



SYMMETRY
LENDING

..... Presents - Loan Participations 101
..... August 2020

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Loan Participations 101

Presenter Biographies



Syd Libsack
President
Symmetry Lending

With a degree in Finance, Syd began his career in the wholesale mortgage origination business and spent many years there. In 2007, he joined Delta Community Credit Union, where he built a secondary loan markets platform. This approach was relatively new for credit unions, and the platform enabled Delta to safely and efficiently grow their loan portfolio for balance sheet optimization. As VP of Commercial & Syndicated Loans, Syd led a team that managed a portfolio comprising multiple loan types within commercial, residential, and consumer asset classes.

In 2012 he was recruited by TCF Bank to develop a loan sales capital markets group. Under Syd's leadership, this group sold several billion dollars in residential mortgages and consumer auto loans. Retaining servicing responsibilities for these sold, participated, and securitized assets, Syd's group continued to manage these long-term partnerships.



Chelsea Feliciano
SVP, Capital Markets
Symmetry Lending

Chelsea Feliciano oversees Symmetry's Capital Markets and Master Servicing initiatives. She brings many years of expertise in secondary loan markets and, having spent time on both sides of the loan purchase/sale relationship, Chelsea understands the needs of Symmetry's partners.

Prior to joining Symmetry, Chelsea was instrumental in building the foundational loan sales platform for TCF Bank. That platform facilitated hundreds of transactions, including whole loan sales, participations, and securitizations, creating dozens of long-term market relationships throughout the U.S.

Before TCF, Chelsea consulted with Alliant Credit Union during the inception of their loan trading desk initiatives. She also spent several years managing secondary loan market relationships for Delta Community Credit Union, overseeing a variety of loan purchases in multiple asset classes. These experiences are complemented by Chelsea's partnership approach to internal and external relationships.

Loan Participations 101

What is a Loan Participation

Loan Participation

Participations are loans in which multiple lenders share in a pro-rata ownership of the risks & rewards of the loan.

Key Characteristics

- **Borrower interaction with the Lead Lender (typically, the originating lender)**
- **Loan is typically serviced and managed by the Lead Lender, similar to other loans of similar nature**
- **Risks & Rewards of the loan are shared pro-rata by all participants**
 - **Interest Income and Credit Risk**
- **Loans types can vary and still be a Participation Loan**
 - **Commercial Real Estate / MBLs**
 - **Consumer Auto Loans / Direct or Indirect**
 - **Consumer Real Estate Loans**
 - **ATV, Marine, RV Loans**
 - **Etc.**
- **Assets treated as Loans vs. Investments**

Benefits of a Loan Participation

Benefits to Borrower

- Increased access to capital
- Larger loan sizes

Benefits to Originating Lender

- Increased product-set
- Increased efficiency of origination engine
- Increased diversification of risk
- Increased liquidity & balance sheet flexibility
- Incremental revenue stream

Benefits to Participant

- Loan portfolio diversification
- Supplemental loan growth
- Portfolio yield enhancement
- Alternative to investment portfolio



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Eligibility & Permissibility Loan Participations

The following information is for informational purposes only and is not intended to and should not be relied upon or construed as a legal opinion or legal advice.

Loan Participations 101

Federally Chartered Credit Unions

NCUA – 12 CFR 701.22 (b) Loan Participations

A federally insured credit union may purchase a participation interest in a loan from an eligible organization only if the loan is one the purchasing credit union is empowered to grant and the following additional conditions are satisfied:

- (1) The purchase complies with all regulatory requirements to the same extent as if the purchasing federally insured credit union had originated the loan.
- (2) The purchasing federally insured credit union has executed a written loan participation agreement⁽¹⁾ with the originating lender and the agreement meets the minimum requirements for a loan participation agreement.
- (3) The originating lender retains an interest in each participated loan. If the originating lender is a federal credit union, the retained interest must be at least 10 percent of the outstanding balance of the loan through the life of the loan. If the originating lender is any other type of eligible organization, the retained interest must be at least 5 percent of the outstanding balance of the loan through the life of the loan.
- (4) The borrower becomes a member of one of the participating credit unions⁽²⁾ before the purchasing federally insured credit union purchases a participation interest in the loan; and
- (5) The purchase complies with the purchasing federally insured credit union's internal written loan participation policy.⁽³⁾

(1) Loan Participation Agreement – Reference 701.22 (d) for considerations of what should be considered. Participation Agreements are generally drafted to an industry standard since there are base level requirements that have been established per regulation and the market.

(2) Membership – In a participation, where the Seller/Originating financial organization is a CU the membership is established with that originating lender therefore no additional membership requirements apply.

(3) Loan Participation Policy – Before engaging in loan participation purchase activity each purchasing CU should have internal loan participation policy that must meet the minimum requirements as referenced in 701.22 (B)(5).

Loan Participations 101

Federally Chartered Credit Unions

NCUA 12 CFR 701.23(b) – Purchase

- (1) A Federal credit union may purchase, in whole or in part, within the limitations of the board of directors' written purchase policies:
- (i) Eligible obligations of its members, from any source, if either:
 - (A) They are loans it is empowered to grant⁽¹⁾
 - (2) Purchase of obligations from a FICU. A federal credit union that received a composite CAMEL rating of “1” or “2” for the last two (2) full examinations and maintained a net worth classification of “well capitalized” under part 702 of this chapter for the six (6) immediately preceding quarters or, if subject to a risk-based net worth (RBNW) requirement under part 702 of this chapter, has remained “well capitalized” for the six (6) immediately preceding quarters after applying the applicable RBNW requirement may purchase and hold the following obligations, provided that it would be empowered to grant them:
 - (i) Eligible obligations. Eligible obligations without regard to whether they are obligations of its members⁽²⁾, provided they are purchased from a federally insured credit union and the obligations are either:
 - (A) Loans the purchasing credit union is empowered to grant; or
 - (B) Loans refinanced with the consent of the borrowers, within 60 days after they are purchased, so that they are loans the purchasing credit union is empowered to grant;
 - (iv) Real estate-secured loans. Real estate-secured loans provided they are purchased from a federally insured credit union only

(1) *“Empowered to Grant” – refers to a credit union's authority to make a loan under the Federal Credit Union Act, applicable state law, NCUA Rules and Regulations, and the credit union's own bylaws and internal policies*

(2) *Membership – In a participation, where the Seller/Originating financial organization is a CU the membership is established with that originating lender therefore no additional membership requirements apply. If you're a purchasing CU and meet the requirements of this provision you could also look to purchase the loans in whole*

Loan Participations 101

Key Definitions

The following are key terms as defined per NCUA Regulation:

Eligible obligation means a loan or group of loans.

Eligible organization means a credit union, credit union organization, or financial organization.

Financial organization means any federally chartered or federally insured financial institution; and any state or federal government agency and its subdivisions.

Loan participation means a loan where one or more eligible organizations participate pursuant to a written agreement with the originating lender, and the written agreement requires the originating lender's continuing participation throughout the life of the loan.

Originating lender means the participant with which the borrower initially or originally contracts for a loan and who, thereafter or concurrently with the funding of the loan, sells participations to other lenders.

Loan Participations 101

State Chartered Credit Unions

Virginia Law || 10VAC5-40-80. Loan Participations.

Notwithstanding any provision of Chapter 13 (§ 6.2-1300 et seq.) of Title 6.2 of the Code of Virginia relating to loan participations or cooperative loans, a state-chartered credit union may purchase a participation interest in a loan to the same extent, and subject to the same terms and conditions, as is authorized for federal credit unions under 12 CFR 701.22⁽¹⁾

(1) 12 CFR 701.22 – VA State Chartered CUs defer to federal rules and regs surrounding loan participations

Maryland Law || Section 6-607. Participation with other institutions.

(a) Authorized. -- Subject to the provisions of subsection (b) of this section, a credit union may participate with a depository financial institution or a credit union service organization for purposes of making a loan to a credit union member in accordance with the lending policies of the board.

(b) Retention of 10% interest ⁽¹⁾. A credit union may participate in a loan under subsection (a) of this section provided that the credit union that originates the loan retains an interest of at least 10% of the face amount of the loan.

(1) Retention – MD State Regs have a 10% retention requirement of the originating lender regardless of whether the institution is federal, or state chartered.

Loan Participations 101

Quick Reference

Loan Participation Eligibility Chart

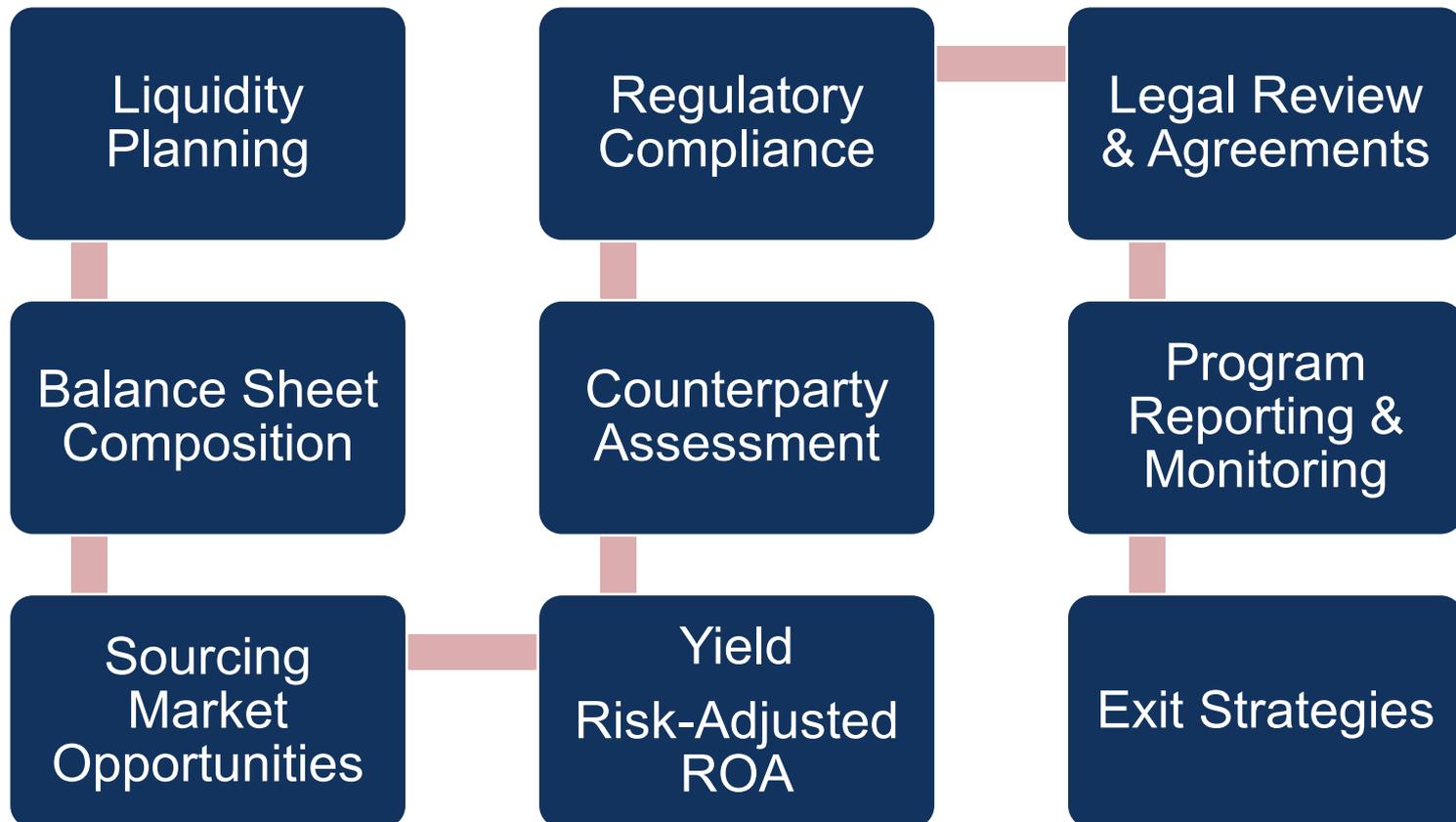
Permissible selling counterparties are identified by each regulating body as described below:

Selling Counterparty	Membership ⁽¹⁾	Federally Chartered	VA State Chartered	MD State Chartered
Federally Insured Credit Union	Member	Eligible	Eligible	Eligible
Federally Insured Financial Institution	Non-Member	Ineligible	Ineligible	Ineligible
Other Finance-Like Institutions	Non-Member	Ineligible	Ineligible	Ineligible

(1) *Membership – Member of selling counterparty.*

***If made a member of one of the participating credit unions, the loan is eligible for participated purchase.*

Building Blocks of a Participation Program



Loan Participations 101

Potential Pitfalls



- 🚫 Buy it & forget it | A participation only begins when you buy it!
- 🚫 Understanding the seller's motivation | Offloading their troubles!?
- 🚫 Can you defend your risk/reward and cost/benefit analysis?
- 🚫 Defining success of the program? | Yield, volume, resources, frequency, etc.
- 🚫 Understanding what you do & don't know | Don't be afraid to ask

Loan Participations 101

Examples & Helpful Tools



Example: HELOC Loan Portfolio Offering | Symmetry Lending CUSO



Example: Symmetry Lending – CUSO Overview



Example: Loan Participation Purchase Checklist

<https://www.cusolaw.com/loan-participation/>



<https://www.cuinsight.com/buying-and-selling-eligible-obligations-an-alternative-to-loan-participation.html>

<https://www.ncua.gov/newsroom/ncua-report/2016/abcs-loan-participation-due-diligence>

Loan Portfolio Summary *(representative)*

	Total HELOC Commitment Amount	Total HELOC Unpaid Principal Balance (UPB)	Next Available Settlement Date
Portfolio Balance	\$30,000,000	30,000,000	October 2020
Geographic Diversification			
California	45%	Florida	12%
Colorado	5%	Arizona	5%
New Jersey	6%	Utah	5%
Other	10%	Washington	12%
	Minimum	Weighted Average	Maximum
Loan Amount <i>(Line Size)</i>	\$25,000	\$185,000	\$500,000
FICO	680	765	850
CLTV	-	83%	89.99%
DTI	-	36%	45.00%
Lien Position	2 nd Lien HELOC		
Origination Vintage	Recent (within 60 days)		
Line Utilization	95%+ Utilized at Funding		
Income Verification	Full Doc FNMA Guidelines		
Collateral Valuation	Full Appraisal, with review		
Transaction Purpose	Piggyback Purchase		
Transaction Highlights			
Weighted Average Coupon:	5.75% (2.50% over current WSJ Prime of 3.25%)		
Servicing Fee:	0.50% per annum		
Historical Credit Losses:	\$0 in losses on \$1 billion originated volume since 2018		
Estimated Average Life:	6 years		
Purchase Price:	104.75%		
Estimated Net Yield:	4.50% per annum		
Minimum Purchase Commitment	\$2,000,000		
Partner Highlights			
Selling Counterparty:	Federally - Insured Credit Union		
Servicing Counterparty:	Cenlar, FSB		
Master Servicing Counterparty:	Symmetry Lending, a Credit Union Service Organization		
Purchase Structure:	Loan Participation with Servicing Retained by Symmetry		
Management / Leadership:	Management has over 20 years' experience with this product		
Unique Features of these HELOC Originations			
<ul style="list-style-type: none"> • Originated in tandem with FNMA Agency 1st Mortgage (underwritten to Agency standards) • HELOC Lines are nearly fully-funded at the time of origination, earning interest income immediately upon purchase • Typical borrowers are super-prime members that could otherwise qualify for jumbo financing • Borrowers' use of funds for these HELOCs drives a much higher performance quality vs. branch originations 			



A Credit Union Service Organization

The information contained herein is solely intended for informational purposes and shall not, directly or indirectly, be used for any purpose other than for the purpose of evaluating a possible relationship with Symmetry Lending, LLC.

You and your directors, officers, employees, agents, and affiliates must hold this document any accompanying documents, and any oral information provided in connection with this document in **TRUST AND STRICT CONFIDENCE** and may not communicate, reproduce, distribute or disclose it to any other person, or refer to it publicly or privately, in whole or in part, at any time except with Symmetry's prior written consent. If you are not the intended recipient of this document, please delete and destroy all copies immediately.

All executed non disclosure agreements or other confidentiality agreements, written or verbal, fully apply.

Confidentiality Notice





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Company Overview



Executive Summary

Headquartered in Atlanta,, Symmetry is a Credit Union Service Organization (CUSO), founded in partnership and collaboration with Credit Unions across the country. With HELOCs being the launch product, Symmetry delivers three primary value propositions to it's Credit Union Partners.

- **Loan Fulfillment Services**
- **Loan Servicing**
- **Capital Markets / Master Servicing**

Strategic Partners



MORTGAGE BROKERS

Symmetry maintains relationships with an expansive network of approved brokers whose clientele we help to service by connecting borrowers to lenders who meet program guidelines.



LENDERS

Symmetry serves as agent to select lender partners; providing fulfillment, servicing, master servicing, and capital market services for second lien HELOCS



INVESTORS

Symmetry serves as agent to select lender partners; providing liquidity through its network of investor relationships.

Symmetry continues to provide master servicing and offer capital market services to Investors.



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Product Overview & Operational Flow

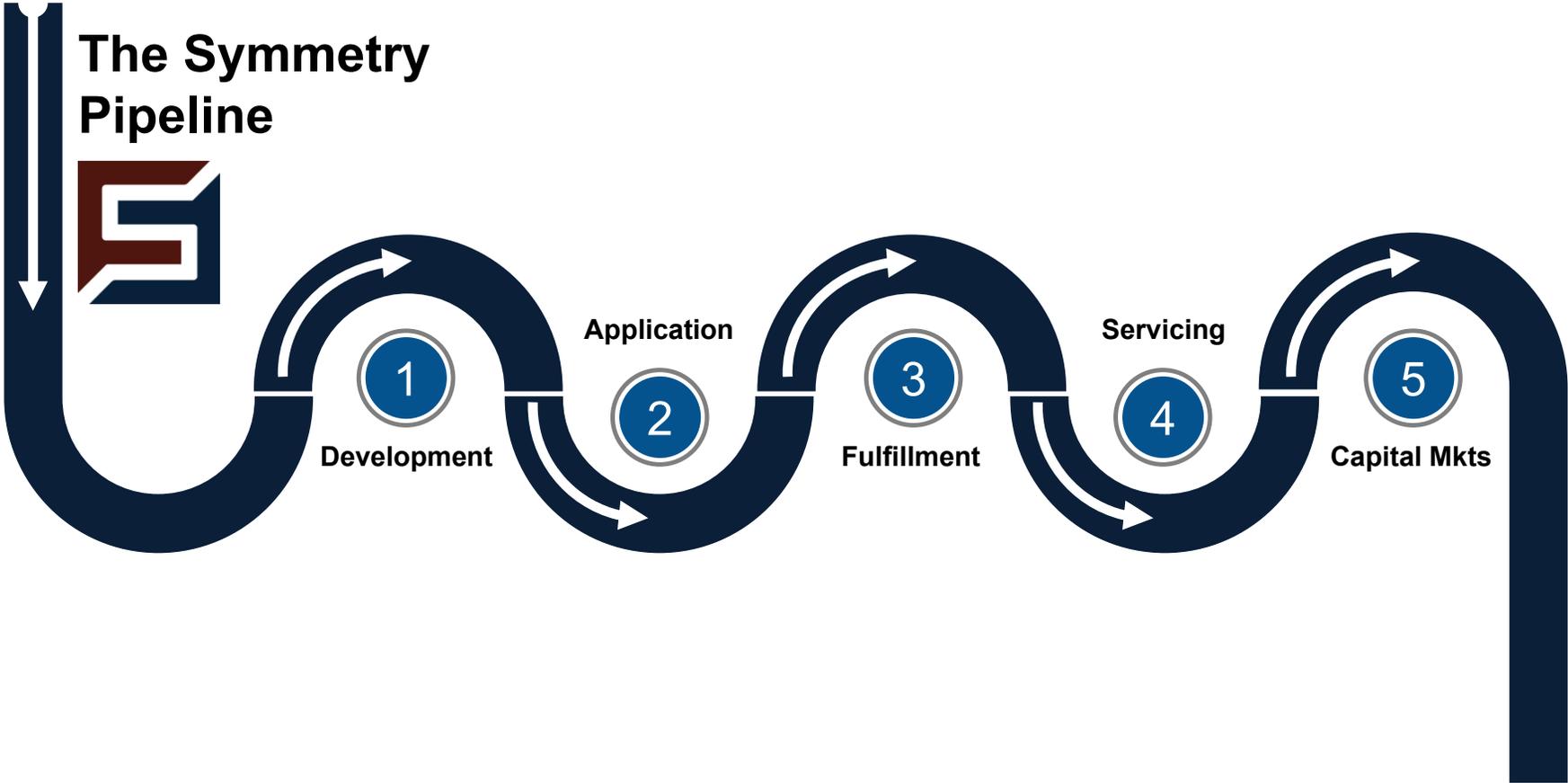


Product Guideline: Piggyback

Home Equity Line of Credit - Piggyback				
Loan Purpose	- Purchase - Refinance	Minimum Line Amount	\$25,000	
Occupancy	Primary and Secondary Residence Owner-Occupied	Maximum Line Amount	Primary \$500,000	Secondary \$250,000
Eligible Property Types	- SFR - PUDs - Townhomes - Condos (1-2 units)	Minimum FICO ⁽¹⁾	680	700
		Maximum HCLTV	89.99%	
Term	10-year draw/ 20-year repay	Maximum Back-end DTI	45.00%	43.00%
Repayment	10-year IO / 20-year full amortization	Eligible Property States	All states where Lender and Symmetry are licensed to conduct business	
Rate	Variable Rate Index + Margin - See Symmetry Pricing Guide	Income Documentation	Standard agency guidelines apply	
Index	U.S. Prime rate published in The Wall Street Journal	Appraisal	1 st mortgage appraisal to be utilized provided it satisfies Symmetry's appraisal review.	

¹⁾ Based on Symmetry Score

Operational Business Flow





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Purchase Opportunities



Symmetry Sample Offering

Participation Purchase

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Servicing Fee:	0.50% per annum		
Historical Credit Losses:	\$0 in losses on \$1 billion originated volume since 2018		
Estimated Average Life:	6 years		
Purchase Price:	104.75%		
Estimated Net Yield:	4.50% per annum		
Minimum Purchase Commitment	\$2,000,000		

Due Diligence Process

PHASE 1 – Indication of Interest



Non-Disclosure Agreement

Letter of Intent

Following the execution of an NDA and Letter of Intent Symmetry will have made available the following due diligence related materials to help satisfy participant's review.

PHASE 2 – Due Diligence Review



Kick-Off Call – Participant(s) & Symmetry Capital Markets Team

Due diligence may include but is not limited to

Company Overview	Site Visit (optional)	Investor Set-Up Package
Policy & Procedure <ul style="list-style-type: none">• Originations• Servicing• Compliance	Loan File & Sample Loan Level Review <ul style="list-style-type: none">• To be selected at Participants choice	Legal Agreement Review <ul style="list-style-type: none">• Participation & Servicing Agreement
Weekly Calls (optional) <ul style="list-style-type: none">• Recommended as we draw closer to closing	Investor Reporting & Flow of Funds	

PHASE 3 – Execution



Legal Agreement Executed & Closing

Key Symmetry Contacts



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LOAN PARTICIPATION PURCHASE CHECKLIST

Following the execution of an LOI the checklist enclosed is to be used for purposes of conducting and documenting due diligence prior to the targeted settlement date.

Purchase Opportunity: _____

Date of Review: _____

Reviewer(s): _____

Primary Contact (aka Trade Manager): _____

1. OPPORTUNITY OVERVIEW

Offering Summary

Program / Product Overview

Nondisclosure Agreement

Strategic Goal(s) / Alignment:

Increased Yields Asset Diversification

Loan Growth Other

2. PURCHASE DETAILS

Executed LOI (to be obtained prior to the initiation of DD)

- Purchase Amount: _____

- Purchase Price: _____

- Servicing Fee: _____

- Timing / Targeted Settlement Date: _____

Seller / Loan Originator: _____

Servicing Counterparty: _____

Preliminary Detailed Pool File

Misc. Details: _____

3. SELLER (OR REPRESENTATIVE) OVERVIEW

Company Profile / Overview

Seller Financials (publicly available)

Organizational Chart

Management Bios

4. LOAN LEVEL DUE DILIGENCE

Purchaser should underwrite and administer loan and loan participation purchases as if the loans were originated by the purchasing institution. This includes understanding the loan type, the obligor's market and industry, and the credit models relied on to make credit decisions.

- Remote Access to Imaged Files? (Yes/No): _____
- Percentage Review: _____
- Loan Review Checklist (asset specific)

5. ORIGINATION

- Credit & Underwriting P&P
- Collateral Valuation Guides (if applicable)
- Broker / Dealer Due Diligence (if applicable)

6. SERVICING

- Servicing Overview
 - Payment Processing
 - Collections & Loss Mitigation
 - Insurance Monitoring (if applicable)
- Records Management
- Performance History
 - Delinquency & Loss History
 - Prepayment History
- Sample Monthly Reports
 - Monthly Reporting Date: _____
 - Monthly Remittance Date: _____

7. LEGAL

- Master Loan Participation Agreement