

LOAN GUIDELINES

Loan Pricing Guide for Direct Lending

March 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 3/1/20	Impact of 1% Discount Point on 1st-Lien RE Loan APY (360 mo. @7% CPR)
4 Year New/Used Autos	Not exceeding 110% LTV over NADA Retail for FICOs >700	1% ABS	1.47	1.5 yr	0.97%	1.48%	0.75%	0.25%	2.48%	3.45%	
5 Year New/Used Autos		1% ABS	1.69	2.0 yr	0.90%	1.66%	0.75%	0.25%	2.66%	3.56%	
6 Year New/Used Autos		1% ABS	1.88	2.5 yr	0.88%	2.01%	0.75%	0.25%	3.01%	3.89%	
1 Year 1st RE ARMs	Not exceeding 80% LTV without PMI on 1st-Lien RE Loans	7% CPR	0.95	1.0 yr	1.11%	1.29%	0.50%	0.25%	2.04%	3.15%	+15 bp
3/1 1st RE ARMs/Balloons		7% CPR	2.47	3.0 yr	0.88%	1.38%	0.50%	0.25%	2.13%	3.01%	+15 bp
5/1 1st RE ARMs/Balloons		7% CPR	3.56	4.0 yr	0.90%	1.59%	0.50%	0.25%	2.34%	3.24%	+15 bp
7/1 1st RE ARMs/Balloons *		7% CPR	4.33	5.0 yr	0.94%	1.60%	0.50%	0.25%	2.35%	3.29%	+15 bp
15-yr. Fixed 1st Mortgages *		7% CPR	4.52	6.0 yr	0.98%	1.56%	0.38%	0.25%	2.18%	3.16%	+20 bp
30-yr. Fixed 1st Mortgages *	7% CPR	5.80	10.0 yr	1.14%	1.80%	0.38%	0.25%	2.43%	3.57%	+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	0.88%	1.96%	1.00%	1.25%	4.21%	5.09%	
15 Yr Fixed 2nd-Lien HELS		7% CPR	3.52	4.0 yr	0.90%	2.31%	1.00%	1.25%	4.56%	5.46%	
Variable-Rate HELOCs		7% CPR	0.25	25 yr	1.28%	1.14%	1.25%	1.25%	3.64%	4.92%	

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

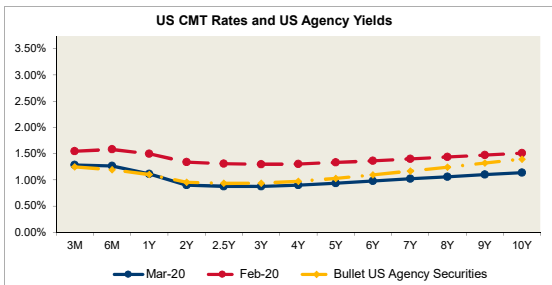
Risk-Based Pricing Guidelines for 60 mo. Direct Auto Loans Specific FICO Ranges					
Pricing Spreads			Total Spreads	2Y CMT Rate	60 mo. Auto Loan Rates
Credit	Servicing	Net ROA			
0.15%	0.75%	1.66%	2.56%	0.90%	3.46%
0.38%	0.75%	1.66%	2.79%	0.90%	3.69%
1.00%	1.00%	1.66%	3.66%	0.90%	4.56%
1.50%	1.00%	1.66%	4.16%	0.90%	5.06%
2.50%	1.25%	1.66%	5.41%	0.90%	6.31%
3.75%	1.25%	1.66%	6.66%	0.90%	7.56%
5.50%	1.50%	1.66%	8.66%	0.90%	9.56%
6.25%	1.50%	1.66%	9.41%	0.90%	10.31%
8.75%	1.75%	1.66%	12.16%	0.90%	13.06%
10.50%	1.75%	1.66%	13.91%	0.90%	14.81%
18.00%	2.00%	1.66%	21.66%	0.90%	>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 3/1/20	60 mo. Auto Loan Rates
Credit	Servicing	Net ROA			
0.25%	0.75%	1.66%	2.66%	0.90%	3.56%
1.25%	1.00%	1.66%	3.91%	0.90%	4.81%
3.25%	1.25%	1.66%	6.16%	0.90%	7.06%
6.00%	1.50%	1.66%	9.16%	0.90%	10.06%
9.75%	1.75%	1.66%	13.16%	0.90%	14.06%

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
		Mar-20	Feb-20			
3M	0.25	1.28%	1.55%	3M	1.25%	-0.04%
6M	0.50	1.27%	1.58%	6M	1.19%	-0.07%
1Y	0.99	1.11%	1.50%	1Y	1.10%	-0.01%
2Y	1.98	0.90%	1.34%	2Y	0.96%	0.06%
2.5Y	2.47	0.88%	1.31%	2.5Y	0.93%	0.06%
3Y	2.96	0.88%	1.30%	3Y	0.94%	0.06%
4Y	3.92	0.90%	1.30%	4Y	0.97%	0.07%
5Y	4.68	0.94%	1.33%	5Y	1.03%	0.09%
6Y	5.60	0.96%	1.37%	6Y	1.10%	0.12%
7Y	6.72	1.02%	1.40%	7Y	1.17%	0.15%
8Y	7.63	1.06%	1.44%	8Y	1.24%	0.18%
9Y	8.55	1.10%	1.47%	9Y	1.32%	0.22%
10Y	9.46	1.14%	1.51%	10Y	1.40%	0.26%

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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