

Thank you for your interest in applying for a mortgage loan with Idaho Banking Company. Your online application form will be forwarded to one of our Mortgage Loan Officers who will contact you. Your loan application document will be considered received when one of our Loan Officers receives your verbal authorization to proceed with the application process.

**IMPORTANT INFORMATION ABOUT
ADJUSTABLE RATE MORTGAGES (ARMs)**

Idaho Banking Company offers various Adjustable Rate Mortgage products. One of the most common ARMs is the 5/1 ARM. This product has a fixed rate for the first five years and a rate that changes once each year for the remaining life of the loan. Payments are adjusted annually. Because rates may increase, your monthly payment may increase as well. Please refer to the attached disclosure information on the 5/1 ARM.

If you wish to apply for a 5/1 ARM, please complete the online application and choose "ARM" as your "Loan Type".

*******PLEASE NOTE*******

If you wish to apply for or obtain information on any other Adjustable Rate Mortgage products, please contact any of our mortgage lenders listed on our website www.idahobankingco.com, or call (208) 378-1013.

Conforming 5/1 LIBOR ARM Disclosure Non-Convertible

THIS DISCLOSURE DESCRIBES SOME OF THE FEATURES OF AN ADJUSTABLE RATE MORTGAGE (“ARM”) LOAN PROGRAM CURRENTLY OFFERED BY LENDER IN WHICH YOU HAVE EXPRESSED AN INTEREST. THIS PROGRAM MAY BE DISCONTINUED OR CHANGED IN WHOLE OR PART AT ANY TIME AT LENDER'S OPTION. DISCLOSURE FORMS ON OUR OTHER ARM PROGRAMS ARE ALSO AVAILABLE TO YOU UPON REQUEST.

This disclosure is not a contract and does not constitute a commitment by the Lender to make a Loan to you.

NATURE OF AN ADJUSTABLE RATE PRINCIPAL DWELLING SECURED LOAN

The type of Loan you have expressed interest in is called an Adjustable Rate Mortgage, or “ARM”. This means that the interest rate varies in relation to changes (increases or decreases) in an interest rate index. Interest rate changes may cause changes in scheduled payments.

YOUR INTEREST RATE

Index. Beginning with the first Change Date, your interest rate will be based on an Index. The “Index” is the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market (“LIBOR”), as published in *The Wall Street Journal*. The most recent Index figure available as of the date 45 days before each Change Date is called the “Current Index.” If the Index is no longer available the Lender will choose a new Index, which is based on comparable information.

Determining Your Interest Rate. Your interest rate will be determined by adding the index to the margin and rounding the total to the nearest one-eighth of one percentage point (0.125%), unless your interest rate “caps” limit the amount of change in your interest rate. The date on which your interest rate can be adjusted is called the “Change Date”. The first Change Date will occur on the 60th payment due date. Subsequent Change Dates will occur every twelve months thereafter. Your interest rate cannot increase or decrease more than two percentage points (2.0%) at the first Change Date, or more than two percentage points (2.0%) at any subsequent Change Date. Your interest rate cannot increase more than six percentage points (6.0%) over the life of your Loan, and cannot decrease below the margin. You should ask us for the current interest rate and margin value.

YOUR PAYMENTS

Your payments will be determined by the interest rate, the loan balance and the remaining loan term. Your payments will be payable monthly. After the initial five-year fixed rate period, your payment can adjust once every twelve months based on changes in the interest rate. Any increase in the interest rate will take the form of a HIGHER payment amount. Your new payment amount will be due on the first monthly payment date after a Change Date. In any event, if on the Maturity Date you still owe amounts on your Loan, you will pay those amounts in full on that date.

ADDITIONAL FEATURES OF THIS ADJUSTABLE RATE MORTGAGE

Interest-only option. This loan program does not include an interest-only feature.

Prepayment fee option. This loan program does not include a prepayment fee option.

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Assumption option. Someone buying your principal dwelling may, subject to conditions, be allowed to assume the remaining balance of your Loan based upon the original terms.

Conversion option. This adjustable-rate mortgage may not be converted to a fixed interest rate.

Demand feature. This obligation does not contain a demand feature.

EXAMPLES

To give you an example of how this loan program would work for a **\$10,000** loan:

Margin ¹	Index ²	Initial Interest Rate	Initial Monthly Payment	Maximum Interest Rate	Maximum Monthly Payment	Loan Year in Which Maximum Payment May Be Reached
2.250%	0.842%	3.125%	\$42.84*	9.125%	\$74.51	8 th
2.375%	0.842%	3.250%	\$43.52*	9.250%	\$75.45	8 th
2.500%	0.842%	3.375%	\$44.21*	9.375%	\$76.40	8 th
2.625%	0.842%	3.500%	\$44.90*	9.500%	\$77.35	8 th
2.750%	0.842%	3.625%	\$45.61*	9.625%	\$78.30	8 th
2.875%	0.842%	3.750%	\$46.31*	9.750%	\$79.26	8 th

1. These are margins we have used recently; your margin may be different.
2. The Index value is as of January 27, 2010.

*THE MONTHLY PAYMENT MAY INCREASE OR DECREASE SUBSTANTIALLY.

The above examples calculate the Maximum Interest Rate and resulting Maximum Payment based on the following assumptions:

Amount of loan	\$10,000	Payment Adjustment	Annually, after first 5 years	Interest Rate Carryover	No
Initial Rate Cap	2.000%	Interest Adjustment	Annually, after first 5 years	Negative Amortization	No
Periodic Cap	2.000%	Term	30 years	Interest Rate Discount	N/A
Life Cap	6.000%	Index: The average of Interbank offered rates for one-year U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in <i>The Wall Street Journal</i> .			

CALCULATING YOUR PAYMENTS FOR A 30-YEAR LOAN

To see what your payments would be based on the Initial Interest Rate (from the tables above), divide your desired loan amount by \$10,000; then multiply the result by the Initial Monthly Payment (from the tables).

Example. The Initial Monthly Payment for a loan amount of \$150,000 with a 2.250% margin would be: \$150,000 divided by \$10,000 = 15; 15 x \$42.84 = \$642.60 per payment.

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NOTICE OF INTEREST RATE AND PAYMENT ADJUSTMENTS

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 due to an interest rate adjustment. If an interest rate adjustment occurs and does not affect your payment amount, you will be notified once each year of any such interest rate adjustment made to your Loan. These notices will contain information, as applicable, about:

- 1) The current and prior interest rates.
- 2) The Index values upon which the current and prior interest rates are based.
- 3) The extent to which we have foregone any increase in the interest rate, if any.
- 4) The contractual effects of the adjustment, including the payment due after the adjustment is made, and a statement of the loan balance.
- 5) The payment, if different from the payment referred to in paragraph 4 of this section that would be required to fully amortize your Loan at the new interest rate over the remainder of your Loan term.