

Arc Home Appraisal Valuation Requirements

**** Valuation process applies to ALL Conventional loan programs, property types, # units, etc. ****

Wholesale Channel

This document should be used as a reference tool in conjunction with Arc's guidelines. Arc Home management reserves the right to use any valuations based on the characteristics of the file without the use of an underwriting exception.

• Standard FNMA GSE Products • Standard FHLMC GSE Products • FNMA/FHLMC Primary/Second Home/Investment	All appraisals must include a successful Submission Summary Report (SSR). Any warnings from the SSR must be reconciled on the 1008. FNMA/FHLMC Primary/Second Home/Investment: If a PIW/ACE (with or without a PDR) is utilized, an AVM must also be ordered. The AVM (per the below list) must have a minimum Forecast Standard Deviation Score (FSD) as defined in the AVM FSD Requirements section and must not be more than 10% below the appraised value utilized on the AUS findings. If the AVM is more than 10% below the appraised value, then appraisal is required and the collateral waterfall must be followed. Note: The Fannie Mae Collateral Underwriter (CU) score is required. Only CU SSR may be in the file.
• Access Suite • Edge Suite • Foreign National	PIW/ACE Requirements: Access, Edge and Foreign National: PIW/ACE is not allowed. All appraisals must include a successful Submission Summary Report (SSR). Any warnings from the SSR must be reconciled on the 1008. Arc Home Collateral review is required in the following instances: ○ Loans with loan amount \$2,000,000 or greater and LTV/CLTV/HCLTV > 80% ○ Cash to borrower exceeds \$1,000,000 ○ A Reconsideration of Value (ROV) is present in the loan file and LTV ≥ 80% ○ Appraisal identifies a declining market and SSR Score > 2.5 ○ Appraisal indicates the subject property is rural, and both of the following apply: SSR Score > 2.5 and LTV > 65% • Transferred appraisals: Arc Home Loan Collateral review is required when the SSR score > 3.5 or no score is returned, and LTV > 65%. Note, when two transferred appraisals are received, utilize the lower appraised value. • Non-transferred appraisals: when the SSR score is not returned on a loan with an LTV > 65%, an Arc Home Loan Collateral review is required. When two appraisals are required, if the lower appraised value returns an SSR score > 3.5, an Arc Home Loan Collateral review is required. The following CDA requirements apply to transferred and non-transferred appraisals: • CDA must be ordered through Clear Capital • When one appraisal is required, the following applies: ○ If the SSR score is ≤ 2.5, no additional appraisal review products are required unless determined by the Arc Home Loan underwriter at the time of review. ○ If the SSR score is > 2.5, order a CDA and follow the Collateral Waterfall. ○ If the SSR score is > 3.5, order a CDA and follow the Collateral Waterfall; Arc Home Loan Collateral review is required. ○ If the SSR score is not returned, order a CDA and follow the Collateral Waterfall.

Collateral Waterfall		
Appraisal Review	CDA from Clear Capital	
	CDA Value	Action
	≤ 10% below* Appraised Value	Appraised Value may be used.
	> 10% - 20% below* Appraised Value	The lower of the Appraised Value or CDA value may be used or a field review may be ordered.
	> 20% below* Appraised Value or Indeterminate	Field review is required. Follow section below.
	Field Review	
	Field Review Value	Action
	≤ 10% below* Appraised Value	Appraised Value may be used.
	> 10% - 20% below* Appraised Value	The lower of the Appraised Value or Field Review value may be used or a second appraisal may be ordered.
	> 20% below* Appraised Value	• 2nd full appraisal is required • Lower of the two appraised values must be used

* The > 10% variance rule applies when the CDA/Field Review variance is reflecting a lower value than the appraisal. If the CDA/Field Review variance reflects a higher value than the appraisal, the appraisal is fully supported, and an additional valuation is not required.

- Elite Jumbo Prime
- Marquee Jumbo

All appraisals must include a successful Submission Summary Report (SSR). Any warnings from the SSR must be reconciled on the 1008.

- Transferred appraisals are NOT acceptable, regardless of the SSR score.

Arc Home Collateral review is required in the following instances:

- Loans with loan amount \$2,000,000 or greater and LTV/CLTV/HCLTV > 80%
- Cash to borrower exceeds \$1,000,000
- A Reconsideration of Value (ROV) is present in the loan file and LTV ≥ 80%
- Appraisal identifies a declining market and SSR Score > 2.5
- Appraisal indicates the subject property is rural, and both of the following apply: SSR Score > 2.5 and LTV > 65%

- When the SSR score is not returned on a loan with an LTV > 65%, an Arc Home Loan Collateral review is required. When two appraisals are required, if the lower appraised value returns an SSR score > 3.5, an Arc Home Loan Collateral review is required.

The following CDA requirements apply to appraisals:

- CDA must be ordered through Clear Capital
- When one appraisal is required, the following applies:
 - If the SSR score is ≤ 2.5, no additional appraisal review products are required unless determined by the Arc Home Loan underwriter at the time of review.
 - If the SSR score is > 2.5, order a CDA and follow the Collateral Waterfall.
 - If the SSR score is > 3.5, order a CDA and follow the Collateral Waterfall; Arc Home Loan Collateral review is required.
 - If the SSR score is **not returned**, order a CDA and follow the Collateral Waterfall.

		Collateral Waterfall	
	Appraisal Review	CDA from Clear Capital	
		CDA Value	Action
		≤ 10% below* Appraised Value	Appraised Value may be used.
		>10%-20% below* Appraised Value	The lower of the Appraised Value or CDA value may be used or a field review may be ordered
		> 20% below* Appraised Value or Indeterminate	Field review is required. Follow section below.
		Field Review	
		Field Review Value	Action
		≤10% below* Appraised Value	Appraised Value may be used.
		>10%-20% below* Appraised Value	The lower of the Appraised Value or Field Review value may be used or a second appraisal may be ordered
		> 20% below* Appraised Value	• 2nd full appraisal is required • Lower of the two appraised values must be used
	* The > 10% variance rule applies when the CDA/Field Review variance is reflecting a lower value than the appraisal. If the CDA/Field Review variance reflects a higher value than the appraisal, the appraisal is fully supported, and an additional valuation is not required.		
Closed End Second	The value of the property must be supported using an Automated Valuation Model ("AVM"). The AVM must be ordered and receive an acceptable Forecast Standard Deviation ("FSD") score as defined in the AVM FSD Requirements section below. • Lender is responsible for ordering AVM for Correspondent loans. For CES loans with an appraisal on file, the appraisal must comply with Arc Home's valuation and collateral waterfall requirements. In such cases, an AVM may be used solely as a supporting valuation product, comparable to a CDA, provided the AVM FSD is within acceptable parameters. In addition, when the Collateral Underwriter (CU) / SSR score is greater than 2.5, a second valuation method is required to support the appraised value. Acceptable secondary valuation methods include, but are not limited to, an additional AVM or CDA, as permitted under Arc Home's valuation and collateral policy.		
Wholesale Important Notes	• For transferred appraisals, refer to the Transferred Appraisal Policy for additional information. • Each appraisal review product must be completed by a different appraisal company and appraiser than the original appraisal. • Arc Home will order and pay for the CDA, if required. The CDA will be ordered from Clear Capital. • The Broker is responsible for ordering the Field Review AND initiating a Change of Circumstance to include the fee in the loan charges if a Field Review/additional appraisal is required. • If a loan requires an AVM, the AVM must be ordered from one of the approved vendors with correlated acceptable Forecast Standard Deviation (FSD) thresholds as defined in the AVM FSD Requirements section. • When only one valuation method is available and Collateral Underwriter (CU) / SSR score is greater than 2.5, a secondary valuation method like AVM, Field Review, or CDA is required. Please refer to loan type section for specific requirements, as applicable.		
AVM FSD (Forecast Standard Deviation) Requirements	Allowable Forecast Standard Deviation (FSD) thresholds for AVM providers: ○ Black Knight Collateral Analytics – FSD < 0.26 ○ Clear Capital – FSD < 0.13 ○ Cotality (CoreLogic) – FSD < 0.22 ○ House Canary - FSD < 0.14 ○ Homegenius Real Estate/Red Bell Real Estate, LLC – FSD < 0.17 ○ Veros/Vero Value – FSD < 0.16		