

HomeStar Bank and Financial Services

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("Lender")

ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE

1 YEAR ARM 2/6 CAPS-30 YEARS (CONVERSION OPTION)

This information describes some of the terms and conditions of an Adjustable Rate Mortgage ("ARM") loan program that is currently being offered by Lender, and which you are considering. Lender reserves the right to discontinue, or to modify, in whole or in part, at any time, the loan program that is described herein. This ARM disclosure is not a commitment by Lender to make a loan to you.

An Adjustable Rate Mortgage loan permits Lender, by the terms of the agreement and in relation to an index or formula, to increase or decrease the interest rate, payment amounts, and/or term of the loan after the loan has been consummated ("closed"). The date on which your interest rate and/or payment can change is called the "Change Date". Scheduled payment periods are called "your payments".

LOAN PROGRAM NAME

This disclosure describes the features of the ARM program that you are considering. The name of this loan program is **1 YEAR ARM 2/6 CAPS-30 YEARS (CONVERSION OPTION)**. Information on Lender's other ARM programs is available on request.

HOW YOUR INTEREST RATE IS DETERMINED

Beginning with the first Change Date, your interest rate will be based on an Index plus a margin, rounded to the nearest one-eighth of one percentage point (.125). The Index for this loan program is the weekly average for 1 year United States Treasury Securities adjusted to a constant maturity yield. Information about the Index rate is published by the Federal Reserve in Statistical Release H.15 (519). If the Index is no longer available, Lender will select a new Index which is based on comparable information. Ask us for our current interest rate and margin.

HOW YOUR INTEREST RATE CAN CHANGE

Your interest rate can change annually. Your interest rate cannot increase more than 6.000 percentage points above the initial interest rate during the term of the loan. Your interest rate will never be less than 2.875% during the term of the loan. Your interest rate cannot increase by more than 2.000 percentage points at any rate adjustment. Your interest rate cannot decrease by more than 2.000 percentage points at any rate adjustment.

This loan program is subject to automatic interest rate adjustments: decreases in the Index used to make interest rate adjustments will, subject to any limitations described above, result in a reduced interest rate; increases will, at Lender's discretion and subject to any limitations, result in increases in the interest rate. In the event that Lender elects not to implement a permissible increase in the interest rate, Lender reserves the right to implement the increase at a later time.

HOW YOUR PAYMENTS CAN CHANGE

Your payments will be determined by the interest rate, loan balance, and the remaining loan term. An increase in the interest rate will result in higher payment amounts. Your payments can increase or decrease substantially based on changes in the interest rate. Payments are due monthly. Your payments can change annually (every 12 payments). If you still owe amounts on your loan on the maturity date, you will pay those amounts in full on that date.

FIXED INTEREST RATE CONVERSION OPTION

This loan program offers you the option of converting your adjustable interest rate to a fixed interest rate. This is called a "Fixed-Rate Conversion Option". If you exercise this option, it is possible that the fixed interest rate that you will pay may be higher than the adjustable interest rate that you have been paying.

You will be allowed to convert your rate during the period beginning on the first change date and ending on the fifth change date. (the "Conversion Date").

If you choose to exercise this Fixed-Rate Conversion Option, you must first meet certain conditions. These conditions are: (i) you must give Lender notice that you are doing so at least 45 days before the Conversion Date that you have chosen; (ii) on

the Conversion Date you are not in default under any agreements that you have executed in connection with your loan; (iii) by the Conversion Date you must pay to Lender a conversion fee equal to \$250.00; and (iv) you must sign and give to Lender any documents that Lender requires to effect the conversion.

Your new fixed interest rate will be determined by the terms outlined in the Adjustable Rate Note.

This information is representative of conversion features that have recently been offered by Lender.

ADDITIONAL LOAN PROGRAM FEATURES

Someone buying your home cannot assume the remainder of your loan on the original terms.

EXAMPLES

To give you an example of how this loan program would work, if you had a \$10,000.00 loan with an initial rate of 3.125 %, the rate in effect as of the first week ending in January, 2011, the maximum amount that the interest rate can rise is 6.000 percentage points to 9.125 %. If your payments were due monthly and your loan term was for:

-- 30.000 years, your payment could rise from a first-year payment of \$42.84 to a maximum of \$79.30 in the 4th year.

The above example uses a periodic cap of 2.000 percentage points and a life cap of 6.000 percentage points in calculating the maximum interest rate and maximum payment.

To see what your payment would be, divide your desired loan amount by 10,000; then multiply payments by that amount (for example, the monthly payment for a mortgage amount of \$80,000 would be: \$80,000 divided by \$10,000 = 8; 8 x \$42.84 = \$342.72 per payment).

NOTICE OF INTEREST RATE AND PAYMENT ADJUSTMENTS

You will be notified at least 25, but no more than 120, days before the due date of a payment at a new level. You will be notified once each year during which interest rate adjustments, but no payment adjustments, have been made to your loan. This notice will contain information, as applicable, about: (i) the current and prior interest rates; (ii) the index values upon which the current and prior interest rates are based; (iii) the extent to which Lender has foregone any increase in the interest rate; (iv) the contractual effects of any adjustment, including the payment amount due after an adjustment is made, and a statement of the remaining loan balance; and (v) the payment amount, if different than the payment amount due after an adjustment is made, that would be required to fully amortize your loan at the new interest rate over the remaining term of your loan.

ACKNOWLEDGEMENT

The undersigned hereby acknowledge(s) receipt of a copy of this Adjustable Rate Loan Program Disclosure, and a copy of the Consumer Handbook on Adjustable Rate Mortgages on the date indicated below.

_____ Signature	_____ Date	_____ Signature	_____ Date
_____ Signature	_____ Date	_____ Signature	_____ Date