



## ARC HOME, LLC CORRESPONDENT PRODUCT OVERLAYS (Applies to Delegated and Non-Delegated Channels)

### Fannie Mae & Freddie Mac:

- New York CEMAs (Consolidation, Extension and Modification Agreements) are permitted for fully Delegated Correspondents only
- Loans must score Approve/Eligible or Accept/Eligible on AUS
- Manufactured Homes are not permitted
- Except for HomeReady loans, Fannie Mae purchase transactions must meet two of the following criteria to be eligible for purchase by Arc Home: FICO > 680; LTV < 90%; DTI < 45%
- Maximum DTI for all Fannie Mae loans is 45%

### Valuation Requirements for Fannie Mae & Freddie Mac loans:

- The Correspondent must submit ALL appraisals to Collateral Underwriter (SSR).
  - **Note:** The Fannie Mae CU (SSR) score will be used for loans being sold to Fannie Mae, and the Freddie Mac CU (SSR) score will be used for loans being sold to Freddie Mac.
  - If the Collateral Underwriter (SSR) score is  $\leq 2.5$ , no additional valuation is required.
  - If the Collateral Underwriter (SSR) score is  $> 2.5$  to  $\leq 3.5$  OR no score is returned, the appraisal is subject to the AVM/CDA details noted below.
  - If the Collateral Underwriter (SSR) score is  $> 3.5$ , Arc Home will review the appraisal for acceptance. At the discretion of Arc Home, the appraisal may be subject to additional conditions and/or review requirements (supporting value). Documentation to support value may include, but is not limited to, a field review and/or additional appraisal.
  - For loans with a Property Inspection Waiver (PIW) noted on the AUS, no additional valuation is needed.
- If required by Arc Home, the Correspondent must order an Automated Valuation Model (AVM). The AVM must meet ALL of the following criteria:
  - The Automated Valuation Model (AVM) must have a confidence score of 90% or higher (or "H" in the case of the HVE model) AND be at least 90% of the appraised value
  - The AVM must be ordered from one of these approved vendors:
    - Black Knight
    - Clear Capital
    - Collateral Analytics
    - CoreLogic
    - Freddie Mac Home Value Explorer (HVE)
    - House Canary
    - Red Bell Real Estate, LLC
    - Vero Value
- If required by Arc Home, the Correspondent must order a Collateral Desktop Analysis (CDA) from Clear Capital.
  - The CDA from Clear Capital must return a value at least 90% of the appraised value.
    - If the CDA returns a value  $< 90\%$  of the appraised value, the Correspondent may order a field review and/or additional appraisal to support the subject property value.
    - If the CDA response from Clear Capital is "Indeterminate", the Correspondent must order a new appraisal to support the subject property value.
- The Correspondent is responsible for ordering and paying for the services, as applicable, if an AVM, CDA, or Field Review/additional supporting appraisal is required by Arc Home.
- If the Field Review and/or Second Appraisal do not support the subject property value, the loan is ineligible.

### FHA:

- Minimum loan amount of \$50,000
- Taxes and Homeowners Insurance must be escrowed
- Minimum FICO score of 580 required
- Loans with DTI  $> 50 - 55$  require 620 minimum FICO score

- Loans with DTI ratio over 55% are not permitted
- Manufactured Homes are permitted for Streamline Refinance Transactions Only

**VA:**

- Minimum loan amount of \$50,000
- Taxes and Homeowners Insurance must be escrowed
- Manual U/W's not permitted. Except for VA Interest Rate Reduction Refinance Loans (IRRRLs), all loans must have valid Approve/Accept score
- Manufactured Homes are permitted for IRRRL Transactions Only
- Loans with DTI >50 – 55 require 620 Minimum FICO score
- Loans with DTI ratio over 55% are not permitted
- Minimum 600 required for all transactions except for the following:
  - Minimum Credit Score is 660 for All VA Fixed and ARM products for any Loan Amount >=\$700,000 (note that our max VA Non IRRRL loan amount is 1,000,000)
  - Minimum 640 Fico for 3/1 ARM VA Standard Balance >90% LTV.
  - MINIMUM 600 FICO FOR 3/1 ARM VA STANDARD BALANCE </= 90%
  - MINIMUM 600 FICO FOR 5/1 ARM STANDARD BALANCE
  - Minimum 640 Fico for 5/1 ARM VA High Balance > 90 LTV (if Loan Amount is >=700k, then the 660 minimums above noted will apply)
  - Minimum 640 Fico for 3/1 ARM VA High Balance >75 – 90 LTV (if Loan Amount is >=700k, then the 660 minimums above noted will apply)
  - Minimum 660 FICO required for 3/1 VA ARM High Balance Purchase Transactions > 90% LTV

**For all loan types:**

- Properties in C5 and C6 condition are ineligible.
- The number of delayed financing transactions funded by Arc Home is limited to three (3) per Borrower
- All cash-in-hand proceeds from cash-out refinance transactions must be wired to a U.S. bank account

**For FHA First-Time Homebuyers**

When all Borrowers are First-Time Home Buyers the following apply:

- If the Debt-to-Income Ratio (DTI) is greater than 50.00% and less than or equal to 55.00%, the minimum FICO requirement is 660.
- The DTI may not exceed 55.00%.

**For all FHA Streamline Refinances and VA IRRRL Refinances:**

- Minimum 600 credit score except for the following
  - Minimum 620 FICO required for VA IRRRL with loan amount >/= \$500k

**Non-Delegated Correspondent Only**

- Verbal VOE Requirements for Fannie Mae, Freddie Mac, FHA and VA loans:
  - Verbal Verification of Employment for Borrowers who are not self-employed should be obtained as follows:
    - Standard VVOE within ten (10) business days of the Note Date
      - It is the expectation that the Correspondent will verify Borrower(s) employment up to and including day of closing, per GSE guidelines
      - If verbal verification is not possible, an email verification of employment from the employer may be accepted.
    - If a Verbal VOE or email alternative is attempted but cannot be completed, the VVOE alternatives that are permitted by FNMA, FHLMC, HUD and/or VA as applicable may be utilized.
    - Verification of Employment for Self Employed borrowers must follow applicable FNMA, FHLMC, HUD or VA guidelines
  - For FHA and VA Condos – subject must be investor approved
  - All conventional loans require a soft pull credit/LQI report within 10 days of the Note Date to ensure no new inquiries or

debts were incurred by the borrower(s)

- Any deed restrictions on the subject property, except related to the Owner's age, must be deleted in the event of a foreclosure
- Tax transcripts will be required in the following cases (number of years determined by AUS):
  - Self Employed Borrower(s)
  - Qualifying income where 1040's are utilized to document the income (eg. – Dividend and Interest, Capital Gains, etc.)
  - When determined appropriate by the Underwriter

### **Delegated Correspondent**

- Any deed restrictions on the subject property, except related to the Owner's age, must be deleted in the event of a foreclosure
- All Conventional loans require a soft pull credit/LQI within 10 days of the Note Date to ensure no new inquiries or debts were incurred by the borrower(s)
- Condominium projects for conventional loans must meet Fannie Mae and Freddie Mac guidelines

### **The Following Requirements Apply To FHA, VA and Conventional Loans:**

#### **Forbearance:**

Borrowers currently in a forbearance plan, or pending acceptance of a forbearance plan, are ineligible for a new transaction. This would include any refinance of the loan in forbearance, regardless of payment history, any refinance of other loans not in forbearance, and new purchase transactions. Borrowers will need to resolve\* the current or pending forbearance prior to completing a new transaction. This guidance is applicable to any borrower in any type of forbearance plan on a residential mortgage, regardless if the borrower has been making their payment during the forbearance.

Any loan that enters forbearance or for which forbearance has been requested after closing but prior to delivery to Arc Home, is not eligible for purchase by Arc Home.

\* For loans that are originated in a Conventional Conforming product, the resolution of the current or pending forbearance loan will be deemed acceptable if the resolution meets the satisfactory resolutions set forth within [Fannie Mae LL-2020-03](#) or [Freddie Mac 2020-17](#), respectively.