

EARLY ARM DISCLOSURE - COMBINED

Johnson Bank NMLS ID: 463046

ARM Disclosures and Description of Programs

This disclosure describes the features of the most common adjustable-rate mortgage (ARM) programs we offer. This is not a commitment to lend. You should carefully read this disclosure. Information on other ARM programs is available upon request.

ADJUSTABLE-RATE MORTGAGE MEANS YOUR PAYMENT MAY CHANGE IN THE FUTURE. When you apply for an Adjustable-Rate Mortgage (ARM) loan, your interest rate and monthly principal and interest payments may change during the life of your loan. Your monthly payments will increase if the interest rate rises and decrease if it falls. The date or dates on which changes can occur (referred to in this disclosure as "Change Date") will be specified in the ARM loan documents. We have based this disclosure on recent interest rates, index and margin values, discounts, and fees. Ask us for our current interest rate and margin.

An ARM loan is different from a fixed-rate mortgage loan. For a fixed-rate loan, the monthly payments of principal and interest do not change during the life of the loan. You should consider carefully which type of loan is best for you.

HOW YOUR INTEREST RATE AND PAYMENT IS DETERMINED

Your interest rate will be based on an index plus a margin, and your payment will be based on the interest rate, loan balance and remaining loan term. The index is the 30-day Average SOFR index, as published on the website of the Federal Reserve Bank of New York, located on the Internet at <https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index>.

Your initial interest rate is not based on the index used to make later adjustments. If the initial interest rate is below the sum of the then-current index plus margin (the "fully indexed rate"), then the initial interest rate will be a "discounted" interest rate. If the initial interest rate is above the fully indexed rate, then it will be a "premium" interest rate. Please ask us for the amount of our current interest rate discounts and premiums.

HOW YOUR INTEREST RATE CAN CHANGE

Your interest rate can change every six (6) months after the first interest rate change date ("First Change Date"). The First Change Date will depend on which ARM program you select as set forth in the following chart. Each date on which your interest rate can change is called a "Change Date" and will be described in your loan documents.

<u>General Program</u>	<u>First Change Date</u>
5/6 ARM	60 months from loan closing
7/6 ARM	84 months from loan closing
10/6 ARM	120 months from loan closing

Your interest rate will equal the index rate plus the margin, rounded to the nearest 1/8 of one percentage point (0.125%).

Your interest rate will equal the index rate plus the margin unless your interest rate "caps" limit the amount of change in the interest rate.

On the first adjustment, your interest rate will not increase or decrease by more than the First Adjustment Cap. No interest rate change after the First Change Date will be more than the Subsequent Adjustment Cap. Your first Adjustment Cap will be set between 2 and 6 percentage points (2.000% and 6.000%), depending on the ARM program. Your Subsequent Adjustment Cap will be set between 1 and 2 percentage points (1.000% and 2.000%) for each adjustment, depending on the ARM program. In addition, your interest rate over the life of the loan cannot increase more than 5 or 6 percentage points (5.000% and

6.000%), depending on the ARM Program, and cannot decrease below the margin. The Adjustment Caps are reflected in Column C in the chart below, designated as First Adjustment Cap / Subsequent Adjustment Cap / Life of Loan Cap (ex: 2 / 1 / 5).

HOW YOUR PAYMENT CAN CHANGE

Your monthly payment can increase or decrease substantially based on changes to the interest rate. Your new payment will be due beginning with the first payment due date after the Change Date on which the related interest rate change occurred and will be your payment until the first payment due date after the next Change Date.

The following examples are based on a \$10,000 30-year loan with an initial interest rate used in December 2023. To see what your payments would be, divide your mortgage amount by \$10,000, then multiply the monthly payment (Column E) by that amount. (For example, the monthly payment for a mortgage amount of \$60,000, using the initial interest rate for the 5/6 ARM (FM) would be: $\$60,000 \div \$10,000 = 6$; $6 \times \$71.64 = \429.84 per month. Column D indicates if the rate is a premium or discounted rate. Ask us whether our current interest rate has a discount or premium, and if so, the amount of discount or premium.

A	B	C	D	E	F	G	H
ARM Program	Initial Interest Rate*	Adjustment Caps	Premium / Discount	Initial Monthly Payment	Maximum Rate	Maximum Payment	Conversion Feature
5/6 ARM (FM)	7.750%	2 / 1 / 5	Discount	\$ 71.64	12.750%	\$ 104.79	No
7/6 ARM (FM)	7.875%	5 / 1 / 5	Discount	\$ 72.51	12.875%	\$ 104.54	No
10/6 ARM (FM)	8.000%	5 / 1 / 5	Discount	\$ 73.38	13.000%	\$ 102.78	No
7/6 ARM ELO / Lock N Shop	8.500%	5 / 1 / 5	Premium	\$ 76.89	13.375%	\$ 109.71	No
5/6 ARM Construction (FM)	7.625%	2 / 1 / 5	Discount	\$ 70.78	12.625%	\$ 103.78	Yes**
7/6 ARM Construction (FM)	7.750%	5 / 1 / 5	Discount	\$ 71.64	12.750%	\$ 103.53	Yes**
10/6 ARM Construction (FM)	8.000%	5 / 1 / 5	Discount	\$ 73.38	13.000%	\$ 102.78	Yes**
5/6 ARM (Portfolio)	7.750%	2 / 1 / 6	Discount	\$ 71.64	13.750%	\$ 111.72	No
7/6 ARM (Portfolio)	7.875%	6 / 2 / 6	Discount	\$ 72.51	13.875%	\$ 111.41	No
10/6 ARM (Portfolio)	8.000%	6 / 2 / 6	Discount	\$ 73.38	14.000%	\$ 109.09	No
5/6 ARM Construction (Portfolio)	7.750%	2 / 1 / 6	Discount	\$ 71.64	13.750%	\$ 111.72	No
7/6 ARM Construction (Portfolio)	7.875%	6 / 2 / 6	Discount	\$ 72.51	13.785%	\$ 111.41	No
10/6 ARM Construction (Portfolio)	8.000%	6 / 2 / 6	Discount	\$ 73.38	14.000%	\$ 109.09	No

*Based on a 49-day lock, except the 7/6 ARM ELO / Lock N Shop which is based on a 90-day lock.

You will be notified in writing at least 210 days, but not more than 240 days, before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. In addition, you will be notified at least 60 days, but not more than

120 days, before the first payment at the adjusted level is due after any interest rate adjustment resulting in a corresponding payment change. These notices will contain information about your adjustment and interest rates, payment amount, and loan balance.

Demand Feature: These ARM Loans do not have a Demand Feature.

****Conversion Feature:** The Adjustable-Rate Mortgage Programs noted with a “Yes” in Column H above have an option to convert to a fixed interest rate, “Conversion Option.” If you exercise your Conversion Option, your interest rate may be increased from the current Adjustable Interest Rate that you have been paying. In addition, you may have to meet certain conditions in order to exercise your conversion option. You may be eligible to exercise the “Conversion Option” during the period beginning one hundred eighty (180) days prior to the completion of the improvements on the property and ending on the thirtieth (30th) day after receipt of the final draw request by the Bank and confirmation by the appraiser that the home is complete.

If you exercise the “Conversion Option” the fixed rate will be the Conversion Rate posted on the Johnson Bank Internal Rate Sheet on the date the rate lock request is received. The applicable interest rate will be determined by the term and rate lock period being requested. The new rate calculated under this option will not be greater than the maximum rate noted above under “HOW YOUR INTEREST RATE CAN CHANGE”.