Home Financing Strategies

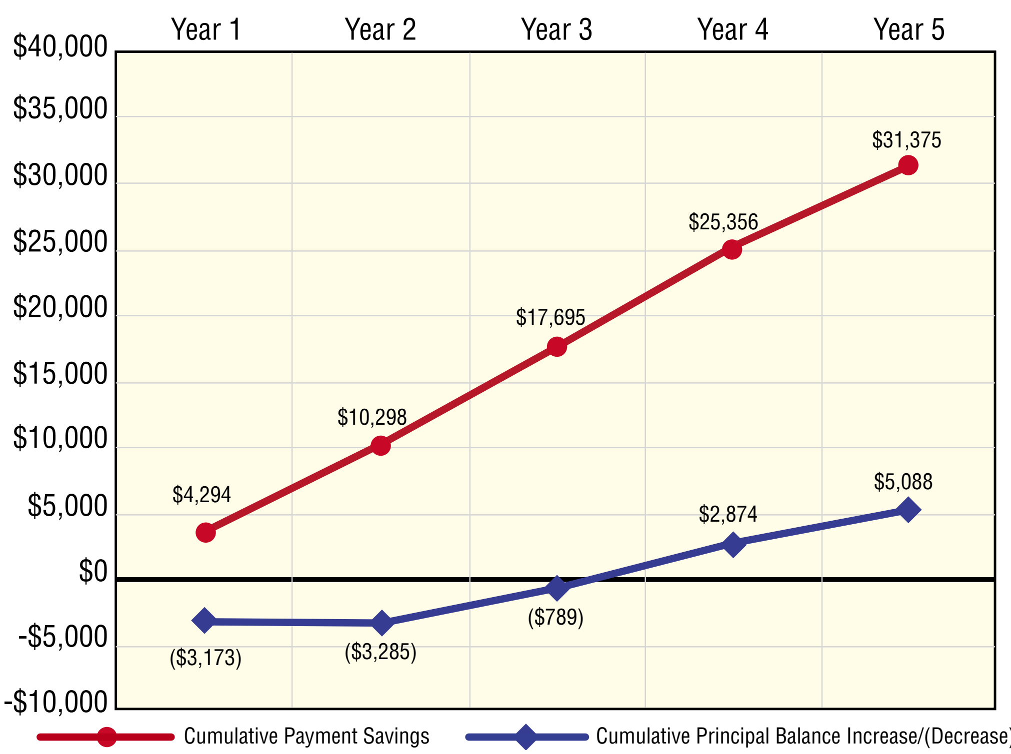
The Minimum Payment Advantage in a Rising Interest Rate Environment

Have you considered the potential advantages of the Cashflow Option Loan's minimum payment option in an increasing interest rate environment? The example below illustrates the payment savings advantage versus the potential principal increase from deferred interest when a borrower makes the minimum payment in a rising interest rate environment. In this example, the following assumptions are applied:

- *Purchase Price: $500,000*
- *Initial Loan Amount: $400,000*
- *Loan Holding Period: 5 Years*
- *Start Rate for Minimum Payment: 1.95%*
- *Minimum Payment Increase/Decrease Cap: 7.5% annually*
- *Margin: 2.0%*
- *Current LIBOR Index: 1.423%**
- *Index Increase Assumptions: .25% every 3 months for the first 3 years of the loan*

Year	Minimum Payment	Average Fully Indexed Payment	Year End Fully Indexed Rate	Annual Payment Savings	Cumulative Payment Savings	Increase/(Decrease) in Loan Principal
1	$1,469	$1,826	4.125%	$4,294	$4,294	($3,173)
2	$1,579	$2,079	5.125%	$6,004	$10,298	($3,285)
3	$1,697	$2,313	6.125%	$7,397	$17,695	($ 789)
4	$1,824	$2,463	6.375%	$7,661	$25,356	$2,874
5	$1,961	$2,463	6.375%	$6,019	$31,375	$5,088

As you can see from the chart above and the graph below, $31,375 in payment savings could be recognized over the first five years of the loan, with only a $5,088 increase in the principal balance.



Year 5 Summary

Payment Savings
$31,375

Loan Balance
$405,088

Discuss with your mortgage expert whether the Cashflow Option Loan is right for you.

*Rates as of 12/31/02

EQUAL HOUSING LENDER

WFL032-0103

IMPORTANT DISCLOSURES

The following example illustrates payment terms for a 30-year adjustable-rate Cashflow Option 1-year Fixed Payment Loan based on a $500,000 home purchase with a 20% down payment, a $400,000 mortgage and a discounted Interest Rate of 1.95% for the first month, in effect as of 12/31/02. The Interest Rate adjusts monthly based on the 1-month LIBOR index plus a Margin, set at 2% in this example. With a 1.423% LIBOR rate, this would make the fully indexed Rate 3.375%, which is a 3.405% annual percentage rate. (The APR may vary.) The following payment examples also assume that the fully indexed rate, the Index plus the Margin, remains constant throughout the life of the loan; rates can increase during the life of the loan, however, as the example on the first page of this document illustrates. Rates used in this example are not guaranteed and are subject to change without notice.

Using the same assumptions as above and a fully indexed rate that remains constant throughout the life of the loan, here are examples of the payment choices:

- The Minimum Payment for the first year would be $1469 based upon the discounted 1.95% Interest Rate. After the first year, the Minimum Payment could increase, but any increase would be limited to 7.5% each year until the end of the 5th year, and every 5th year thereafter, when the Minimum Payment is recalculated using the current fully indexed rate without regard to the 7.5% payment cap.

- The Interest-Only Payment option is not available for the first month. For the remainder of the first 15 years, the payment would be $1123 at the fully indexed rate. The Interest-Only Payment option is not available, however, when the Interest-Only Payment would be less than the Minimum Payment. After the first 15 years of the term of the loan, the Interest-Only Payment option is no longer available.

- There is also the option of making amortizing payments based upon a 30- or 15-year term beginning in the second month. For the 30-year term, such a payment would be $1768 at the fully indexed rate. For the 15-year term, the payment would be $2841 at the fully indexed rate.

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

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