

# 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	2.5 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

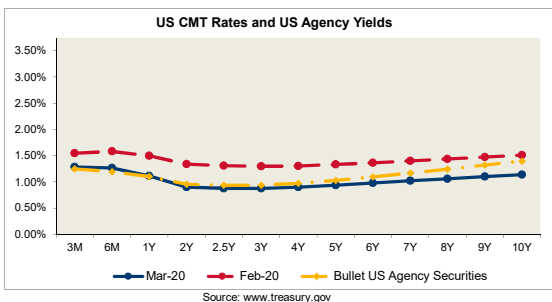
Risk-Based Pricing Guidelines for 60 mo. Direct Auto Loans Specific FICO Ranges					
Pricing Spreads			Total Spreads	2Y CMT Rate	60 mo. Auto Loan Rates
Credit	Servicing	Net ROA			
0.15%	0.75%	1.66%	2.56%	0.90%	3.46%
0.38%	0.75%	1.66%	2.79%	0.90%	3.69%
1.00%	1.00%	1.66%	3.66%	0.90%	4.56%
1.50%	1.00%	1.66%	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.



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

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