

An explanation of the Cost of Savings Index

Why is COSI the right choice as an adjustable rate mortgage index?

particular month reflects, to a significant degree, interest rates that were in effect in previous months. Thus, when market interest rates for deposits move up or down, COSI will lag, and generally not move as rapidly or to the same extent.*

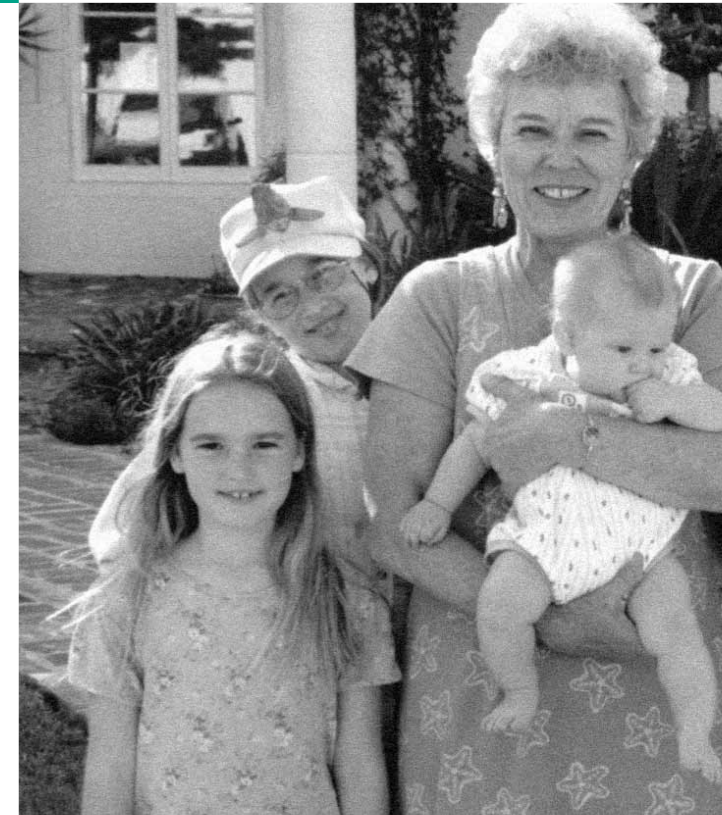
A less volatile index means that rates and payments on mortgage loans change less rapidly, allowing borrowers greater ability to plan financially.

* Previous movements of an index are no guarantee of future behavior.

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Historically, COSI has moved up and down much less rapidly than indexes based on the prime rate, the Federal Reserve discount rate, or Treasury bill rates. This is because COSI is composed primarily of fixed-rate deposits of varying maturities. Since rates on these deposits are not affected by changes in market interest rates until the deposits mature, the average interest rate on deposits in a



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GF-1659MK (08/04)



What is Golden West Financial Corporation's "Cost Of Savings" Index?

Golden West Financial Corporation is the parent company of World Savings. World Savings borrows money from consumers in the form of deposits, and then lends the money out as home mortgages.

The interest rates in effect on these deposits are the basis for the Cost of Savings Index (COSI). COSI is not based on actual interest paid on deposit accounts, but rather on a weighted annualized rate of all interest rates in effect on deposit accounts as of the last day of each month.

When is the index announced?

Golden West computes COSI as of the last day of each calendar month, and announces it on or near the last business day prior to the fifteenth day of the following calendar month. For example, Golden West announces the February COSI on or near the last business day prior to the fifteenth of March. It is in effect until the announcement of the March COSI in April.

How is COSI calculated?

The monthly index is a ratio of monthly interest costs to total funds that is expressed as a percentage.

Annualized interest, the numerator, is calculated by multiplying the deposit balances at the end of each month by the weighted average interest rate of each account type that was effective on the last day of the month.

Total deposits, the denominator, is the total balance of deposits on the last day of the month.

The quotient resulting from dividing the annualized interest by total deposits, multiplied by 100, and expressed as a percentage, is the weighted average Cost of Savings Index (COSI).

COSI Calculation Method Example
(Dollars in Thousands)

Deposits by Account	Deposit Amount	Annualized Interest
Interest-bearing checking accounts	\$21,541	\$2,250
Passbook accounts	7,391	158
Money market deposit accounts	90,963	2,545
Certificates of Deposit	160,798	7,604
Total	\$280,693	\$12,557

Weighted Average Cost of Savings Ratio

Annualized Interest	\$12,557
Total Deposits	\$280,693
Quotient	.0447357

Expressed as a percentage = 4.47%



How can I obtain the value of COSI?

See a World Loan Representative.

When will a change in COSI affect my mortgage payment?

Changes in COSI may not coincide with the timing for changes in mortgage interest rates and payments because of the varying terms of adjustable rate mortgages. Ask a World Loan Representative for details on how interest rates and payments may change for various loan types.

Monthly Weighted Average COSI

Index Period	Index Value	Index Period	Index Value	Index Period	Index Value
Jan-93	4.40%	Jan-97	4.98%	Jan-01	5.52%
Feb-93	4.34	Feb-97	5.01	Feb-01	5.54
Mar-93	4.29	Mar-97	4.99	Mar-01	5.47
Apr-93	4.25	Apr-97	4.98	Apr-01	5.35
May-93	4.24	May-97	5.00	May-01	5.21
Jun-93	4.20	Jun-97	5.07	Jun-01	5.03
Jul-93	4.16	Jul-97	5.10	Jul-01	4.80
Aug-93	4.10	Aug-97	5.10	Aug-01	4.60
Sep-93	4.07	Sep-97	5.09	Sep-01	4.39
Oct-93	4.02	Oct-97	5.08	Oct-01	4.19
Nov-93	3.98	Nov-97	5.07	Nov-01	3.89
Dec-93	3.96	Dec-97	5.04	Dec-01	3.59
Jan-94	3.92%	Jan-98	5.04%	Jan-02	3.39%
Feb-94	3.89	Feb-98	5.04	Feb-02	3.27
Mar-94	3.84	Mar-98	5.02	Mar-02	3.15
Apr-94	3.79	Apr-98	5.02	Apr-02	3.04
May-94	3.76	May-98	5.03	May-02	2.98
Jun-94	3.77	Jun-98	5.01	Jun-02	2.94
Jul-94	3.82	Jul-98	4.99	Jul-02	2.92
Aug-94	3.88	Aug-98	4.95	Aug-02	2.89
Sep-94	3.94	Sep-98	4.92	Sep-02	2.85
Oct-94	4.05	Oct-98	4.91	Oct-02	2.81
Nov-94	4.17	Nov-98	4.85	Nov-02	2.74
Dec-94	4.34	Dec-98	4.79	Dec-02	2.63
Jan-95	4.57%	Jan-99	4.67%	Jan-03	2.56%
Feb-95	4.82	Feb-99	4.63	Feb-03	2.47
Mar-95	4.99	Mar-99	4.60	Mar-03	2.30
Apr-95	5.14	Apr-99	4.58	Apr-03	2.25
May-95	5.27	May-99	4.55	May-03	2.17
Jun-95	5.33	Jun-99	4.52	Jun-03	2.14
Jul-95	5.32	Jul-99	4.50	Jul-03	2.12
Aug-95	5.30	Aug-99	4.47	Aug-03	2.06
Sep-95	5.25	Sep-99	4.48	Sep-03	2.03
Oct-95	5.22	Oct-99	4.50	Oct-03	1.95
Nov-95	5.18	Nov-99	4.56	Nov-03	1.87
Dec-95	5.16	Dec-99	4.64	Dec-03	1.86
Jan-96	5.15%	Jan-00	4.69%	Jan-04	1.85%
Feb-96	5.15	Feb-00	4.75	Feb-04	1.85
Mar-96	5.08	Mar-00	4.78	Mar-04	1.85
Apr-96	5.01	Apr-00	4.84	Apr-04	1.85
May-96	4.97	May-00	4.96	May-04	1.85
Jun-96	4.93	Jun-00	5.03	Jun-04	1.85
Jul-96	4.92	Jul-00	5.11	Jul-04	1.88
Aug-96	4.93	Aug-00	5.20		
Sep-96	4.92	Sep-00	5.25		
Oct-96	4.95	Oct-00	5.28		
Nov-96	4.96	Nov-00	5.37		
Dec-96	4.96	Dec-00	5.46		