

Underwriting Standards and Product Matrix for Quorum’s Investment Property Home Equity Line of Credit (HELOC)

Quorum follows Fannie Mae underwriting guidelines. Quorum’s underwriting guidelines are not the only criteria for a final credit decision. All loans are *manually* underwritten. Our underwriters assess each loan to determine the multiple layers of risk. Special attention is focused on loans that have attributes near the guideline limits, greater loan amounts, and higher transactional complexity. These scenarios may introduce other factors in order to decision the loan (see Layering Risks & Compensating Factors section).

If you have a unique scenario that you’d like to pre-screen with us, please email us at mortgagesales@quorumfcu.org.

Pre-screen Requirements: Copy of the 1008/1003, credit report, and a breakdown of all closing and post-closing asset reserves.

Investment Property Interest Only HELOC	Product Features
Draw Period	5 years
Repayment Period	10 years
Index	Prime Rate
Margin	Risk based - determined by FICO, CLTV, Loan Amount & Property Type
Interest Rate	Index + Margin
Qualifying Payment	Use principal & interest payments at the prevailing rate amortized over a 10 year term to calculate DTI and DSCR.
Borrower Payment	Interest only payments are due during the draw period. Repayment period: Principal and interest payments are based on a 10 year amortization.
Floor Rate	4.95%
Annual Rate Caps	2% increase or decrease
Lifetime Cap	18%
Prepayment Penalty	No prepayment penalty.

Borrower	Guideline Overlay
Eligible Borrowers	US Citizens & Permanent Resident Aliens only.
Ineligible Transactions	Property owned in a business entity including but not limited to a Limited Liability Corporation (LLC), S-Corp and Partnership are ineligible.
Maximum Borrowers	Four borrowers per loan.
Eligibility	Guideline Overlay
Minimum Loan Amount	\$10,000
Maximum Loan Amount	\$250,000 (based on borrower's qualifications) HELOC's > \$250,000 will be considered on a case-by-case basis for scenarios that present strong compensating factors.
Aggregate Loan Limit	No maximum aggregate limit of combined mortgages
Ineligible First Lien Types	We do not provide subordinate financing for non QM 1st lien mortgages except interest only 1 st mortgages (Principal & Interest payment used for DTI qualification on all Interest Only loans). Examples of non QM loans: <ul style="list-style-type: none"> • Negative Amortization 1st Mortgage • Balloon • Loan Terms > 30 years
Credit	Guideline Overlay
Maximum Housing Ratio	38%
Maximum Debt Ratio	43%
Debt Service Coverage Ratio	Minimum 1.25%
Credit Report	A triple merge credit report is required for borrowers and will use our score for qualifying the borrower. We follow Fannie Mae guidelines for determining the borrowers qualifying credit score.
Minimum FICO	680
Minimum Tradelines	A minimum of three tradelines, open or closed, that have been evaluated at least 12 months.
Contingent Liability (Co-signed Debt)	Can be excluded with proof that primary obligor has been making timely payments for last 12 months.
Unsecured Debt	High use of unsecured debt (> 20% of annual income) presents additional risk factors and may result in a decline.
Paying Down/Off Debt to Qualify for DTI purposes	Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. The borrower's history of credit use will be a factor in determining whether the appropriate approach is to include or exclude debt for qualification.
Mortgage Lates	No mortgage lates in the past 5 years.
Tax Liens	Must be paid prior to/at closing.
IRS Installment Plan	Must be paid prior to/at closing.

Foreclosure, Bankruptcy, Deed-in-Lieu, Pre-Foreclosure/Short Sale, Modification	Regardless of the seasoning, this product is not available for any loans with any prior Foreclosure, Bankruptcy, Deed-in-Lieu, Pre-Foreclosure/Short Sale, and Modification.
Income/Employment	Guideline Overlay
Employment History	<ul style="list-style-type: none"> • Verify start/end dates for all employers from the most recent two years (written VOE or verbal is acceptable). • Explain any employment gaps > 30 days.
Self Employed	Two years signed tax returns with all schedules.
Property	Guideline Overlay
Eligible Properties	<ul style="list-style-type: none"> • Residential 1-4 Unit • PUD, Condo, Townhouse
Property Ownership	Fee Simple
Ineligible Properties	<ul style="list-style-type: none"> • Co-ops • Leasehold Properties • Manufactured Homes • Primary or Second Homes
Financed Properties	Refer to Fannie Mae Guidelines.
Condos	Must be Fannie Mae warrantable.
Occupancy Type	Investment Property
Appraisal	<ul style="list-style-type: none"> • Simultaneous Transactions: PIWs are not acceptable. All files must have a full appraisal. We will accept the first mortgage lender's appraisal for simultaneous loan transactions. All appraisals are subject to the underwriter's review and we may order our own appraisal at our cost if it is needed to support value. • Standalone Transactions: Quorum will order the appraisal on a standalone transaction through a third party vendor. • Age Requirements: Appraisal is good for 120 days (re-certifications allowed on a case-by-case basis).
Refinance of Listed Properties	Six months seasoning. Must remove listing prior to submitting application (CLTV max reduced to 65% if property was listed within the last 6 months).
Power of Attorney (POA)	POA must be specific to the transaction and reflect all lenders, property address and terms of the loan. A copy of the POA must be reviewed and approved by Quorum prior to CTC and recorded at closing.
Trust Agreements	<ul style="list-style-type: none"> • If the loan is held in a trust, a copy of the fully executed trust agreement with all amendments must be reviewed and approved by Quorum prior to CTC. • Irrevocable Trusts not permitted.
Title Insurance	Required on all 1 st and 2 nd Lien HELOCs for loan amount =/> \$250,000
Assets	Guideline Overlay
Post-Closing Asset Reserves	We do not allow gift funds or business assets to be used as reserves.
Asset Verification	Minimum required reserve requirements are based on all financed properties. Refer for FNMA guides for asset verification calculations for other financed properties.

Minimum Borrower Contribution	20% minimum contribution from borrower.
Minimum Reserve Requirement	See HELOC matrix included in this document for the minimum reserve requirement. Minimum reserves include principal and interest payment for both the first and second mortgage, taxes and insurance.
Layering Risks & Compensating Factors	Examples Of Layering Risk Factors and Compensating Factors That Are Considered In Underwriting
Layering Risk Factors	<ul style="list-style-type: none"> • Attributes near guideline limits • Payment shock (> 150%) • Use of unsecured debt (> 20% of total unsecured debt divided by annual income) • High DTI (> 36%) • DSCR < 1.25 • CLTV (> 70%) • Adverse credit history • Variable pay being used to qualify especially when variable pay exceeds 25% of the base salary • Debt consolidation • Paying down/off debt to qualify for DTI purposes • Using departing residence rental income to meet the DTI qualifications • Rapid appreciation in subject property market area • Minimal assets (< 12 months PITI reserves) • Gift funds
Compensating Factors	<ul style="list-style-type: none"> • Substantial assets (24 months of reserves including liquid) • Low CLTV (< 70%) • Low DTI (< 36%) • DSCR > 1.25 • FICO Score 780+ • Strong credit history • Low use of unsecured debt (≤ 20% of total unsecured debt divided by annual income) • Job stability and solid/stable income sources (5 years with current employer/base income)

HELOC Rate and Fee Sheets

Rates effective as of 8/1/2019. Rates cannot go below floor rate of 4.95%

CLTV %	0 - 50	50.01 - 60.00	60.01 - 65.00	65.01 - 70.00	70.01 - 75.00	75.01-80
Credit Rating						
780+	Prime + 0.75	Prime + 1.25	Prime + 2.00	Prime + 2.75	Prime + 3.50	Prime + 4.25
720-779	Prime + 1.00	Prime + 1.50	Prime + 2.25	Prime + 3.00	Prime + 3.75	Prime + 4.50
680-719	Prime + 1.25	Prime + 2.25	Prime + 3.00	Prime + 3.75	Prime + 4.50	Prime + 5.25

The following pricing adjustments apply based on the following scenario:

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- Loan Amount Greater than or Equal to \$250,000 (0.50% Rate add-on)
- Loan Amount Greater than or Equal to \$500,000 (1.00% Rate add-on)

***Relationship discount pricing adjustment:**

- 25bps reduction to margin for a checking account with a minimum monthly balance of \$5,000
- 25bps reduction to margin for an active credit card (minimum of 5 purchase transactions/month)
- 50bps reduction to margin for maintaining at least \$50,000 in CDs (any duration)

*In order to qualify, the member would need to establish these account(s) prior to the loan closing.

HELOC Fees

- \$495 Origination Fee
- Closing Agent/Settlement Fees, Recording Fees
- Mortgage/Transfer Tax, Government Fees (if applicable)
- Fees are due at closing and debited from the HELOC
- \$100.00 annual servicing fee (billed on the anniversary year)

Additional fees for standalone second mortgages, including appraisal, flood, and title report, will be passed to the customer.

HELOC Matrix

All loans are subject to the underwriter's discretion. Additional underwriting conditions or overlays may be required.

Property Type: 1-4 Unit SFR, PUD, Townhouse, Condo						
CLTV %	FICO	Max Ratio (front/back)	# Units	Occupancy	Loan Amount	Minimum Reserves
<= 80%	680+	38%/43%	1 Unit	Investment	< \$100,000	12 Months
<= 80%	680+	38%/43%	1 Unit	Investment	\$100,000-\$250,000	18 Months
<= 65%	680+	38%/43%	2-4 Unit	Investment	< \$100,000	12 Months
<= 65%	680+	38%/43%	2-4Unit	Investment	\$100,000-\$250,000	18 Months

The Fine Print

Rates and APR: The Annual Percentage Rate (APR) is as low as 6.00% as of 08/01/19. The Floor Rate is 4.95%. Maximum APR is 18.00%. The APR is a variable rate, plus or minus a margin, and is based on the Prime rate (index - as published in The Wall Street Journal) plus a margin. The margin is determined based on credit history, loan amount and combined loan-to-value (CLTV) ratio. Rate will not increase or decrease more than 2% annually. A home equity line-of-credit is secured by the member's home, and is available only for 1-4 family residential properties and condominiums, excluding co-op's. Minimum line-of-credit amount: \$10,000. No draw required at closing. No application, or termination fees; appraisal fee varies. No pre-payment penalty. Mortgage tax may apply in some states. This Home Equity Line of Credit is not available in TX. All loans are subject to credit approval.

Fees: Fees are due at closing and debited from the HELOC. Additional fees for standalone second mortgages, including appraisal, flood, and title report, will be passed to the customer.

Quorum is an Equal Housing Lender. We do business in accordance with the Federal Fair Lending Laws.