

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

All loans are *manually* underwritten by a mortgage professional. Quorum’s underwriters review each loan to access risk and streamline the approval process. Quorum follows Fannie Mae underwriting guidelines; however, Quorum’s underwriting guidelines are not the only criteria for a final credit decision. Layering risk factors and compensating factors may be considered for loans that fall outside the product features and guidelines.

**If you have a unique scenario that you’d like to pre-screen with Quorum, please contact your Account Executive.**

**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 & Occupancy 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>• Permanent Resident Alien</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 (4) borrowers per loan.
<b>Non-Occupant Borrower</b>	Not permitted
Eligibility	Guideline Overlay
<b>Minimum Loan Amount</b>	\$10,000
<b>Maximum Loan Amount</b>	\$500,000 (based on borrower's qualifications) HELOC's > \$500,000 will be considered on a case-by-case basis for scenarios that present strong compensating factors.
<b>Aggregate Loan Limit</b>	No maximum aggregate limit of combined mortgages.
<b>Ineligible First Lien Types</b>	<p>Quorum does not provide subordinate financing for non QM first lien mortgages except interest only first mortgages (Principal &amp; Interest payment used for DTI qualification on all Interest Only loans). Examples of non QM loans:</p> <ul style="list-style-type: none"> <li>• Negative Amortization First 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% 45% for CLTV ≤ 80% and FICO ≥ 720
<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. Quorum follows Fannie Mae guidelines for determining the borrowers qualifying credit score.
<b>Minimum FICO</b>	600
<b>Minimum Tradelines</b>	A minimum of three (3) tradelines, open or closed, that have been evaluated at least twelve (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 twelve (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>	0x30 in the last 24 months, if lates occurred in months 25-36, letter of explanation is required	
<b>Tax Liens</b>	Must be paid prior to/at closing	
<b>IRS Installment Plan</b>	Quorum follows Fannie Mae guidelines for IRS repayment plans. Quorum 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, Forbearance</b>	<p>Quorum follow Fannie Mae guidelines for seasoning requirements however these overlays will apply regardless of the timing of the event:</p> <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>Day 1 Certainty</b>	Day 1 Certainty permitted for income	
<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 schedule unless DU/LP only require one, Quorum will follow the findings. All jumbo loans will require 2 years. Quorum requires validated tax transcripts on self-employed borrowers and borrowers employed by family	
<b>Income From Departing Residence</b>	<p>Heavy scrutiny will be placed on these transactions. All borrowers must have compensating factors to offset the risk. To include income from departing residence, Quorum require the following:</p> <ul style="list-style-type: none"> <li>• Copy of fully executed lease agreement</li> <li>• Copy of security deposit and first month's rent check</li> <li>• Copy of bank statement reflecting the deposit</li> </ul>	
<b>Property</b>	<b>Guideline Overlay</b>	
<b>Eligible Properties</b>	<ul style="list-style-type: none"> <li>• 1-4 Unit,</li> <li>• Fee Simple</li> <li>• PUD</li> </ul>	<ul style="list-style-type: none"> <li>• Condo</li> <li>• Townhouse</li> </ul>
<b>Ineligible Properties</b>	<ul style="list-style-type: none"> <li>• Co-ops</li> <li>• Leasehold Properties</li> </ul>	<ul style="list-style-type: none"> <li>• Manufactured Homes</li> <li>• Investment Properties</li> </ul>
<b>Condos</b>	Must be FNMA warrantable. Limited review permitted meeting FNMA requirements. CLTV >90% must have full review	
<b>Occupancy Type</b>	<ul style="list-style-type: none"> <li>• Primary Residence</li> <li>• Second Homes</li> </ul>	
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• <b>Simultaneous Transactions:</b> Quorum will accept the first mortgage lender's appraisal for simultaneous loan transactions. All appraisals are subject to the underwriter's review and Quorum may order our own appraisal at our own cost if it is needed to support value. Please refer to the Valuation Eligibility Matrix</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 must state both the first and second transaction separately. Cash out transactions not permitted. A copy of the POA must be reviewed and approved by Quorum prior to CTC and recorded at closing.
<b>Trust Agreements</b>	Permitted based on FNMA guidelines. Irrevocable Trusts not permitted. 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.
<b>Title Insurance</b>	<ul style="list-style-type: none"> <li>• Required on all first lien HELOC's</li> <li>• Required on second Lien HELOCs for loan amount =&gt; \$250,000</li> </ul>
<b>Assets</b>	<b>Guideline Overlay</b>
<b>Day 1 Certainty</b>	Day 1 Certainty permitted for assets
<b>Business Assets</b>	Not permitted for closing or post-closing
<b>Asset Reserves</b>	Asset reserves must be from the borrower's own personal funds. Quorum does not allow gift funds to be used as reserves. Refer to the Reserve Matrix in this document.
<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 ( ≥ 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 ( ≤ 36%)</li> <li>• FICO Score 780+</li> <li>• Strong credit history</li> <li>• Low use of unsecured debt ( ≤ 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 09/15/2020. Rates cannot go below floor rate of 3.95%

CLTV%		0-60	60.01-70	70.01-80	80.01-85	85.01-90	90.01-95	Max Loan Amount
FICO	800+	Prime + 1.20%	Prime + 1.50%	Prime + 2.00%	Prime + 2.25%	Prime + 2.75%	Prime + 3.50%	\$500,000
	780-799	Prime + 1.20%	Prime + 1.50%	Prime + 2.25%	Prime + 2.50%	Prime + 2.75%	Prime + 3.75%	\$500,000
	760-779	Prime + 1.70%	Prime + 1.75%	Prime + 2.50%	Prime + 2.50%	Prime + 3.00%	Prime + 4.00%	\$500,000
	740-759	Prime + 1.70%	Prime + 1.75%	Prime + 2.50%	Prime + 2.75%	Prime + 3.00%	Prime + 4.50%	\$500,000
	720-739	Prime + 1.90%	Prime + 2.00%	Prime + 2.50%	Prime + 3.00%	Prime + 3.125%	Prime + 4.75%	\$500,000
	700-719	Prime + 2.10%	Prime + 2.20%	Prime + 2.75%	Prime + 3.35%	Prime + 3.25%	Prime + 5.00%	\$500,000
	680-699	Prime + 2.30%	Prime + 2.80%	Prime + 3.65%	Prime + 4.10%	Prime + 4.35%	Prime + 5.20%	\$500,000
	660-679	Prime + 3.00%	Prime + 3.50%	Prime + 4.00%	Prime + 4.50%	Prime + 5.00%	N/A	\$200,000
	640-659	Prime + 3.50%	Prime + 4.00%	Prime + 4.50%	Prime + 5.00%	N/A	N/A	\$100,000
	620-639	Prime + 4.00%	Prime + 4.50%	Prime + 5.00%	N/A	N/A	N/A	\$75,000
	600-619	Prime + 4.50%	Prime + 5.00%	N/A	N/A	N/A	N/A	\$50,000
<b>Occupancy / Loan Amount Adjustments Rate: Margin Add-Ons</b>								
Occupancy	Second Home					0.500%		
Loan Amount	≥\$250,000					0.250%		
	≥\$500,000					0.750%		
<b>Relationship Pricing Adjustments: Margin Reductions</b>								
Checking Account	Open a new checking account with a minimum monthly balance of \$5,000					- 0.250%		
CD	Open new CD. Maintaining at least \$50,000 in CDs (any duration)					- 0.500%		
<b>HELOC Fees</b>								
<b>\$495 Origination Fee</b>						Debited from HELOC at closing		
<b>\$100 Processing Fee</b>						Debited from HELOC at closing		
<b>\$7 Flood Cert Fee</b>						Debited from HELOC at closing		
<b>\$45 Credit Report Fee</b>						Debited from HELOC at closing		
<b>Closing Agent/Settlement Fees, Recording Fees</b>						Debited from HELOC at closing		
<b>Property Report/Title Report</b>						Debited from HELOC at closing		
<b>Mortgage/Transfer Tax, Government Fees (if applicable)</b>						Debited from HELOC at closing		
<b>Appraisal (if applicable) –fee varies</b>						Due at time of application		

## HELOC Eligibility Matrix

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

Asset Reserve Requirement Matrix					
CLTV %	FICO	# Units	Occupancy	Loan Amount	Minimum Reserves
≤ 95%	600+	1-4 Unit	Primary Second	≤ \$50,000	0 Months
≤ 80%	620-639	1 Unit	Primary	> \$50,000- \$75,000	3 Months
≤ 85%	640-659	1 Unit	Primary	> \$50,000- \$100,000	6 Months
≤ 90%	660-679	1 Unit	Primary	> \$50,000- \$100,000	3 Months
				≥ \$100,000 - \$200,000	9 Months
≤ 90%	680+	1 Unit	Primary	< \$100,000	0 Months
				≥ \$100,000 - \$250,000	6 Months
				> \$250,000 - \$500,000	9 Months
> 90%	680+	1 Unit	Primary	> \$50,000- \$99,999	6 Months
				≥ \$100,000 - \$250,000	9 Months
				> \$250,000 - \$500,000	12 Months

### Additional Reserves:

- Two (2) units (no additional reserve required)
- 3-4 unit (add six (6) months additional reserves)
- Second Home (add three (3) months additional reserves)

Eligibility Requirement Matrix- CLTV, FICO, Occupancy, # of Units								
Occupancy # of Units	FICO	CLTV %	Occupancy # of Units	FICO	CLTV %	Occupancy # of Units	FICO	CLTV %
Primary 1 Unit	600-619	70%	Primary 2 Unit	600-619	70%	Primary 3- 4 Unit	600-619	65%
	620-639	80%		620-639	80%		620-639	
	640-659	85%		640-659			640-659	
	660-679	90%		660-679			660-679	
	680+	95%		680+			680+	

- Second home max CLTV 90%

Valuation Requirement Matrix				
Loan Amount	Loan Purpose	Occupancy	# Of units	Requirement
≤ \$50K	Simul Purchase Simul Refinance Standalone	Primary Second Home	1 - 4 Unit 1 Unit	AVM
> \$50K to \$250K	Simul Purchase Simul Refinance	Primary Second Home	1 Unit	PIW (if applicable) and AVM or Exterior Drive-by or Desktop Appraisal (Allowable by FNMA)
		Primary	2 -4 Unit	Full Appraisal
> \$50K to \$250K	Standalone	Primary Second Home	1 Unit	Exterior Drive-by
		Primary	2 -4 Unit	Full Appraisal
> \$250K	Simul Purchase Simul Refinance Standalone	Primary	1 - 4 Unit	Full Appraisal
		Second Home	1 Unit	

## The Fine Print

**Rates and APR:** The Annual Percentage Rate (APR) is as low as 4.45% as of 09/15/20. The Floor Rate is 3.95%. Maximum APR is 18.00%. The APR is a variable rate, based on the Prime rate (index - as published in The Wall Street Journal) plus or minus 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-ops. 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 (except appraisal fee, if applicable, due at time of application). Additional fees for standalone second mortgages, including appraisal, flood, and title report, will be passed to the borrower.

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