

LOAN GUIDELINES

Loan Pricing Guide for Direct Lending

| September 2022 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 9/1/22 | 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 | 4.25% | 0.25% | 0.75% | 0.25% | 1.25% | 5.50% | |
| 5 Year New/Used Autos | | 1% ABS | 1.69 | 2.0 yr | 4.35% | 0.25% | 0.75% | 0.25% | 1.25% | 5.60% | |
| 6 Year New/Used Autos | | 1% ABS | 1.88 | 2.5 yr | 4.34% | 0.25% | 0.75% | 0.25% | 1.25% | 5.59% | |
| 1 Year 1st RE ARMs | Not exceeding 80% LTV without PMI on 1st-Lien RE Loans | 7% CPR | 0.95 | 1.0 yr | 4.20% | 0.25% | 0.50% | 0.25% | 1.00% | 5.20% | +15 bp |
| 3/1 1st RE ARMs/Balloons | | 7% CPR | 2.47 | 3.0 yr | 4.26% | 0.25% | 0.50% | 0.25% | 1.00% | 5.26% | +15 bp |
| 5/1 1st RE ARMs/Balloons | | 7% CPR | 3.56 | 4.0 yr | 4.15% | 0.25% | 0.50% | 0.25% | 1.00% | 5.15% | +15 bp |
| 7/1 1st RE ARMs/Balloons * | | 7% CPR | 4.33 | 5.0 yr | 4.10% | 0.25% | 0.50% | 0.25% | 1.00% | 5.10% | +15 bp |
| 15-yr. Fixed 1st Mortgages * | | 7% CPR | 4.52 | 6.0 yr | 4.06% | 0.25% | 0.38% | 0.25% | 0.88% | 4.93% | +20 bp |
| 30-yr. Fixed 1st Mortgages * | 7% CPR | 5.80 | 10.0 yr | 3.80% | 0.62% | 0.38% | 0.25% | 1.25% | 5.05% | +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 | 4.34% | 0.25% | 1.00% | 1.25% | 2.50% | 6.84% | |
| 15 Yr Fixed 2nd-Lien HELs | | 7% CPR | 3.52 | 4.0 yr | 4.15% | 0.25% | 1.00% | 1.25% | 2.50% | 6.65% | |
| Variable-Rate HELOCs | | 7% CPR | 0.25 | .25 yr | 3.27% | 0.25% | 1.25% | 1.25% | 2.75% | 6.02% | |

| 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

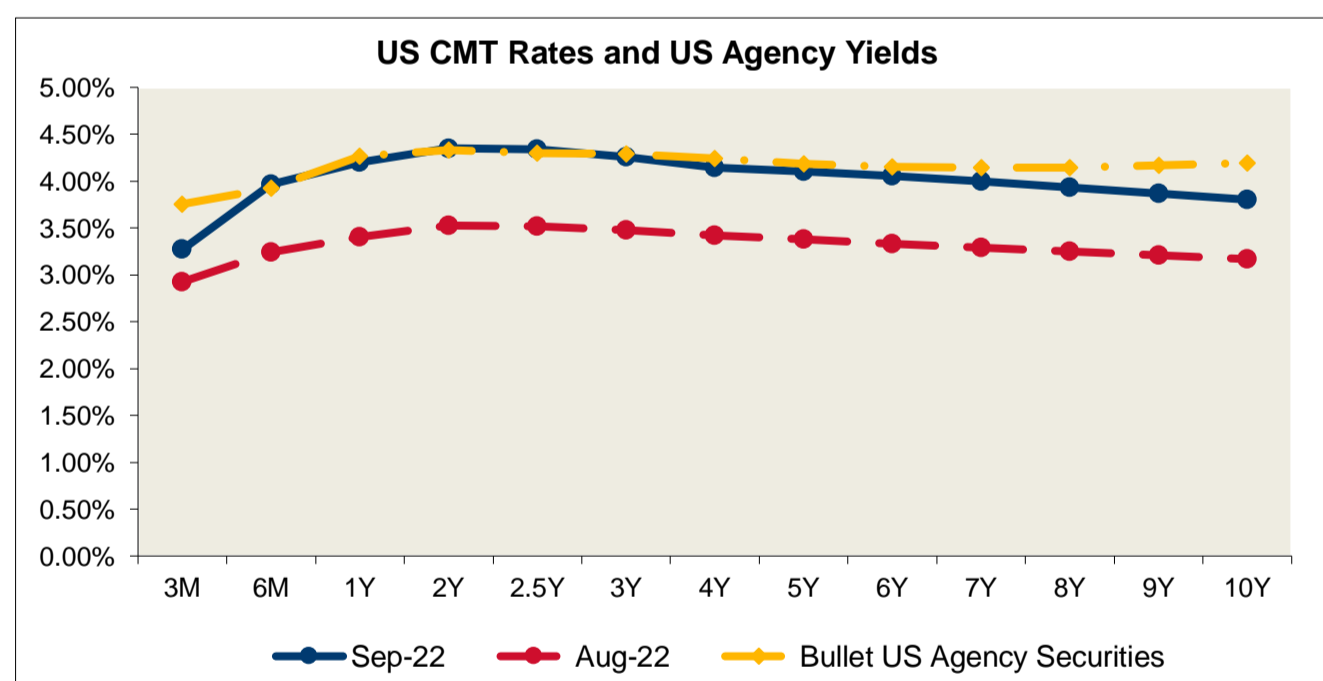
| Risk-Based Pricing Guidelines for 60 mo. Direct Auto Loans Specific FICO Ranges | | | | | |
|--|-----------|---------|---------------|-------------|------------------------|
| Pricing Spreads | | | Total Spreads | 2Y CMT Rate | 60 mo. Auto Loan Rates |
| Credit | Servicing | Net ROA | | | |
| 0.15% | 0.75% | 0.25% | 1.15% | 4.35% | 5.50% |
| 0.38% | 0.75% | 0.25% | 1.38% | 4.35% | 5.73% |
| 1.00% | 1.00% | 0.25% | 2.25% | 4.35% | 6.60% |
| 1.50% | 1.00% | 0.25% | 2.75% | 4.35% | 7.10% |
| 2.50% | 1.25% | 0.25% | 4.00% | 4.35% | 8.35% |
| 3.75% | 1.25% | 0.25% | 5.25% | 4.35% | 9.60% |
| 5.50% | 1.50% | 0.25% | 7.25% | 4.35% | 11.60% |
| 6.25% | 1.50% | 0.25% | 8.00% | 4.35% | 12.35% |
| 8.75% | 1.75% | 0.25% | 10.75% | 4.35% | 15.10% |
| 10.50% | 1.75% | 0.25% | 12.50% | 4.35% | 16.85% |
| 18.00% | 2.00% | 0.25% | 20.25% | 4.35% | >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 9/1/22 | 60 mo. Auto Loan Rates |
| Credit | Servicing | Net ROA | | | |
| 0.25% | 0.75% | 0.25% | 1.25% | 4.35% | 5.60% |
| 1.25% | 1.00% | 0.25% | 2.50% | 4.35% | 6.85% |
| 3.25% | 1.25% | 0.25% | 4.75% | 4.35% | 9.10% |
| 6.00% | 1.50% | 0.25% | 7.75% | 4.35% | 12.10% |
| 9.75% | 1.75% | 0.25% | 11.75% | 4.35% | 16.10% |

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 |
| | | Sep-22 | Aug-22 | | | |
| 3M | 0.25 | 3.27% | 2.93% | 3M | 3.76% | 0.49% |
| 6M | 0.49 | 3.96% | 3.24% | 6M | 3.93% | -0.04% |
| 1Y | 0.98 | 4.20% | 3.40% | 1Y | 4.27% | 0.07% |
| 2Y | 1.91 | 4.35% | 3.53% | 2Y | 4.33% | -0.02% |
| 2.5Y | 2.36 | 4.34% | 3.52% | 2.5Y | 4.30% | -0.04% |
| 3Y | 2.81 | 4.25% | 3.48% | 3Y | 4.29% | 0.03% |
| 4Y | 3.66 | 4.15% | 3.42% | 4Y | 4.24% | 0.10% |
| 5Y | 4.52 | 4.10% | 3.38% | 5Y | 4.19% | 0.08% |
| 6Y | 5.28 | 4.06% | 3.33% | 6Y | 4.15% | 0.10% |
| 7Y | 6.04 | 4.00% | 3.29% | 7Y | 4.14% | 0.14% |
| 8Y | 6.80 | 3.93% | 3.25% | 8Y | 4.15% | 0.21% |
| 9Y | 7.56 | 3.87% | 3.21% | 9Y | 4.17% | 0.30% |
| 10Y | 8.32 | 3.80% | 3.17% | 10Y | 4.19% | 0.39% |

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:

aim@catalystcorp.org