

LOAN GUIDELINES

Loan Pricing Guide for Direct Lending

February 2020 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 2/1/20	Impact of 1% Discount Point on 1st-Lien RE Loan APY (360 mo. @7% CPR)
4 Year New/Used Autos	Not exceeding 110%	1% ABS	1.47	1.5 yr	1.40%	1.08%	0.75%	0.25%	2.08%	3.48%	
5 Year New/Used Autos	LTV over NADA Retail for FICOs >700	1% ABS	1.69	2.0 yr	1.34%	1.26%	0.75%	0.25%	2.26%	3.60%	
6 Year New/Used Autos		1% ABS	1.88	2.5 yr	1.31%	1.61%	0.75%	0.25%	2.61%	3.92%	
1 Year 1st RE ARMs	Not exceeding 80% LTV without PMI on 1st-Lien RE Loans	7% CPR	0.95	1.0 yr	1.50%	1.12%	0.50%	0.25%	1.87%	3.37%	+15 bp
3/1 1st RE ARMs/Balloons		7% CPR	2.47	3.0 yr	1.30%	1.08%	0.50%	0.25%	1.83%	3.13%	+15 bp
5/1 1st RE ARMs/Balloons		7% CPR	3.56	4.0 yr	1.30%	1.38%	0.50%	0.25%	2.13%	3.43%	+15 bp
7/1 1st RE ARMs/Balloons *		7% CPR	4.33	5.0 yr	1.33%	1.35%	0.50%	0.25%	2.10%	3.43%	+15 bp
15-yr. Fixed 1st Mortgages *		7% CPR	4.52	6.0 yr	1.37%	1.38%	0.38%	0.25%	2.00%	3.37%	+20 bp
30-yr. Fixed 1st Mortgages *	7% CPR	5.80	5.80	10.0 yr	1.51%	1.69%	0.38%	0.25%	2.32%	3.83%	+15 bp
5-10 Yr Fixed 2nd-Lien HELs	Not exceeding 80% LTV on 2nd-Lien RE Loans	7% CPR	2.15	2.5 yr	1.31%	1.58%	1.00%	1.25%	3.83%	5.14%	
15 Yr Fixed 2nd-Lien HELs		7% CPR	3.52	4.0 yr	1.30%	1.98%	1.00%	1.25%	4.23%	5.53%	
Variable-Rate HELOCs		7% CPR	0.25	.25 yr	1.55%	0.96%	1.25%	1.25%	3.46%	5.01%	

Loan Loss and Credit Spreads Estimates Specific FICO Ranges				
Credit Ratings	Maximum LTVs	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

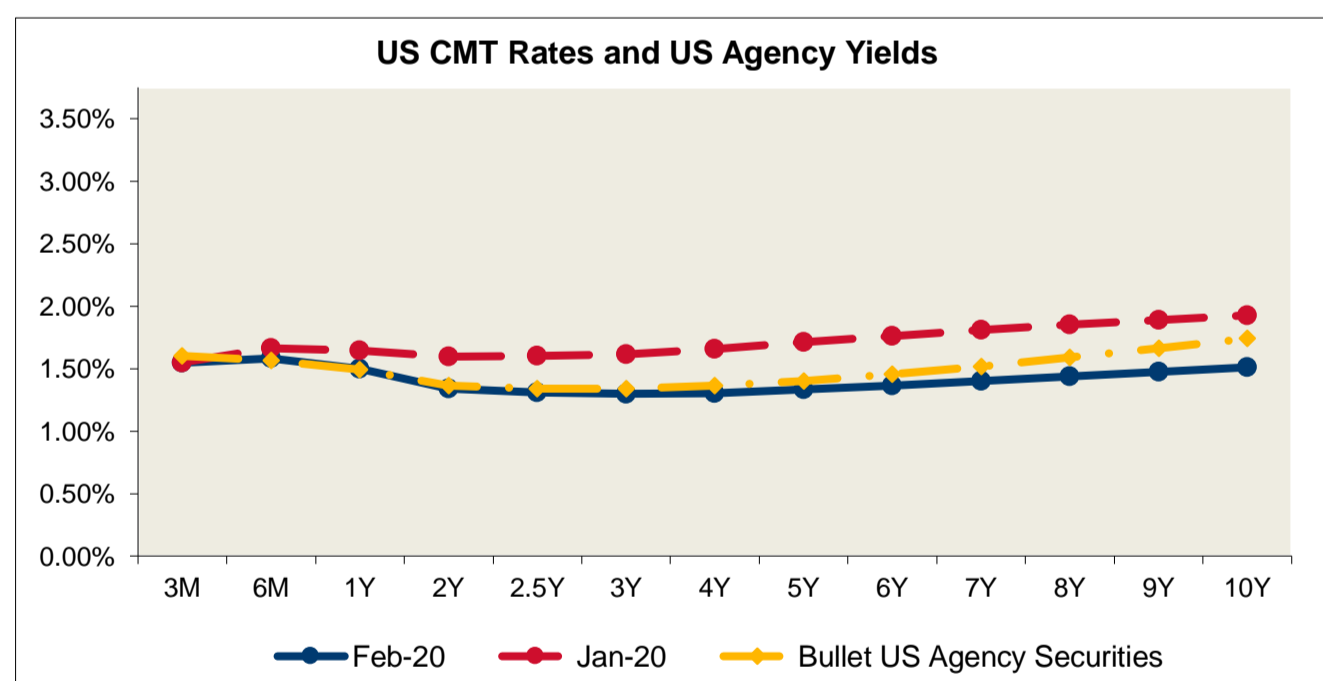
Risk-Based Pricing Guidelines for 60 mo. Direct Auto Loans Specific FICO Ranges					
Pricing Spreads			Total Spreads	2Y CMT Rate	60 mo. Auto Loan Rates
Credit	Servicing	Net ROA			
0.15%	0.75%	1.26%	2.16%	1.34%	3.50%
0.38%	0.75%	1.26%	2.39%	1.34%	3.73%
1.00%	1.00%	1.26%	3.26%	1.34%	4.60%
1.50%	1.00%	1.26%	3.76%	1.34%	5.10%
2.50%	1.25%	1.26%	5.01%	1.34%	6.35%
3.75%	1.25%	1.26%	6.26%	1.34%	7.60%
5.50%	1.50%	1.26%	8.26%	1.34%	9.60%
6.25%	1.50%	1.26%	9.01%	1.34%	10.35%
8.75%	1.75%	1.26%	11.76%	1.34%	13.10%
10.50%	1.75%	1.26%	13.51%	1.34%	14.85%
18.00%	2.00%	1.26%	21.26%	1.34%	>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 2/1/20	60 mo. Auto Loan Rates
Credit	Servicing	Net ROA			
0.25%	0.75%	1.26%	2.26%	1.34%	3.60%
1.25%	1.00%	1.26%	3.51%	1.34%	4.85%
3.25%	1.25%	1.26%	5.76%	1.34%	7.10%
6.00%	1.50%	1.26%	8.76%	1.34%	10.10%
9.75%	1.75%	1.26%	12.76%	1.34%	14.10%

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
		Feb-20	Jan-20			
3M	0.25	1.55%	1.55%	3M	1.60%	0.05%
6M	0.50	1.58%	1.66%	6M	1.56%	-0.02%
1Y	0.99	1.50%	1.64%	1Y	1.49%	0.00%
2Y	1.97	1.34%	1.59%	2Y	1.36%	0.02%
2.5Y	2.46	1.31%	1.60%	2.5Y	1.34%	0.03%
3Y	2.94	1.30%	1.62%	3Y	1.34%	0.04%
4Y	3.89	1.30%	1.66%	4Y	1.36%	0.06%
5Y	4.84	1.33%	1.71%	5Y	1.40%	0.07%
6Y	5.73	1.37%	1.76%	6Y	1.46%	0.09%
7Y	6.62	1.40%	1.81%	7Y	1.52%	0.12%
8Y	7.51	1.44%	1.85%	8Y	1.59%	0.15%
9Y	8.40	1.47%	1.89%	9Y	1.66%	0.19%
10Y	9.29	1.51%	1.93%	10Y	1.74%	0.23%

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 RateWatch

For more information regarding asset liability management, please email us at:

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