

LOAN GUIDELINES

May 2012

Loan Pricing Guide for Direct Lending

May-12 Loan Types	Maximum LTVs	+300bp Prepay Speed	+300bp Effective Durations	+300 Duration Matched CMT Point	+300 Duration Matched CMT Rate	Net ROA Spread	Servicing Spreads	"A" Paper Credit Spreads	Total Spread Over CMT	Guideline Avg. Rates 5/1/12	Impact of 1% Discount Point on 1st-Lien RE Loan APY (360 mo.)
4 Year New/Used Autos 5 Year New/Used Autos 6 Year New/Used Autos	Not exceeding 110% LTV over NADA Retail for FICOs >700	1% ABS 1% ABS 1% ABS	1.47 1.69 1.88	1.5 yr 2.0 yr 2.5 yr	0.24% 0.27% 0.33%	1.84% 1.87% 2.27%	0.75% 0.75% 0.75%	0.25% 0.25% 0.25%	2.84% 2.87% 3.27%	3.08% 3.15% 3.60%	NA
1 Year 1st RE ARMs 3/1 1st RE ARMs/Balloons 5/1 1st RE ARMs/Balloons 7/1 1st RE ARMs/Balloons* 15-yr. Fixed 1st Mortgages* 30-yr. Fixed 1st Mortgages*	Not exceeding 80% LTV without PMI on 1st-Lien RE Loans	7% CPR 7% CPR 7% CPR 7% CPR 7% CPR 7% CPR	0.95 2.47 3.56 4.33 4.52 5.80	1.0 yr 3.0 yr 4.0 yr 5.0 yr 6.0 yr 10.0 yr	0.21% 0.41% 0.60% 0.83% 1.07% 2.02%	2.07% 1.85% 1.83% 1.92% 1.62% 1.28%	0.50% 0.50% 0.50% 0.50% 0.38% 0.38%	0.25% 0.25% 0.25% 0.25% 0.25% 0.25%	2.82% 2.60% 2.58% 2.67% 2.24% 1.91%	3.03% 3.01% 3.19% 3.51% 3.32% 3.93%	+15 bp +15 bp +15 bp +15 bp +20 bp +15 bp
5 Yr Fixed 2nd-Lien HELS 10 Yr Fixed 2nd-Lien HELS 15 Yr Fixed 2nd-Lien HELS Variable-Rate HELOCs	Not exceeding 80% LTV on 2nd-Lien RE Loans	7% CPR 7% CPR 7% CPR 7% CPR	2.15 3.52 4.40 0.25	2.5 yr 4.0 yr 6.0 yr .25 yr	0.33% 0.60% 1.07% 0.09%	2.59% 2.86% 2.69% 1.93%	1.00% 1.00% 1.00% 1.25%	1.25% 1.25% 1.25% 1.25%	4.84% 5.11% 4.94% 4.43%	5.17% 5.71% 6.01% 4.52%	NA NA NA NA

Loan Loss and Credit Spreads Estimates

Credit Ratings	Maximum LTVs	Specific FICO Ranges		
		Lifetime Default Rates	Estimated Loss Factors	Estimated Loan Losses
A+ (FICO 720+)	110%	1.5%	10%	0.15%
A (FICO 700-719)	110%	2.5%	15%	0.38%
B+ (FICO 680-699)	100%	5.0%	20%	1.00%
B (FICO 660-679)	100%	7.0%	20%	1.40%
C+ (FICO 640-659)	95%	10.0%	25%	2.50%
C (FICO 620-639)	95%	15.0%	25%	3.75%
D+ (FICO 600-619)	90%	18.0%	30%	5.40%
D (FICO 580-599)	90%	21.0%	30%	6.30%
E+ (FICO 560-579)	85%	25.0%	35%	8.75%
E (FICO 540-559)	85%	30.0%	35%	10.50%
Subprime	75%	45.0%	40%	18.00%

Refer: NCUA Risk Alert # 05-RISK-01 and LTCU # 04-CU-13

Risk-Based Pricing Guidelines for 60 mo. Direct Auto Loans

Pricing Spreads			Total Spreads	2Y CMT Rate	60 mo. Auto Loan Rates
Credit	Servicing	Net ROA			
0.15%	0.75%	1.84%	2.74%	0.27%	3.01%
0.38%	0.75%	1.84%	2.97%	0.27%	3.24%
1.00%	0.75%	1.84%	3.59%	0.27%	3.86%
1.50%	0.50%	1.84%	3.84%	0.27%	4.11%
2.50%	0.50%	1.84%	4.84%	0.27%	5.11%
3.75%	0.50%	1.84%	6.09%	0.27%	6.36%
5.50%	0.50%	1.84%	7.84%	0.27%	8.11%
6.25%	0.38%	1.84%	8.46%	0.27%	8.73%
8.75%	0.38%	1.84%	10.97%	0.27%	11.24%
10.50%	1.00%	1.84%	13.34%	0.27%	13.61%
18.00%	1.00%	1.84%	20.84%	0.27%	>18%

Note: Indirect loan spreads may be 25bp to 75bp less than direct loans

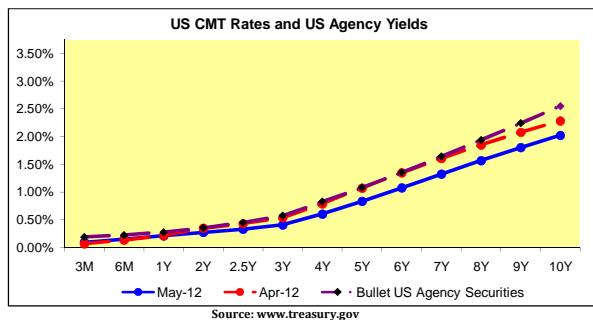
General FICO Ranges

Credit Ratings	Maximum LTVs	Lifetime Default Rates	Estimated Loss Factors	Estimated Loan Losses
A (FICO 700+)	110%	2.0%	12.5%	0.25%
B (FICO 660-699)	100%	6.0%	20.0%	1.20%
C (FICO 620-659)	95%	12.5%	25.0%	3.13%
D (FICO 580-619)	90%	19.5%	30.0%	5.85%
E (FICO 540-579)	80%	27.5%	35.0%	9.63%

General FICO Ranges

Pricing Spreads			Total Spreads	2.0 Year CMT on 5/1/12	60 mo. Auto Loan Rates
Credit	Servicing	Net ROA			
0.25%	0.75%	1.84%	2.84%	0.27%	3.11%
1.25%	1.00%	1.84%	4.09%	0.27%	4.36%
3.25%	1.25%	1.84%	6.34%	0.27%	6.61%
6.00%	1.50%	1.84%	9.34%	0.27%	9.61%
9.75%	1.50%	1.84%	13.09%	0.27%	13.36%

Note: Higher loan servicing costs on lower grades of paper.



Source: www.treasury.gov

Constant Maturity Treasury (CMT) Rates				Bullet US Agency Securities		
Maturity	Effective Duration	Month Beginning		Maturity	Yield	Agency Bullet Spreads to CMT
		May-12	Apr-12			
3M	0.25	0.09%	0.07%	3M	0.19%	0.10%
6M	0.49	0.15%	0.13%	6M	0.22%	0.07%
1Y	0.94	0.21%	0.22%	1Y	0.28%	0.06%
2Y	1.82	0.27%	0.35%	2Y	0.35%	0.08%
2.5Y	2.23	0.33%	0.43%	2.5Y	0.45%	0.12%
3Y	2.62	0.41%	0.54%	3Y	0.57%	0.17%
4Y	3.38	0.60%	0.79%	4Y	0.83%	0.22%
5Y	4.07	0.83%	1.07%	5Y	1.08%	0.25%
6Y	4.72	1.07%	1.35%	6Y	1.35%	0.28%
7Y	5.31	1.32%	1.61%	7Y	1.64%	0.32%
8Y	5.86	1.57%	1.85%	8Y	1.94%	0.37%
9Y	6.38	1.80%	2.08%	9Y	2.24%	0.44%
10Y	6.85	2.02%	2.28%	10Y	2.55%	0.53%

Notes:

- Loan pricing is based on beginning of the month US Treasury Rates
- Loan Rate = Matched Duration CMT Rate + ROA Spread + Servicing Spread + Credit Spread
- Approximate credit spreads: A (FICO 700+) 25 bp; B (FICO 660-699) 125 bp; C (FICO 620-659) 325 bp; D (FICO 580-619) 600 bp; E (FICO 540-579) 975 bp
- ARMs/balloons based on 360-month amortization and all 1st-mortgages assume either LTVs no greater than 80% or PMI.
- Increase credit spreads 50 bp on all 1st mortgages that have LTVs over 80% without PMI.
- Credit spreads were increased from 25 bp to 125 bp on "A" paper 2nd-lien HELS and VR HELOCs.
- Increase credit spreads an additional 100 bp on all fixed 2nd-lien HELS and VR HELOCs that have aggregate LTVs over 80%.

Source: Regional and National Average Rates for CUs obtained from DataTrac Corp. through NAFCU.org

For more information regarding asset liability management, please email us at: alm@catalystcorp.org