

Important Information Regarding Your Adjustable-Rate Mortgage

Date: [Insert Date]

To: [Borrower's Name]

Address: [Borrower's Address]

Dear [Borrower's Name],

We are reaching out to provide you with important information regarding your adjustable-rate mortgage (ARM) and the associated risks of negative amortization.

As you know, an adjustable-rate mortgage typically has a period of fixed interest rates followed by periodic rate adjustments. However, if the interest rate increases, the monthly payments may not cover the full amount of interest due, which can lead to negative amortization. This means that the unpaid interest is added to the principal balance of your loan, increasing the overall amount you owe.

Please consider the following risks associated with negative amortization:

- Your loan balance may increase, leading to owing more than your home's value.
- You may face significantly higher payments when your loan converts to fully amortizing payments.
- This can impact your financial stability and future home equity.

We encourage you to review your loan agreement and consider consulting with a financial advisor to fully understand how these risks may affect you. Managing an ARM requires careful planning and awareness of market conditions.

If you have any questions or wish to discuss your options, please feel free to contact us at [Phone Number] or [Email Address].

Thank you for your attention to this important matter.

Sincerely,

[Your Name]

[Your Title]

[Your Company]