Scituate Federal Savings Bank

EARLY DISCLOSURE NOTICE

ONE YEAR ADJUSTABLE RATE MORTGAGE LOANS

IMPORTANT MORTGAGE LOAN INFORMATION - PLEASE READ CAREFULLY

Program Name: 1-Year ARM – Conforming and Jumbo (Initial Rate Discount)

1. GENERAL

This disclosure notice is given to you in connection with your application for an adjustable-rate mortgage loan with Scituate Federal Savings Bank, and provides information that you should read. An adjustable-rate mortgage loan ("ARM") is a type of loan that permits changes in the loan interest rate. Such changes generally are based on changes in an index, and normally result in an increase or decrease in the regular monthly loan payment. The purpose of this disclosure notice is to explain how ARMS provided by Scituate Federal Savings Bank operate. Information on other ARM programs is available upon request – contact a Loan Officer for details.

THIS DISCLOSURE NOTICE IS NOT A RESTATEMENT OF, A REPLACEMENT FOR, OR A PART OF ANY LOAN COMMITMENT, PROMISSORY NOTE, MORTGAGE (OR DEED OF TRUST) OR OTHER DOCUMENT YOU MAY SIGN IF SCITUATE FEDERAL SAVINGS BANK AGREES TO MAKE A LOAN TO YOU, AND DOES NOT REPRESENT A COMMITMENT BY SCITUATE FEDERAL SAVINGS BANK TO MAKE A LOAN TO YOU. YOU SHOULD BECOME FAMILIAR WITH AND UNDERSTAND THE PROVISIONS OF ALL SUCH DOCUMENTS BEFORE SIGNING THEM.

Since Scituate Federal Savings Bank may sell any loan it makes, the terms of any loan you may obtain from Scituate Federal Savings Bank may be enforced by a purchaser of the loan. For purposes of easy reference, the term "Noteholder" is used below to refer to Scituate Federal Savings Bank or to any person that would have the right to enforce the loan terms.

2. INITIAL INTEREST RATE

The initial interest rate offered by Scituate Federal Savings Bank on this loan will be specified per the Rate Agreement and will be based on market conditions at that time, and will be effective for the number of days specified at that time. The initial interest rate on your loan would be subject to later adjustment as is explained below. You should ask the Noteholder what the current initial interest rate is. The initial Index value on this loan will be specified on the loan closing date and will be based upon market conditions at that time.

The initial interest rate on your loan would be discounted--that is, the initial interest rate would be less than what it would be if it were calculated based on the interest rate index plus the margin (see paragraph 4 below). You should ask the Noteholder what the amount of the current initial interest rate discount is, and what the initial interest rate would be if it were based on the current interest rate index plus the current margin.

3. INTEREST RATE INDEX

The interest rate of this one-year ARM will be based on an interest rate index (referred to in this Disclosure as the "Index"). The index upon which changes in the interest rate would be based is the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one (1) year. Information on this Index is published by the Federal Reserve Board in its weekly press release number H.15(519), which may be obtained by writing to the Board of Governors of the Federal Reserve System, Publication Services, Washington, D.C. 20551.

4. INTEREST RATE ADJUSTMENTS

The interest rate would be adjusted every one (1) year (after any construction period, if applicable--see clause #9) to a level equal to the sum of (1) the value of the Index 45 days prior to the date of the scheduled change in the interest rate plus (2) a specified number of percentage points (the "margin"), which number would be fixed prior to loan closing and set forth in the loan documents, and would remain the same throughout the term of the loan. The sum obtained by making the calculation described in the preceding sentence would be rounded to the nearest one-eighth of one percentage point. You should ask the Noteholder what the current margin is.

5. LIMITATIONS ON INTEREST RATE ADJUSTMENTS

PERIODIC - The loan interest rate would never be increased or decreased at any one time by more than two (2) percentage points above or below the interest rate previously in effect.

LIFE OF LOAN - Regardless of how much the Index changed, the interest rate during the entire term of the loan would never be increased by more than four (4) percentage points above the initial interest rate.

6. PAYMENT

The initial payment on your loan (after any construction period, if applicable--see clause #9) would be calculated by determining the dollar amount necessary to repay the original loan amount in substantially equal payments over the permanent loan term (after any construction period, if applicable--see clause #9) at the initial interest rate.

7. PAYMENT ADJUSTMENTS

The monthly payment would be adjusted every time that the interest rate was increased or decreased to reflect the change in the interest rate. You would receive notice of a change in your monthly payment at least 25 but not more than 120 calendar days before a payment at the new level is due. The monthly payment will be based upon the interest rate, loan balance and remaining loan term.

8. LOAN TERM

The loan would have a term of up to 30 years (after any construction period, if applicable--see clause #9).

9. CONSTRUCTION FEATURE [___] (applicable if checked)

This ARM loan program offers a construction feature that, if applicable, will cover both the construction loan period of up to twelve months and the permanent financing period of up to 30 years. During the construction loan period, you will be required to make monthly payments of interest only based on the amounts that have been advanced. The examples in clause #11 of this Early Disclosure Notice are based on the permanent loan period only.

10. NOTICE OF INTEREST RATE AND PAYMENT CHANGES

You would receive notice of any change in your monthly payment at least 25 but not more than 120 calendar days before a payment at the new level is due. The notice would contain the following information:

(1) the fact that the interest rate and payment were scheduled to be adjusted, and the date as of which the interest rate change would occur;
(2) the interest rate prior to adjustment, and the index value on which that rate was based;
(3) the interest rate after adjustment, the index value on which the adjusted rate was based, and the extent to which the Noteholder had foregone any increase in the interest rate;
(4) the monthly payment due after the effective date of the interest rate change, the due date of the first adjusted monthly payment, and a statement of the loan balance;
(5) if the monthly payment were insufficient to pay off the unpaid loan balance at the adjusted interest rate over the remaining loan term, the monthly payment amount that would be sufficient to pay off the unpaid loan balance at the new interest rate; and
(6) the title and telephone number of a person who could answer questions about the notice.

11. EXAMPLES OF HOW YOUR PAYMENT CAN CHANGE

Payment adjustment frequency:	*12 months*	*Caps:*	*2.00 Periodic interest rate cap*
Interest adjustment frequency:	*12 months*		*4.00 Lifetime interest rate cap*
Margin: 2.75		*Interest Rate Discount:*	*1.875*

Term: 30 years

The periodic payment may increase or decrease substantially based on changes in the interest rate. For example, on a $10,000, 30-year loan, with an initial interest rate of 4.125 percent (using the rate in effect as of 12/04/07), the maximum amount that the interest rate can rise under the program described in this disclosure is 4.000 percentage points, to 8.125 percent, and the monthly payment can rise from a first-year payment of $48.46 to a maximum of $73.27 in the third year.

To see what your payments would be, using the initial rate and first-year payment amount in the above example, divide your mortgage amount by $10,000; then multiply the first-year monthly payment by that amount. (For example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $48.46 = $290.76.)

Term: 15 years

The periodic payment may increase or decrease substantially based on changes in the interest rate. For example, on a $10,000, 15-year loan, with an initial interest rate of 4.125 percent (using the rate in effect as of 12/04/07), the maximum amount that the interest rate can rise under the program described in this disclosure is 4.000 percentage points, to 8.125 percent, and the monthly payment can rise from a first-year payment of $74.60 to a maximum of $94.28 in the third year.

To see what your payments would be, using the initial rate and first-year payment amount in the above example, divide your mortgage amount by $10,000; then multiply the first-year monthly payment by that amount. (For example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $74.60 = $447.60.)

Term: 5 years

The periodic payment may increase or decrease substantially based on changes in the interest rate. For example, on a $10,000, 5-year loan, with an initial interest rate of 4.125 percent (using the rate in effect as of 12/04/07), the maximum amount that the interest rate can rise under the program described in this disclosure is 4.000 percentage points, to 8.125 percent, and the monthly payment can rise from a first-year payment of $184.73 to a maximum of $197.91 in the third year.

To see what your payments would be, using the initial rate and first-year payment amount in the above example, divide your mortgage amount by $10,000; then multiply the first-year monthly payment by that amount. (For example, the monthly payment for a mortgage amount of $60,000 would be: $60,000 / $10,000 = 6; 6 x $184.73 = $1,108.38.)