Quorum FEDERAL CREDIT UNION

Underwriting Standards and Product Matrix
Quorum's Bridge Loan HELOC - For Mortgage Professional Use Only

All loans are manually underwritten by a mortgage professional. Quorum's underwriters review each loan to assess 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. For any additional requirements not addressed in this product matrix, refer to FNMA Selling Guide for details.

If you have a unique scenario that you would 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.

BRIDGE LOAN HELOC Product Features	
Draw Period	10 years
Repayment Period	20 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 twenty (20) year term to calculate DTI.
Borrower Payment	Interest only payments are due during the draw period. Payments are based on a twenty (20) year amortization.
Floor Rate	3.95%
Annual Rate Caps	2% increase or decrease.
Lifetime Cap	18%
Prepayment Penalty	No prepayment penalty.
General Guidelines	
Eligible Borrowers	US Citizens
Ineligible Borrowers	Permanent Resident Alien
	Non-Permanent Residents: Must meet the following overlays and present strong compensating factors to offset risk: • Maximum CLTV: 80% • Primary Residence Only • Minimum FICO: 680 • Maximum Loan Amount: $150K • Minimum Reserves: refer to the asset matrix below. Additional 3 months reserves must be added to the standard reserve requirement. Credit History: No prior Foreclosure, Bankruptcy, Deed-in-Lieu, Pre-Foreclosure/Short Sale, Modification, Forbearance, No Mortgage Lates
Ineligible Borrowers	• Non-Occupant Borrower • Land Trusts • Life Estates • Corporations, General and Limited Partnerships
Maximum Borrowers	No more than four (4) borrowers per loan.
Minimum Loan Amount	$10,000
Maximum Loan Amount	$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.
Aggregate Loan Limit	No maximum aggregate limit of combined mortgages.
State Eligibility	Not available in Texas.

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: Negative Amortization First Mortgage, Balloon and Loan Terms > 30 years
Credit	
Maximum Housing Ratio	38%
Maximum Debt Ratio	43%
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. Cannot include self-reported tradelines.
Contingent Liability	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.
Student Loans	Student Loans will be underwritten to FNMA Guidelines. We will accept LP for simultaneous transactions with eligible LP findings.
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	0x30 in the last 24 months, if lates occurred in months 25-36, letter of explanation is required.
Tax Liens	Must be paid prior to/at closing.
IRS Installment Plan	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.
Foreclosure, Bankruptcy, Deed-in-Lieu, Pre-Foreclosure/ Short Sale	Quorum follows Fannie Mae guidelines for seasoning requirements however these overlays will apply regardless of the timing of the event: • Max DTI: 34/38% • Max CLTV: 80% • FICO: 700 • MAX Loan Amount: $200K • Minimum Reserves: Twelve (12) Months
Modification, Deferment or Forbearance	Quorum follows Fannie Mae guidelines for qualifying however, the following overlays would apply if the event occurred is within the last 3 years: • Max DTI: 34/38% • Max CLTV: 90% • FICO: 700 • MAX Loan Amount: $200K • Minimum Reserves: 12 Months Exception may be granted on a case-by-case basis if underwriting deems that the Modification, Deferment or Forbearance was not related to hardship and original mortgage terms were not modified. Additional documentation will include but not limited to the following: • LOE from borrower – reason for the Modification, Deferment or Forbearance • Credit report and VOM to show satisfactory payment history and no mortgage lates in last 3 years.

Income and Employment	
Day 1 Certainty	Day 1 Certainty permitted for income.
Employment History	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	Two (2) years signed tax returns with all schedule unless DU/LP only require one, Quorum will follow the findings. All jumbo loans will require two (2) years. Quorum requires an executed 4506T form at closing on all self-employed borrowers and borrowers employed by family.
RSU Income	Permitted using Freddie Mac Guidelines.
Collateral	
Eligible Property Types	• 1Unit • PUDs • Warrantable Condos • Townhouse
Ineligible Property Types	• 2-4 Units • Co-ops • Leasehold Properties • Manufactured Homes • Investment Properties
Condos	Must be FNMA warrantable. Limited review permitted meeting FNMA requirements.
Occupancy Type	Primary Residence Only
Appraisal	• Simultaneous Transactions: PIWs are not acceptable. 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). • For transactions that allow for AVM's. AVM's will be ordered by Quorum and will be reviewed by underwriting to determine if the value is supported. If the underwriter deems the value is not supported, we will upgrade the report to a drive-by, desktop, full appraisal, or other valuation methods.
Seasoning	Six (6) months seasoning. If the home was purchased less than 6 months ago, we will use the lower of the purchase price or the appraisal value to determine the CLTV. A new valuation will be required if the original appraisal is expired.
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	• Required on all first lien HELOC's. • Required on second Lien HELOCs for loan amount $\geq$ $250,000.

Assets	
Day 1 Certainty	Day 1 Certainty permitted for assets.
Business Assets	Permitted only for borrowers that have 100% ownership in the business. Documentation Requirements include: 1. Letter from CPA, Third Party or borrower to document the following: • Funds will not have a negative effect on business cash flow. • Funds are not an advancement or loan of future earnings or cash distributions. 2. 3 Months Bank Statements. 3. Copy of year-to-date P&L. Underwriter will complete a cash flow analysis using most recent 3 months business bank statements to determine impact of funds withdrawal from business.
Asset Reserves	Asset reserves must be from the borrower's own funds. Quorum does not allow gift funds to be used as reserves. Refer to the Reserve Matrix in this document.
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	• Attributes near guideline limits. • Payment shock (> 150%) • Use of unsecured debt (> 20% of total unsecured debt divided by annual income • High DTI (> 36%). • 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	• Substantial assets (24 months of reserves including liquid) • Low CLTV (< 80%)) • Low DTI (< 36%) • 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 Rates:			
Rates effective as of 05/10/2022 Current Prime Rate: 4.00% Floor Rate: Rates cannot go below floor rate of 3.95%*			
CLTV %	0 – 60	60.01 - 70	70.01 - 80.00
Origination Fee	1 Point Orig. Fee	1.5 Point Orig. Fee	2 Point Orig. Fee
Credit Rating			
780+	Prime + 2.25	Prime + 2.50	Prime + 3
720-779	Prime + 2.50	Prime + 2.75	Prime + 3.25
680-719	Prime + 2.75	Prime + 3	Prime + 3.50
Occupancy/Loan Amount Adjustments Rate: Margin Add-Ons			
Loan Amount ≥ $500,000			0.750%
*Relationship discount pricing adjustment: Margin Reductions			
New Checking Account with Quorum must be established prior to closing (minimum monthly balance of $5,000)			-0.250%
New CD with Quorum must be established prior to closing. (maintaining at least $50,000 in CDs any duration)			-0.500%
***In order to qualify, the member would need to establish these account(s) prior to the loan closing.**			

HELOC Fees:	
Origination Fee	$495 + additional
Additional Loan Origination Fee, Bridge Loan only	1.0% - 2.0% of the credit limit
Processing Fee	$100
Flood Cert Fee	$7
Credit Report Fee	$45
Closing Agent/Settlement Fees, Recording Fees	Varies
Property Report/Title Report	Varies
Mortgage/Transfer Tax, Government Fees (if applicable)	Varies
Appraisal (if applicable)	Varies
Appraisal fee due at the time of application all other fees are due at closing and debited from the HELOC.	

Eligibility and Asset Reserve Requirement Matrix– CLTV, FICO, Occupancy, # of Units
All loans are subject to the underwriter's discretion. Additional underwriting conditions or overlays may be required.

CLTV %	FICO	# Units	Occupancy	Loan Amount	Minimum Reserves
<= 80%	680+	1 Unit	Primary	≤ $100,000	0 Months
<= 80%	680+	1 Unit		>100,000- $250,000	6 Months
<= 80%	680+	1 Unit		>$250,000-$500,000	9 Months

Valuation Requirement Matrix

Loan Amount	Loan Purpose	Occupancy	# of Units	Requirement
≤ $100K	Simul Refinance Standalone	Primary	1 Unit	AVM
> $100K to $250K	Simul Refinance Standalone	Primary	1 Unit	Exterior Drive-by
> $250K	Simul Refinance Standalone	Primary	1 Unit	Full Appraisal

The Fine Print:

Rates and APR:
*The Annual Percentage Rate (APR). 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 1-family residential properties 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. Additional fees for standalone second mortgages, including appraisal, flood, and title report, will be passed to the borrower.