GMFS MORTGAGE

GMFS MORTGAGE · CONVENTIONAL ARM

Conventional SOFR ARM Product Guide

5/6, 7/6 & 10/6 SOFR ARMs · Conforming & Jumbo

Retail Edition **Updated October 2026** NMLS **#64997**

Let's Make Home Happen.

Program Highlights

Three Conventional SOFR ARMs for Conforming and Jumbo loans — each fixed for 5, 7 or 10 years, then adjusting every six months.

- 5/6, 7/6 and 10/6 SOFR ARMs on a 30-year loan term
- 30-day average SOFR index with a 2.75% margin (also the rate floor)
- Caps: 2/1/5 on the 5/6 · 5/1/5 on the 7/6 and 10/6

This guide explains the terms, index, caps, margin and other characteristics of the GMFS Conforming and Jumbo Conventional SOFR ARMs, plus how to pull the current index in Encompass.

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SECTION 1

01 Program Overview

Conforming and Jumbo Conventional SOFR ARMs

GMFS offers Conforming and Jumbo Conventional Adjustable Rate Mortgages (ARMs) in three terms — 5/6, 7/6 and 10/6 — all indexed to the 30-day average SOFR with a 2.75% margin.

The Three ARMs at a Glance

	5/6 SOFR ARM	7/6 SOFR ARM	10/6 SOFR ARM
Initial fixed period	60 months (5 years)	84 months (7 years)	120 months (10 years)
Adjusts after that	Every 6 months	Every 6 months	Every 6 months
Rate caps (initial / subsequent / lifetime)	2 / 1 / 5	5 / 1 / 5	5 / 1 / 5
Index	30-day average SOFR		
Margin	2.75% — also the rate floor		
Loan term	30 years		
Loan types	Conforming and Jumbo Conventional		

True for All Three ARMs

- Index is the 30-day average Secured Overnight Financing Rate (SOFR).
- Margin is 2.75%. The rate can never go below the margin.
- Subsequent adjustments are capped at 1% and lifetime adjustments at 5% over the initial note rate.
- Not convertible to a fixed rate. No interest-only option.

SECTION 2

02 ARM Terms

ARM term vs. loan term

Don't confuse the ARM term with the loan term. When you talk with clients or enter the loan in Optimal Blue, the loan term is still 30 years.

The ARM term tells you how long the rate is fixed before its first adjustment, and how often it adjusts afterward. The first number is the fixed period in years; the "/6" means the rate adjusts every six months after that.

ARM term	Rate fixed for	Then adjusts
5/6	60 months	Every 6 months after month 60
7/6	84 months	Every 6 months after month 84
10/6	120 months	Every 6 months after month 120

Shorter adjustment periods are available in the marketplace, but GMFS offers these terms because they are the most liquid, common and competitive for your borrower.

SECTION 3

03 ARM Index

30-day average SOFR

Every ARM is tied to an index. There are many — CMT, Treasury Bill, MTA, COSI, COFI and more — published weekly, every six months or yearly.

SOFR — Secured Overnight Financing Rate. GMFS uses the 30-day average SOFR because it is the most widely used index in the industry, which lets us offer the most competitive price.

SECTION 4

04 ARM Caps

How far the rate can move

Caps limit how much the interest rate can change at each adjustment and over the life of the loan. They are written as initial / subsequent / lifetime.

Cap	5/6	7/6 & 10/6	What it means
Initial cap	2%	5%	The most the rate can move at the first adjustment, from the initial note rate.
Subsequent cap	1%	1%	The most the rate can move at each later six-month adjustment, from the current rate.
Lifetime cap	5%	5%	The most the rate can ever rise above the initial note rate.

Worked Example — 5/6 ARM at 4.00%

01 **First adjustment (month 60)**

The rate can move up or down by no more than 2% from the 4.00% note rate. Worst case it rises to 6.00%; best case it falls to 2.75% — the margin floor stops it from reaching 2.00%.

02 **Every 6 months after**

The rate can move up or down by no more than 1% from whatever the current rate is at that time.

03 **Over the life of the loan**

The rate can never exceed 9.00% (4.00% + 5%) and can never fall below the 2.75% margin.

SECTION 5

05 Margin

2.75% margin and rate floor

The margin is added to the index to set the new interest rate at each adjustment. GMFS uses a 2.75% margin — you may see other margins in the marketplace, but this is the most common.

> ! The margin is also the floor. The rate can never go below 2.75%, no matter where the loan started.

How the New Rate Is Calculated

01 Take the index

Use the 30-day average SOFR in effect for the change date (see the look-back period in Section 6).

02 Add the margin

Index + 2.75% margin.

03 Round

Round to the nearest 0.125%.

04 Apply the caps

The new rate is limited by the applicable cap and can't go below the 2.75% floor.

Example — 5/6 ARM at first adjustment	Rate
30-day average SOFR	0.23%
+ Margin	2.75%
= Fully indexed rate	2.98%
New rate (rounded to nearest 0.125%)	3.00%

Illustrative only. The 0.23% index value is from the April 2022 source example and is not a current SOFR value.

SECTION 6

06 Other ARM Characteristics

Look-back period, conversion and interest-only

Look-Back Period

The look-back period sets which index value is used on each change date. GMFS uses the index published 45 days before the change date. This is typical, and it gives the servicer time to send the borrower the new payment and paperwork.

Example — If the payment is due to change on October 1, the index value from around August 15 is used to calculate the new payment. That rate then holds until the next change date six months later, when the process repeats.

Product Restrictions

- Not convertible — these loans cannot be converted to a fixed rate at any time.
- No interest-only — GMFS does not offer an interest-only ARM.

SECTION 7

07 Encompass Setup

Pulling the current index

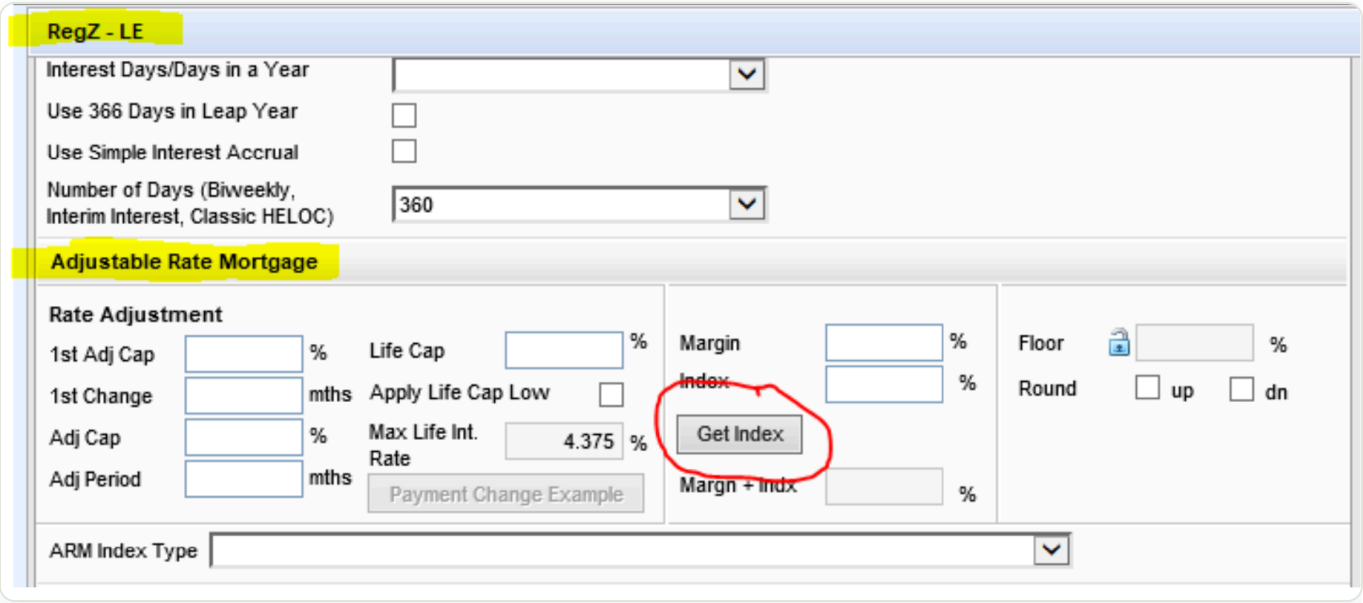
01 Open the ARM fields

In the RegZ - LE screen, go to the Adjustable Rate Mortgage section.

02 Select Get Index

Click Get Index. Encompass pulls in the correct current index value.

> Always select Get Index to update the file with the latest index and avoid hard stops.



Encompass RegZ - LE screen — Adjustable Rate Mortgage section with the Get Index button.

Questions? Contact your GMFS Mortgage manager or the Lock Desk. This guide is a summary for licensed mortgage professionals; refer to the GMFS Product Guide for complete requirements.

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