

Underwriting Standards and Product Matrix for Quorum’s Investment Property 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.

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 & Occupancy Type
Interest Rate	Index + Margin
Qualifying Payment	Use principal & interest payments at the prevailing rate amortized over a ten (10) year term to calculate DTI and DSCR.
Borrower Payment	Interest only payments are due during the draw period. Payments are based on a ten (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	<ul style="list-style-type: none"> • US Citizens • Permanent Resident Alien
Eligible Transactions	Property owned in to a Limited Liability Corporation (LLC) For all loans held in an LLC a Business Membership Account must be established prior to closing.
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	Quorum does not provide subordinate financing for non-QM first lien mortgages except interest only first 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 First 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. Quorum follows 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 twelve (12) months.
Contingent Liability (Co-signed Debt)	Can be excluded with proof that primary obligor has been making timely payments for last twelve (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 five (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, Forbearance	Regardless of the seasoning, this product is not available for any loans with any prior Foreclosure, Bankruptcy, Deed-in-Lieu, Pre-Foreclosure/Short Sale, Modification, and Forbearance.
Income/Employment	Guideline Overlay
Day 1 Certainty	<ul style="list-style-type: none"> Day 1 Certainty permitted for income
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) and explain any employment gaps > 30 days.
Self Employed	<ul style="list-style-type: none"> Two years signed tax returns with all schedules Property held in an LLC will require two years of entity tax returns Require validated tax transcripts on self-employed borrowers and borrowers employed by family
Property	Guideline Overlay
Eligible Properties	1-4 Unit Residential, 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 FNMA warrantable. Limited review permitted meeting FNMA requirements.
Occupancy Type	Investment Property
Appraisal	<ul style="list-style-type: none"> Simultaneous Transactions: PIWs are not acceptable. All files must have a full appraisal. 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 cost if it is needed to support value. Please refer to the Valuation Eligibility Matrix 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 (6) months seasoning. Must remove listing prior to submitting application (CLTV max reduced to 65% if property was listed within the last six (6) months).
Power of Attorney (POA)	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.
Trust Agreements	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.
Title Insurance	<ul style="list-style-type: none"> Required on all first lien HELOC's Required on second Lien HELOCs for loan amount ≥ \$250,000
Assets	Guideline Overlay
Day 1 Certainty	<ul style="list-style-type: none"> Day 1 Certainty permitted for assets

Asset Reserves	Asset reserves must be from the borrower's own personal or business funds. Quorum does not allow gift funds to be used as reserves. Refer to the Reserve Matrix in this document.
Asset Verification	Asset reserve requirements are based on all financed properties. Refer for FNMA guides for asset verification calculations for other financed properties. For the subject property, refer to the minimum reserve requirement matrix included in this document.
Minimum Borrower Contribution	20% minimum contribution from borrower.
Reserve Requirement for Subject Property	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 (five (5) years with current employer/base income)

HELOC Rate and Fee Sheets

Rates effective as of 09/15/2020. 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 + 2.20	Prime + 2.25	Prime + 2.50	Prime + 3.00	Prime + 3.50	Prime + 4.00
720-779	Prime + 2.45	Prime + 2.50	Prime + 2.75	Prime + 3.25	Prime + 3.75	Prime + 4.50
680-719	Prime + 2.50	Prime + 2.75	Prime + 3.25	Prime + 4.00	Prime + 4.50	Prime + 5.00

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 new checking account established prior to closing (minimum monthly balance of \$5,000)
- 50bps reduction to margin for opening a new CD prior to closing. (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
- \$100 Processing Fee
- \$7 Flood Certification Fee
- \$45 Credit Report Fee
- Appraisal Fee (if applicable) - varies
- Closing Agent/Settlement Fees, Title/Property Report Fees, Recording Fees -varies
- Mortgage/Transfer Tax, Government Fees (if applicable)-varies
- Appraisal fee due at the time of application all other fees are due at closing and debited from the HELOC
- \$100.00 annual servicing fee (billed on the anniversary year)

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	≤ \$50,000	0 Months
<= 80%	680+	38%/43%	1 Unit	Investment	>50,000- \$99,999	12 Months
<= 80%	680+	38%/43%	1 Unit	Investment	\$100,000-\$250,000	18 Months
<= 65%	680+	38%/43%	2-4 Unit	Investment	≤ \$50,000	0 Months
<= 65%	680+	38%/43%	2-4 Unit	Investment	>50,000- \$99,999	12 Months
<= 65%	680+	38%/43%	2-4Unit	Investment	\$100,000-\$250,000	18 Months

Valuation Requirement Matrix				
Loan Amount	Loan Purpose	Occupancy	# Of units	Requirement
< \$50K	Simul Purchase Simul Refinance Standalone	Investment	1 - 4 Unit	AVM
> \$50K to \$250K	Simul Purchase Simul Refinance Standalone	Investment	1 - 4 Unit	Full Appraisal

The Fine Print

Rates and APR: The Annual Percentage Rate (APR) is as low as the floor rate 5.45% as of 09/15/20. 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-ops. 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 borrower.

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