

## Underwriting Standards and Product Matrix for Quorum’s Interest Only Home Equity Line of Credit (HELOC) Program Guidelines

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](mailto:mortgagesales@quorumfcu.org).**

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

Interest Only HELOC	Product Features
<b>Draw Period</b>	10 years
<b>Repayment Period</b>	20 years
<b>Index</b>	Prime Rate
<b>Margin</b>	Risk based - determined by FICO, CLTV, Loan Amount & Property Type
<b>Interest Rate</b>	Index + Margin
<b>Qualifying Payment</b>	Use principal & interest payments at the prevailing rate amortized over a 20 year term to calculate DTI.
<b>Borrower Payment</b>	Interest only payments are due during the draw period. Payments are based on a 20 year amortization.
<b>Floor Rate</b>	3.95%
<b>Annual Rate Cap</b>	2% increase or decrease.
<b>Lifetime Cap</b>	18%
<b>Prepayment Penalty</b>	No prepayment penalty.

Borrower	Guideline Overlay
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• US Citizens</li> <li>• Non-Permanent Residents: Reviewed on a case-by-case basis. Must present strong compensating factors to offset risk.</li> </ul>
<b>Maximum Borrowers</b>	Four borrowers per loan.
<b>Non-Occupant Borrower</b>	We place heavy scrutiny on these transactions. All borrowers must have compensating factors to offset the risk.
Eligibility	Guideline Overlay
<b>Minimum Loan Amount</b>	\$10,000
<b>Maximum Loan Amount</b>	<p>\$500,000 (based on borrower's qualifications)</p> <p>HELOC's &gt; \$500,000 will be considered on a case-by-case basis for scenarios that present strong compensating factors.</p>
<b>Aggregate Loan Limit</b>	No maximum aggregate limit of combined mortgages.
<b>Ineligible First Lien Types</b>	<p>We do not provide subordinate financing for non QM 1st lien mortgages except interest only 1<sup>st</sup> mortgages (Principal &amp; Interest payment used for DTI qualification on all Interest Only loans).</p> <p>Examples of non QM loans:</p> <ul style="list-style-type: none"> <li>• Negative Amortization 1st Mortgage</li> <li>• Balloon</li> <li>• Loan Terms &gt; 30 years</li> </ul>
Credit	Guideline Overlay
<b>Maximum Housing Ratio</b>	38%
<b>Maximum Debt Ratio</b>	43%
<b>Credit Report</b>	A triple merge credit report is required for all borrowers and will use <b>our score</b> for qualifying the borrower. We follow Fannie Mae guidelines for determining the borrowers qualifying credit score.
<b>Minimum FICO</b>	680
<b>Minimum Tradelines</b>	A minimum of three (3) tradelines, open or closed, that have been evaluated at least 12 months is required.
<b>Contingent Liability (Co-signed Debt)</b>	Can be excluded with proof that primary obligor has been making timely payments for last 12 months.
<b>Unsecured Debt</b>	High use of unsecured debt (> 20% of annual income) presents additional risk factors and may result in a decline.
<b>Paying Down/Off Debt to Qualify for DTI purposes</b>	<ul style="list-style-type: none"> <li>• Not Permitted on CLTV &gt; 90%</li> <li>• 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.</li> </ul>
<b>Current Principal Residence Pending Sale</b>	<p>Current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the borrower purchasing a new principal residence..</p> <ul style="list-style-type: none"> <li>• Max DTI: 49.99%</li> <li>• Current PITI and the proposed PITI must be used in qualifying the borrower</li> <li>• Copy of fully executed listing agreement or contract of sale</li> </ul>

<b>Mortgage Lates</b>	LOE is required if any mortgage lates occurred in the last 36 months
<b>Tax Liens</b>	Must be paid prior to/at closing
<b>IRS Installment Plan</b>	We follow Fannie Mae guidelines for IRS repayment plans. We cannot accept the payment plan if the unpaid taxes are reflected as a lien on credit or title.
<b>Foreclosure, Bankruptcy, Deed-in-Lieu, Pre-Foreclosure/Short Sale, Modification</b>	We follow Fannie Mae guidelines for seasoning requirements, however these overlays will apply regardless of the timing of the event: <ul style="list-style-type: none"> <li>• Max DTI: 34/38%</li> <li>• Max CLTV: 90%</li> <li>• FICO: 700</li> <li>• MAX Loan Amount: 200K</li> <li>• Minimum Reserves: 12 Months</li> </ul>
<b>Income/Employment</b>	<b>Guideline Overlay</b>
<b>Employment History</b>	Verify start/end dates for all employers from the most recent two years (written VOE or verbal is acceptable) and explain any employment gaps > 30 days.
<b>Self Employed</b>	Two years signed tax returns with all schedules.
<b>Income From Departing Residence</b>	Heavy scrutiny will be placed on these transactions. All borrowers must have compensating factors to offset the risk. To include income from departing residence, we require the following: <ul style="list-style-type: none"> <li>• Copy of fully executed lease agreement</li> <li>• Copy of security deposit and first months rent check</li> <li>• Copy of bank statement reflecting the deposit</li> </ul>
<b>Property</b>	<b>Guideline Overlay</b>
<b>Eligible Properties</b>	1-4 Unit, Fee Simple, PUD, Condo, Townhouse
<b>Ineligible Properties</b>	<ul style="list-style-type: none"> <li>• Co-ops</li> <li>• Leasehold Properties</li> <li>• Manufactured Homes</li> <li>• Investment Properties</li> </ul>
<b>Condos</b>	Must be Fannie Mae warrantable.
<b>Occupancy Type</b>	<ul style="list-style-type: none"> <li>• Primary Residence</li> <li>• Second Homes (with an intent to occupy as a future primary)</li> </ul>
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• <b>Simultaneous Transactions:</b> PIWs are not acceptable. All files must have a full appraisal. We will accept the 1st mortgage lender's appraisal for simultaneous loan transactions. All appraisals are subject to the underwriters review and we may order our own appraisal at our own cost if it is needed to support value.</li> <li>• <b>Standalone Transactions:</b> Quorum will order the appraisal on a standalone transaction through a third party vendor.</li> <li>• <b>Age Requirements:</b> Appraisal is good for 120 days (re-certifications allowed on a case-by-case basis)</li> </ul>
<b>Refinance of Listed Properties</b>	Must remove listing prior to submitting application (CLTV max reduced to 80% if property was listed within the last 6 months)
<b>Power of Attorney (POA)</b>	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.

<b>Trust Agreements</b>	<p>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.</p> <p>Irrevocable Trusts not permitted.</p>
<b>Title Insurance</b>	Required on all 1 <sup>st</sup> and 2 <sup>nd</sup> Lien HELOCs for loan amount $\geq$ \$250,000
<b>Assets</b>	<b>Guideline Overlay</b>
<b>Post-Closing Asset Reserves</b>	Asset reserves must be from the borrower's own personal funds. We do not allow gift funds or business assets to be used as reserves.
<b>Minimum Borrower Contribution</b>	5% minimum contribution from borrower.
<b>Minimum Reserve Requirement</b>	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.
<b>Layering Risks &amp; Compensating Factors</b>	<b>Examples Of Layering Risk Factors and Compensating Factors That Are Considered In Underwriting</b>
<b>Layering Risk Factors</b>	<ul style="list-style-type: none"> <li>• Attributes near guideline limits</li> <li>• Payment shock ( &gt; 150%)</li> <li>• Use of unsecured debt ( &gt; 20% of total unsecured debt divided by annual income)</li> <li>• High DTI ( &gt; 36%)</li> <li>• CLTV ( <math>\geq</math> 85%)</li> <li>• Adverse credit history</li> <li>• Variable pay being used to qualify especially when variable pay exceeds 25% of the base salary</li> <li>• Debt consolidation</li> <li>• Paying down/off debt to qualify for DTI purposes</li> <li>• Using departing residence rental income to meet the DTI qualifications</li> <li>• Rapid appreciation in subject property market area</li> <li>• Minimal assets ( &lt; 12 months PITI reserves)</li> <li>• Gift funds</li> </ul>
<b>Compensating Factors</b>	<ul style="list-style-type: none"> <li>• Substantial assets (24 months of reserves including liquid)</li> <li>• Low CLTV ( &lt; 85%)</li> <li>• Low DTI ( <math>\leq</math> 36%)</li> <li>• FICO Score 780+</li> <li>• Strong credit history</li> <li>• Low use of unsecured debt ( <math>\leq</math> 20% of total unsecured debt divided by annual income)</li> <li>• Job stability and solid/stable income sources (5 years with current employer/base income)</li> </ul>

## HELOC Rate and Fee Sheets

Rates effective as of 8/01/2019. Rates cannot go below floor rate of 3.95%

CLTV %	0 - 70	70.01 - 80.00	80.01 - 85.00	85.01 - 90.00	90.01 - 95.00
<b>Credit Rating</b>					
<b>780+</b>	Prime + 0.24	Prime + 0.85	Prime + 1.10	Prime + 1.25	Prime + 2.50
<b>720-779</b>	Prime + 0.24	Prime + 1.10	Prime + 1.35	Prime + 1.45	Prime + 2.75
<b>680-719</b>	Prime + 0.49	Prime + 1.35	Prime + 2.00	Prime + 2.40	Prime + 3.65

### The following pricing adjustments apply based on the following scenario:

**The following pricing adjustments apply based on the following scenario:**

- Loan Amount Greater than or Equal to \$250,000 (0.25% Rate add-on)
- Loan Amount Greater than or Equal to \$500,000 (0.75% Rate add-on)
- Second Home (0.50% 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

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.

Primary Residence (Owner Occupied) Property Type: 1-4 Unit SFR, PUD, Townhouse, Condo						
CLTV %	FICO	Max Ratio (front/back)	# Units	Occupancy	Loan Amount	Minimum Reserves
<= 90%	680+	38%/43%	1 Unit	Primary	< \$100,000	0 Months
<= 90%	680+	38%/43%	1 Unit	Primary	>= \$100,000 - \$249,999	6 Months
<= 90%	680+	38%/43%	1 Unit	Primary	>= \$250,000 - \$499,999	9 Months
<= 90%	680+	38%/43%	1 Unit	Primary	>=\$500,000	12 Months
CLTV %	FICO	Max Ratio (front/back)	# Units	Occupancy	Loan Amount	Minimum Reserves
90.01-95%	680+	38%/43%	1 Unit	Primary	< \$100,000	6 Months
90.01-95%	680+	38%/43%	1 Unit	Primary	>= \$100,000 - \$249,999	9 Months
90.01-95%	680+	38%/43%	1 Unit	Primary	>= \$250,000 - \$499,999	12 Months
90.01-95%	680+	38%/43%	1 Unit	Primary	>=\$500,000	18 Months
CLTV %	FICO	Max Ratio (front/back)	# Units	Occupancy	Loan Amount	Minimum Reserves
<= 80%	680+	38%/43%	2 Unit	Primary	< \$100,000	6 Months
<= 80%	680+	38%/43%	2 Unit	Primary	>= \$100,000 - \$249,999	9 Months
<= 80%	680+	38%/43%	2 Unit	Primary	>= \$250,000 - \$499,999	12 Months
<= 80%	680+	38%/43%	2 Unit	Primary	>=\$500,000	18 Months
CLTV %	FICO	Max Ratio (front/back)	# Units	Occupancy	Loan Amount	Minimum Reserves
<= 65%	680+	38%/43%	3-4 Units	Primary	< \$100,000	6 Months
<= 65%	680+	38%/43%	3-4 Units	Primary	>= \$100,000 - \$249,999	12 Months
<= 65%	680+	38%/43%	3-4 Units	Primary	>= \$250,000 - \$499,999	24 Months
<= 65%	680+	38%/43%	3-4 Units	Primary	>=\$500,000	36 Months
**Second Home- 1 Unit SFR, PUD, Townhouse, Condo						
CLTV %	FICO	Max Ratio (front/back)	# Units	Occupancy	Loan Amount	Minimum Reserves
<= 90%	680+	38%/43%	1 Unit	Second	< \$100,000	9 Months
<= 90%	680+	38%/43%	1 Unit	Second	>= \$100,000 - \$249,999	12 Months
<= 90%	680+	38%/43%	1 Unit	Second	>= \$250,000 - \$499,999	18 Months
<= 90%	680+	38%/43%	1 Unit	Second	>=\$500,000	24 Months

## The Fine Print

**Rates and APR:** The Annual Percentage Rate (APR) is as low as 5.24% as of 09/19/19. The Floor Rate is 3.95%. 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, property usage, 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 single family residence, 2-4 unit owner occupied, and condominiums, excluding co-op's. Minimum line-of-credit amount: \$10,000. No draw required at closing. No application, annual 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.**