	\$ <u>⑱</u>	\$ <u>⑱</u>	\$ <u>⑱</u>	\$ <u>⑱</u>
Maximum Monthly Payment in Year 6 with a 5% rise in rates	\$ <u>⑥</u>	\$ <u>⑩</u>	\$ <u>⑲</u>	\$ <u>⑳</u>	\$ <u>㉑</u>	\$ <u>②⑥</u>
Your Gross Income	\$ <u>⑰</u>	\$ <u>⑰</u>	\$ <u>⑰</u>	\$ <u>⑰</u>	\$ <u>⑰</u>	\$ <u>⑰</u>
Difference	\$ <u>㉒</u>	\$ <u>㉒</u>	\$ <u>㉒</u>	\$ <u>㉒</u>	\$ <u>㉒</u>	\$ <u>㉒</u>

Loan Balance Scenarios

How much will be owed after 5 years?	\$ <u>⑳</u>	\$ <u>㉓</u>	\$ <u>㉓</u>	\$ <u>㉓</u>	\$ <u>㉓</u>	\$ <u>㉓</u>
Has the loan balance been reduced after 5 years of payments?	Yes The loan balance was reduced by \$ <u>㉔</u>	No The loan balance was not reduced	Yes The loan balance was reduced by \$ <u>㉔</u>	No The loan balance was not reduced	No The loan balance increased by \$ <u>㉔</u>	No/Yes The loan balance: did not change/ increased/decreased by \$ <u>㉔</u>

- ① Proposed loan amount and term.
- ② Current interest rate for fixed rate loan.
- ③ Current interest rate for fixed rate loan that is interest-only for first 5 years.
- ④ Current fixed interest rate for first 5 years and maximum rate based on 5% maximum increase.
- ⑤ Current initial interest rate for month 1; interest rate for month 2 through year 5 based on current fully-indexed interest rate; maximum rate based on 5% maximum increase.
- ⑥ Fixed rate loan payment (see *)
- ⑦ Interest-only payment based on fixed rate for first 5 years.
- ⑧ P&I payment based on fixed rate for first 5 years.
- ⑨ Minimum option payment based on month 1 rate for first year only(see ***).
- ⑩ P&I payment for remaining term (see **).
- ⑪ P&I payment for remaining term (same as #8).
- ⑫ P&I payment for remaining term.
- ⑬ P&I payment based on increased principal balance for remaining term.
- ⑭ P&I payment for remaining term based on decreased principal balance at 2% increase in interest rate.
- ⑮ P&I payment for remaining term based on original principal balance at 2% increase in interest rate.
- ⑯ P&I payment for remaining term based on increased principal balance at 2% increase in interest rate.
- ⑰ Borrower's gross income from loan application.
- ⑱ Subtract minimum monthly payment from gross income.
- ⑲ P&I payment for remaining term based on reduced principal balance at maximum interest rate.
- ⑳ P&I payment for remaining term based on original principal balance at maximum interest rate.
- ㉑ P&I payment for remaining term based on increased principal balance at maximum interest rate.
- ㉒ Subtract maximum monthly payment from gross income.
- ㉓ Calculate loan balance after 5 years based on minimum monthly payments for years 1 through 5.
- ㉔ Calculate the amount the loan balance has increased or decreased after 5 years.
- ②⑤ Insert type of proposed loan product.
- ②⑥ Insert applicable information for each scenario.

* "Not offered" indicates the broker does not offer the comparison loan product. The information provided for the products not offered was obtained from sources deemed reliable. [Yes] No

** This illustrates an interest rate and payments that are fixed for the life of the loan.

*** This illustrates payments that are fixed after the first five years of the loan at a higher amount because they include both principal and interest.

**** This illustrates minimum monthly payments that are based on an interest rate that is in effect during the first month only. The payments required during the first year will not be sufficient to cover all of the interest that is due when the rate increases in the second month of the loan. Any unpaid interest amount will be added to the loan balance. Minimum payments for years 2-5 are based on the higher interest rate in effect at the time, subject to any contract limits on payment increases. Minimum payments will be recast (recalculated) after 5 years, or when the loan balance reaches a certain limit, to cover both principal and interest at the applicable rate.