arc home

FHA Standard & High Balance Fixed Rate and ARM

LTV Matrix Fixed Rate and ARM					
Occupancy	**Purpose**	**Units**	**Maximum LTV/(H)CLTV[1]**	**Minimum FICO**	**Maximum DTI**
Primary Residence & Second Home	Purchase	1-4	96.5%	580[2]	55%
	Rate Term	1-4	97.75%		
	Cash out Refinance	1-4	80%		

LTV Matrix Footnotes

1. No Max CLTV for DPA secondary financing loans provided by Government Entities, refer to HUD Handbook 4000.1
2. Loans with DTI > 50% require minimum 620 FICO. When all FHA borrowers are First-Time Home Buyers and the DTI > 50%, minimum 660 FICO is required.

Product Details

Appraisal Requirements	Full Residential FHA Appraisal Report required, property must meet HUD Minimum Property Requirements see HUD Handbook 4000.1 for required property documentation and guidelines.	
Appraiser Requirements	Must be a state-licensed and HUD approved appraiser.	
ARM Parameters	Index	The weekly average yield on the 1-Year Constant Maturity Treasury Index
	Margin	2.00%
	Caps	3/1: 1/1/5 5/1: 1/1/5
	Interest Rate Adjustment	The interest rate is fixed for the initial period and adjusts on an annual basis thereafter using the Index value effective 30 calendar days before the rate adjustment date. The Interest Rate at time of adjustment is calculated as the aforementioned Index value plus the Margin and is rounded to the nearest 1/8th of one percentage point.
Assets	• Per HUD Guidelines • Any cash-in-hand proceeds, to the Borrower, from any cash-out refinance transaction must be wired to a U.S. bank account • Principal Reductions are permitted to a maximum of 1% of the loan amount if a lender credit exceeds actual closing costs and/or prepaids as a result of lender paid closing costs. If the excess is greater than 1%, the interest rate must be reduced to lower the lender contribution. Lender contribution cannot be used for Borrower's minimum required investment.	
Assumptions	NA	
Borrower Eligibility	• U.S. Citizens and Permanent Resident Aliens • Borrower must take title in individual names, no trusts, etc. allowed • Non-occupying Co-Borrower is permitted per HUD Guidelines	
Credit	• Tri Merged Credit Report with a minimum credit score as referenced in the LTV Matrix. The credit report must include trended credit data. • 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	

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<table>
<tr><td></td><td>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.</td></tr>
<tr><td>Escrow Holdbacks</td><td>• In Wholesale, approval is required for all repair escrows and eligibility is subject to Arc Home discretion.
• In Correspondent, escrow holdbacks must be closed prior to purchase.</td></tr>
<tr><td>Escrow Waivers</td><td>Taxes and Homeowners Insurance must be escrowed.</td></tr>
<tr><td>HPML/HPCT</td><td>• HPML loans are eligible.
• Loans must be originated to meet definition of a Safe Harbor or Rebuttable Presumption Mortgage Loan under the Qualified Mortgage Rule.</td></tr>
<tr><td>HUD Section of ACT and ADP Codes</td><td>
<table>
<tr><th>Section</th><th>Description</th><th>ADP Code</th></tr>
<tr><td>203(b)</td><td>Basic Home Mortgage Insurance</td><td>703</td></tr>
<tr><td>203(b)</td><td>Condominium</td><td>734</td></tr>
</table>
</td></tr>
<tr><td>Income</td><td>• Per HUD Guidelines
• Verbal Verification of Employment is required for all borrowers using salaried income to qualify and must be completed within 10 calendar days prior to the note date. Verbal Verification of Employment is required for all borrowers using self-employed income to qualify and must be completed within 120 calendar days prior to the note date.
• Federal law restricts marijuana related activities and therefore the income and assets from these sources are not allowed for qualifying. Related activities include:
○ Possession of cannabis or cannabis seeds
○ Processing
○ Growing
○ Harvesting/Cultivation
○ Testing
○ Packaging/Delivery
○ Wholesale or Retail Sales</td></tr>
<tr><td>Limitations on Other R.E Owned</td><td>Per HUD Guidelines</td></tr>
<tr><td>Maximum Loan Amount</td><td>• Minimum loan amount: $50,000
• FHA Standard Balance:
Maximum loan limits vary by county. Base loan amounts cannot exceed the lesser of HUD's FHA Mortgage Limit for the area or the FHFA baseline conforming limit.
• FHA High Balance:
High Balance loan amounts exceed the FHFA baseline conforming limit by at least $1. The base loan amount cannot exceed HUD's FHA Mortgage Limit for the area.</td></tr>
<tr><td>Mortgage Insurance Premium</td><td>
<table>
<tr><th colspan="4">Upfront MIP</th></tr>
<tr><td colspan="4">Upfront MIP for ALL: 1.75%</td></tr>
<tr><td colspan="4">Annual MIP for Loan Amount Less than or equal to $726,200.</td></tr>
<tr><td colspan="2"><u>Greater than 15-year terms</u></td><td colspan="2"><u>15 year or less terms (N/A for ARMs)</u></td></tr>
<tr><td>LTV</td><td>Annual</td><td>LTV</td><td>Annual</td></tr>
<tr><td>> 95.00%</td><td>0.55%</td><td>> 90.00%</td><td>0.40%</td></tr>
<tr><td><= 95.00%</td><td>0.50%</td><td></=90.00%</td><td>0.15%</td></tr>
<tr><td colspan="4">Annual MIP for loan amounts greater than $726,200.</td></tr>
<tr><td colspan="2"><u>Greater than 15-year terms</u></td><td colspan="2"><u>15 year or less terms (N/A for ARMs)</u></td></tr>
<tr><td>LTV</td><td>Annual</td><td>LTV</td><td>Annual</td></tr>
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	<table><tr><td>**> 95.00%**</td><td>0.75%</td><td>**> 90.00%**</td><td>0.65%</td></tr><tr><td>**<= 95.00%**</td><td>0.70%</td><td>**78.01 - 90.00%**</td><td>0.40%</td></tr><tr><td></td><td></td><td>**</=78.00%**</td><td>0.15%</td></tr></table> • For all mortgages regardless of their amortization terms, any mortgage involving an original principal obligation (excluding financed Up-Front MIP (UFMIP)) less than or equal to 90 percent LTV, the annual MIP will be assessed until the end of the mortgage term or for the first 11 years of the mortgage term, whichever occurs first. • For any mortgage involving an original principal obligation (excluding financed UFMIP) with an LTV greater than 90 percent, FHA will assess the annual MIP until the end of the mortgage term or for the first 30 years of the term, whichever occurs first. Annual MIP is determined by multiplying the base loan amount by the appropriate Annual Premium factor Since the Annual MIP is collected in monthly installments, divide the resulting number by 12 to obtain the monthly premium. This figure is included in the proposed monthly housing expense and qualifying ratios.
Occupancy	• Primary Residence • HUD approved Second Home
Prepayment Penalty	Not allowed
Property Types	**Eligible Property Types** • Single Family Residence • 2-4 Units • PUDs • HUD Approved Condominium **Ineligible Property Types** • Mobile Homes • Manufactured Homes • Mixed-Use • Co-op's • Condo Hotels • Timeshares • Working Farms and Ranches • Properties in C5 or C6 condition • Community Land Trust
Qualifying Rate	Qualify at Note Rate
Ratios	• Max DTI as determined by AUS, not to exceed 55%. • Loans with DTI > 50% require minimum 620 FICO. • When all FHA borrowers are First-Time Home Buyers and the DTI > 50%, minimum 660 FICO is required.
Reserves	As determined by AUS and HUD Guidelines.

Tax Transcripts	• A fully executed 4506-C is required on all loans.
	• IRS Tax or W-2 Transcripts are required prior to closing:
	  ○ When there is a relationship between the employer and borrower; and
	  ○ At the underwriter's discretion if needed to address red flags and
	  ○ When the most recent tax returns have not been filed.
	• Refer to Arc Home's Tax Transcript Policy.

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<tr><td>Temporary Buydowns</td><td>Not allowed</td></tr>
<tr><td>Transaction Types</td><td>• Purchase
• Rate and Term Refinance
• Cash Out Refinance</td></tr>
<tr><td>Underwriting</td><td>• AUS – Accept/Eligible on DU or LPA platform
• Manual Underwriting is permitted, per HUD Guidelines</td></tr>
<tr><td>Product Description and Terms</td><td>
<table>
<tr><th>Product Name</th><th>Amortization Terms</th></tr>
<tr><td>15 Year Fixed Rate FHA</td><td>10-15 Years, increments of 12 months</td></tr>
<tr><td>30 Year Fixed Rate FHA</td><td>16-30 Years, increments of 12 months</td></tr>
<tr><td>15 Year Fixed Rate FHA High Balance</td><td>10-15 Years, increments of 12 months</td></tr>
<tr><td>30 Year Fixed Rate FHA High Balance</td><td>16-30 Years, increments of 12 months</td></tr>
<tr><td>3/1 Treasury ARM FHA</td><td>30 Years</td></tr>
<tr><td>5/1 Treasury ARM FHA</td><td>30 Years</td></tr>
<tr><td>3/1 Treasury ARM FHA High Balance</td><td>30 Years</td></tr>
<tr><td>5/1 Treasury ARM FHA High Balance</td><td>30 Years</td></tr>
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<tr><td>Internet Links</td><td>www.archomellc.com</td></tr>
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