

ADJUSTABLE RATE MORTGAGE - FHA 3/1 ARM WITH DISCOUNT/PREMIUM ADJUSTABLE RATE PROGRAM DISCLOSURE

Please Read Carefully

REUNION MORTGAGE INC. (the "Lender") is in receipt of your application for an adjustable rate mortgage loan ("ARM"). This Statement describes the features of the ARM program you are considering. Information on other ARM programs of Lender is available upon request.

How Your Initial Interest Rate and Initial Payment Are Determined

Your initial interest rate is a discount or premium rate and is not based on the Index described below which is used to make later adjustments. Your initial rate is a discount or premium based on market conditions at the time the loan is made. Ask the Lender about the current amount of discount or premium.

Your initial monthly payment will be based on the initial interest rate, original loan amount, and loan term.

How Your Interest Rate and Payment Are Determined

Your interest rate when adjusted will be based on an index rate (the "Index") plus a specified number of percentage points (the "Margin"). Your monthly payment will then be based on the interest rate, loan balance, and remaining loan term.

The Index will be the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year. The Index is published weekly in the Federal Reserve Statistical Release H.15 (519). Information about the Index is also published weekly in The Wall Street Journal. The most recently available Index figure as of the date 30 days before each interest change date will be used to calculate changes in the interest rate. Another index may be substituted if this Index ceases to be publicly announced. Ask the Lender for the current Margin and interest rate.

Your interest rate will equal the Index plus the Margin rounded to the nearest one-eighth of one percentage point (0.125%). If this resultant interest rate is lower than the previous interest rate, the Lender must reduce the interest rate. If the resultant interest rate is higher, the Lender has the right to, and may, at its option, increase the interest rate. Your interest rate, however, will never be increased by more than the limits of the Periodic Cap and the Lifetime Cap described below.

Your monthly payment will be in the amount that is necessary to fully amortize and pay the loan in full by the end of the loan term in substantially equal payments of principal and interest at the interest rate then in effect.

How Your Interest Rate and Monthly Payment Can Change

After the first 36 to 42 months from your first payment your interest rate can change every 12 months. Each date on which your interest rate can change is called a "Change Date". The "Periodic Cap" is the maximum amount that your interest rate can be increased or decreased for each 12-month period. The maximum amount that your interest rate can be increased for the entire loan term is the "Lifetime Cap". The maximum amount that your interest rate can be increased or decreased on periodic adjustments is one percentage point (1.000%). The Lifetime Cap on your interest rate over the term of the loan will be five percentage points (5.000%). Your interest rate can never go below the Margin.

Your monthly payment can increase or decrease every 12 months based on adjustments in the interest rate.

Notice of Interest Rate and Payment Amount Changes

You will be notified in writing at least 25, but no more than 120, days before the due date of a payment at a new level. Your notice will contain information about the Index and interest rates, payment amount, and loan balance.

MAXIMUM RATE/PAYMENT DISCLOSURE - Premium Rate - \$10,000.00

To see what your payment is, divide the loan amount for which you intend to apply by \$10,000 and multiply the resulting product by the monthly payment amount shown on the following chart for each year.

Based on initial interest rate of 5.375% (the Index value of .430% for the 2nd week ending in January, 2009, plus the Margin of 2.250%, plus the initial interest rate premium rounded to the nearest 1/8%), the maximum amount that the interest rate could rise under this program is five percentage points, and the monthly payment could rise from a first-year payment to a maximum payment, as follows:

| Item | 30-Year |
|-----------------------------|---------|
| Maximum Rate | 10.375% |
| First-Year Payment | \$56.00 |
| Maximum Payment | \$86.54 |
| Year Maximum Payment Occurs | 8th |

THIS STATEMENT IS INTENDED FOR REFERENCE PURPOSES ONLY. IT IS NOT A COMMITMENT TO MAKE A LOAN. IMPORTANT INFORMATION RELATING SPECIFICALLY TO YOUR LOAN WILL BE CONTAINED IN THE LOAN DOCUMENTS.

YOU HAVE THE RIGHT TO SEEK LEGAL ADVICE BEFORE SIGNING ANY OF THE CONTRACT DOCUMENTS.