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Wholesale Announcement

Guideline Updates:

Access Clean Slate Full/Alt Doc, Fannie Mae & Freddie Mac, Arc UW Guide, and CES Updates

Access Clean Slate Full/Alt Doc Updates

The following updates are effective for all loans registered on or after **August 3, 2026**

Access Clean Slate Full/Alt Doc		
Topic	**Previous Guideline**	**New Guideline**
Maximum DTI	**Maximum 55% DTI**; over 50% requires underwriting management approval	For DTI > 50%: • Max 75% LTV • Delegated Correspondents must submit to Arc Home Exception Desk for approval

Fannie Mae & Freddie Mac Updates

The following updates are effective for applications dated on or after **August 3, 2026**

Fannie Mae & Freddie Mac		
Topic	**Previous Guideline**	**New Guideline**
Retirement of the Condominium Limited/ Streamlined Review Process	If the project and loan transaction are eligible for and meet all of the eligibility requirements of the Limited Review process, the lender is not required to validate that the project also meets the eligibility requirements of another project review type. However, if the LTV, CLTV, or HCLTV ratios exceed the limits above, or in the event the lender becomes	Fannie Mae Limited Review and Freddie Mac Streamlined Review are retired. Condominium projects previously eligible for those review types must be reviewed under the applicable Full Review / Established Condominium Project review process, unless eligible for a permitted waiver or exempt-from-review.

Fannie Mae & Freddie Mac		
Topic	**Previous Guideline**	**New Guideline**
Fannie Mae Selling Guide Section B4-2.2-01 Freddie Mac Selling Guide Section 5701.4	aware of a circumstance that would cause the project or transaction to be ineligible under a Limited Review, the lender must use one of the other project review methods to determine project eligibility and the project must meet all of the eligibility requirements of that selected alternate project review type.	
Enhanced Reserve Study Requirements Fannie Mae Selling Guide Section B4-2.2-02 Freddie Mac Selling Guide Section 5701.5	Reserve studies may be used to determine the appropriate level of reserves the HOA must maintain to ensure the project's long-term success. Reserve studies will also provide useful information regarding the adequacy of the HOA's current reserve funds and offer recommendations to meet funding goals in the event the HOA has under-reserved for its needs in the past. The lender may review the most current reserve study or a reserve study update provided it has been completed within three years of the date on which the lender approves the project. While Fannie Mae/Freddie Mac does not require that a standard format be	**Fannie Mae and Freddie Mac are updating this policy to clarify that lenders must verify the project's budget includes the highest recommended reserve allocation amount in the reserve study to adequately cover the costs identified.** **Lenders are not longer permitted to use the baseline funding method which is the option that allows the reserve cash balance to approach but never fall below zero.**

Fannie Mae & Freddie Mac		
Topic	**Previous Guideline**	**New Guideline**
	used for the reserve study, the following items must be addressed: • all major components and elements of the project's common areas for which repair, maintenance, or replacement is expected; • the condition and remaining useful life of each major component; • an estimate of the cost of repair, replacement, restoration, or maintenance of major components; • an estimate of the total annual contributions required to defray costs (minus the existing reserves funded for this purpose), including inflation; • an analysis of existing funded reserves; and • a suggested reserve funding plan.	
Expansion of Project Waiver Review	Project review is waived for new and established condo projects that consist of no more than four units	Project review is waived for new and established condo projects that consist of ~~no more than four units.~~ **ten or fewer units, provided:** • **The project meets all other Fannie/Freddie eligibility requirements** • **The project is not in need of critical repairs**

Fannie Mae & Freddie Mac		
Topic	**Previous Guideline**	**New Guideline**
Fannie Mae Selling Guide Section B4-2.1-02 Freddie Mac Selling Guide Section 5701.7		• **The project is composed of no more than 10 units, each separately deeded with separate legal descriptions**
Retirement of PERS review for new condo projects with attached units in Florida Fannie Mae Selling Guide Section B4-2.2-04 Freddie Mac Selling Guide Section 5701.9	Fannie Mae project approval is required for new and newly converted condo projects consisting of attached units located in Florida. To request a Fannie Mae project approval refer to B4-2.2-06, Project Eligibility Review Service (PERS).	~~Fannie Mae project approval is required for new and newly converted condo projects consisting of attached units located in Florida. To request a Fannie Mae project approval refer to B4-2.2-06, Project Eligibility Review Service (PERS).~~ **New or newly converted projects with attached units in Florida may be reviewed under the lender-delegated Full Review process.**
Retirement of Investor Concentration Limits for Established Projects Fannie Mae Selling Guide Section B4-2.2-02 Freddie Mac Selling Guide Section 5701.5	For investment property transactions in established projects at least 50% of the total units in the project must be conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home.	~~**For investment property transactions in established projects at least 50% of the total units in the project must be conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home.**~~ The presale requirement that at least 50% of the total units in the project or subject legal phase must have been conveyed or be under contract for sale to principal residence or second home purchasers, in **new or newly converted condo projects**, still applies as described in Fannie Mae Selling Guide B4-2.2-03, Full Review: Additional Eligibility Requirements for Units in New and Newly Converted Condo Projects and Freddie Mac Selling Guide 5701.6
Property Insurance Requirements for One-to-Four Unit Properties Fannie Mae Selling Guide Section B7-3-02 Freddie Mac Selling Guide Section 4703.2	The lender or servicer must verify that the property insurance coverage amount for a first mortgage secured by a one- to four-unit property is at least equal to the lesser of: • 100% of the replacement cost value of the improvements as of the current property insurance policy effective date, or • the unpaid principal balance of the loan, provided it equals no less than 80% of the replacement cost value of the improvements as of the current	**Seller/Servicers are no longer required to verify the replacement cost value (RCV) to ensure coverage sufficiency for 1- to 4-unit properties. The minimum coverage limit calculation involving the UPB and 80% of the RCV, along with the corresponding examples and RCV verification requirements, have been retired.** **The property insurance policy must provide coverage on a replacement cost basis, with the exception of roofs; property insurance policies that provide such terms of coverage will be deemed to provide sufficient coverage.**

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	property insurance policy effective date. The source that the lender or servicer uses to verify the coverage amount may be the property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination. This may include, but is not limited to, a statement from the insurer or other applicable professional, a replacement cost estimator, or an insurance risk appraisal. If the coverage amount does not meet the minimum required, coverage that does provide the minimum required amount must be obtained.	**NOTE: Roofs must be insured, but do not have to be insured on a replacement cost basis.** **NOTE: Fannie Mae and Freddie Mac recognize that some insurers may issue policies that provide coverage on an actual cash value basis for personal property and structures that are not buildings. In the event the lender or servicer sees such terms in a property insurance policy covering a one- to four-unit property, this is acceptable.**
Master Property Insurance Requirements for Project Developments Fannie Mae Selling Guide Section B7-3-03	The lender or servicer must verify that the property insurance coverage amount is at least equal to 100% of the replacement cost value of the project improvements, including common elements and residential structures, as of the current property insurance policy effective date.	**Coverage Sufficiency** **The master property insurance policy coverage amount must equal at least 100% of the estimated replacement cost value of the project improvements, including common elements and residential structures.** **The lender or servicer may rely on any one of the following to document that the coverage amount is sufficient:**

Fannie Mae & Freddie Mac		
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Freddie Mac Selling Guide Section 4703.2	The source that the lender or servicer uses to verify the coverage amount may be the property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination. This may include, but is not limited to, a statement from the insurer or other applicable professional, a replacement cost estimator, or an insurance risk appraisal.	• **guaranteed replacement cost coverage, or its equivalent;** • **extended replacement cost coverage, or its equivalent;** • **a replacement cost value estimate provided by the insurer;** • **the project's insurance risk appraisal; or** **a statement from the insurer or other applicable professional with appropriate expertise to make such a determination.** **Loss Settlement** **The master property insurance policy must provide coverage on a replacement cost basis, with the exception of roofs.** **NOTE: Roofs must be insured, but do not have to be insured on a replacement cost basis.** **NOTE: Fannie Mae and Freddie Mac recognize that some insurers may issue policies that provide coverage on an actual cash value basis for personal property and certain property elements. In the event the lender or servicer sees such terms in a master property insurance policy covering a project development, this is acceptable.** **Inflation Guard requirement has been retired.**
	Per Occurrence, Per Unit	

Per Unit Deductible Requirements for Insurance Policies Covering Project Developments Fannie Mae Selling Guide Section B7-3-03 Freddie Mac Selling Guide Section 4703.2	Fannie Mae & Freddie Mac will allow a per unit master property insurance policy deductible when the sum of the applicable per unit deductibles is greater than 5% of the coverage amount and all of the following requirements are met. 1. The master property insurance policy has a per unit deductible for named perils specific to a geographic area where such coverage is common and customary; and 2. The borrower's individual property insurance policy includes a) coverage for the applicable peril(s); b) coverage for master property insurance policy deductible assessments levied on the unit owner by the HOA or co-op corporation for the applicable peril(s); and c) loss assessment coverage in an amount sufficient to cover assessments in excess of 5% of the master property insurance policy	**With this update, the maximum allowable per unit deductible for all required property insurance perils covered by a master property insurance policy is $50,000 per unit.**

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	coverage amount, divided by the number of units.	
Individual Property Insurance Requirements for a Unit in a Project Development Fannie Mae Selling Guide Section B7-3-04 Freddie Mac Selling Guide Section 4703.2	Determining the Required Coverage Amount To the extent the master property insurance policy does not cover the interior or improvements of a unit in a project development, the borrower must maintain an individual property insurance policy. Coverage Requirements The lender or servicer must verify the coverage amount is sufficient to restore the unit to its condition prior to a loss event. Coverage sufficiency should be based on the best information known or available to the lender or servicer, which may include information obtained from the borrower, in collaboration with the insurer, the HOA or co-op corporation legal documents, or other professional with	**Determining When a Unit Owners' Property Insurance Policy is Required** **The borrower must have a unit owners property insurance policy when:** • **any portion of the interior of the unit or improvements to the unit are not covered by the master property insurance policy, or** • **the master property insurance policy includes a per unit deductible.** **Coverage Sufficiency** **The minimum amount of coverage required for a unit owners property insurance policy must be at least equal to the greater of:** • **an amount sufficient to cover any portion of the interior of the unit or improvements to the unit not covered by the master property policy in order to restore the unit to its condition prior to a loss event; or**

Fannie Mae & Freddie Mac		
Topic	**Previous Guideline**	**New Guideline**
	appropriate resources to make such a determination. Fannie Mae recommends that lenders and servicers encourage borrowers to closely collaborate with an insurance professional to determine their individual insurance needs. Deductible Requirements The maximum allowable deductible for all required property insurance perils for one-to four-unit properties is 5% of the property insurance coverage amount. When a property insurance policy includes multiple deductibles, such as a separate deductible that applies to windstorms, or a separate deductible that applies to a specific property element such as the roof, the total amount for such deductibles applicable to a single occurrence must be no greater than 5% of the property insurance coverage amount.	• **the amount of the per unit deductible, if the master property insurance policy has a per unit deductible.** **Coverage amount sufficiency should be based on the best information known or available to the lender or servicer, which may include information obtained from the borrower in collaboration with the insurer or insurance agent, the HOA or co-op corporation legal documents, or other professional with appropriate expertise to make such a determination.** **Deductible Requirements:** **The maximum allowable deductible for a unit owners property insurance policy for all required property insurance perils is the greater of** • **5% of the property insurance coverage amount, OR** • **$2,500.**

Arc Underwriting Guide Updates

The following updates are effective for applications dated on or after **August 3, 2026**

Arc Underwriting Guide		
Topic	**Previous Guideline**	**New Guideline**
Arc Home Underwriting Guide Section 5.4.1 Warrantable Condos	Limited Review: Follow the process in Fannie Mae guidelines: B4-2.2-01, Limited Review Process • B4-2.2-04, Geographic-Specific Condo Project Considerations to determine those cases where Limited Reviews are permitted. • Condo Project Manager (CPM) is required to verify that the project is not "unavailable". If the project is "unavailable" refer to the Non-Warrantable Condominium section.	**References to Limited Review will be removed from the Arc Home Underwriting Guide:** ~~**Limited Review: Follow the process in Fannie Mae guidelines: B4-2.2-01, Limited Review Process**~~ • ~~**B4-2.2-04, Geographic-Specific Condo Project Considerations to determine those cases where Limited Reviews are permitted.**~~ • Condo Project Manager (CPM) is required to verify that the project is not "unavailable". If the project is "unavailable" refer to the Non-Warrantable Condominium section.

Closed End Second Mortgage Update

The following update is effective for all loans registered on or after **August 1, 2026**.

Closed End Second Mortgage		
Topic	**Previous Guideline**	**New Guideline**
Condo Review Process	• Condo (Fannie Mae warrantable)	• Condo (Fannie Mae warrantable, **Full Review required**)
Borrower Eligibility	Eligible Borrowers: • US Citizens • Must have a valid SSN • Permanent Residents • Non-Permanent Residents: o Primary Residence Only o 2-year US employment history	Eligible Borrowers: • US Citizens • Must have a valid SSN • Permanent Residents • Non-Permanent Residents: o Primary Residence Only o 2-year US employment history • **Properties vested in Revocable Trust (Follow Fannie Mae)**
Eligible States	Closed End Second loans are eligible for Wholesale lending in AL, AZ, CA, CO, GA, FL, IN, MD, MI, NC, NJ, PA, VA, WA	• Closed End Second loans are eligible for Wholesale lending in AL, AZ, CA, CO, GA, FL, **ID**, **IL**, IN, **KY**, MD, MI, **MO**, NC, NJ, **OK**, **OR**, PA, **SC**, **TN**, **UT**, VA, WA, **WI**

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