

Arc Home
Wholesale VA 3/1 and 5/1 ARM Standard and High Balance

Product Description	Product Name				Allowable Amortization Terms		
	3/1 Treasury ARM VA				30 years		
	5/1 Treasury ARM VA				30 years		
	3/1 Treasury ARM VA High Balance				30 years		
	5/1 Treasury ARM VA High Balance				30 years		
ARM Parameters							
Index	The weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year						
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.						
Qualifying Rate & Ratios	<ul style="list-style-type: none"> • Qualifying Rate: 3/1 ARM: Initial Note Rate 5/1 ARM: Initial Note Rate • Max DTI as determined by AUS, not to exceed 55% 						
Types of Financing	<ul style="list-style-type: none"> • Purchase • Cash Out Refinance 						
Minimum /Maximum Loan Amount	<ul style="list-style-type: none"> • For Standard VA loan amounts, the base loan amount cannot exceed the FHFA baseline conforming limit, not to exceed a loan amount of \$1,000,000. • The base loan amount may exceed the FHFA High-Cost Area limit up to a maximum of \$1,000,000 base loan amount if the borrower meets entitlement requirements. • Minimum loan amount of \$50,000 						
LTV/CLTV Requirements	Standard Balance Product - ALL LOANS MUST SCORE DU APPROVE/ELIGIBLE OR LP ACCEPT						
	LTV¹	CLTV¹	Purpose	Units	Occupancy	Minimum Credit Score^{2,3}	
	100	100	Purchase	1-4	O/O	3/1: 640	5/1: 600
	90	90	Purchase	1-4	O/O	3/1: 600	5/1: 600
	90	90	Cash Out	1-4	O/O	3/1: 600	5/1: 600
	High Balance Product - ALL LOANS MUST SCORE DU APPROVE/ELIGIBLE OR LP ACCEPT						
	LTV¹	CLTV¹	Purpose	Units	Occupancy	Minimum Credit Score^{2,3}	
	100	100	Purchase	1-4	O/O	3/1: 660	5/1: 640
	90	90	Purchase	1-4	O/O	3/1: 640	5/1: 600
	90	90	Cash Out	1-4	O/O	3/1: 660	5/1: 640
	75	75	Purchase	1-4	O/O	3/1: 600	5/1: 600
	¹ Max LTV/CLTV may be exceeded when financing the Funding Fee, however max loan amount may NOT be exceeded						



Arc Home
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	² All loan amounts equal to or greater than \$700k requires minimum FICO of 660 ³ All loans with DTI >50% require 620 minimum FICO																								
Cash-Out Refinance Requirements	<ul style="list-style-type: none"> The guidelines in VA Circular 26-18-30 apply: https://www.benefits.va.gov/homeloans/documents/circulars/26_18_30.pdf For Type I Refinance Loans, when a VA-guaranteed fixed rate loan is being refinanced with a new VA fixed rate loan, the new interest rate must be at least 0.5% (50 basis points) less than the existing interest rate. When a VA-guaranteed fixed rate loan is being refinanced with an adjustable rate loan, the new interest rate must be at least 2% (200 basis points) less than the existing interest rate. If discount points exceeding 1% of the loan amount are included in the new loan total, the LTV may not exceed 90%. For Type II Cash-Out Refinance loans meeting the Net Tangible Benefit (NTB) as defined in Section 4(3)c(2)(ii) of the Circular, if the only NTB is reduction of loan term, then the term of the new loan must be shorter than the remaining term of the loan being refinanced by at least 36 months For all Cash-out Refinances, the funding fee is included in the LTV Any cash-in-hand proceeds, to the Borrower, from any cash-out refinance must be wired to a U.S. bank account 																								
Seasoning Requirements for Cash-Out Loans	<p>The Note Date of the new loan must be 210 days after the later of:</p> <ol style="list-style-type: none"> The date on which the First Payment was actually made on the Note being refinanced; OR The First Payment Due Date of the Note being refinanced AND The Borrower must have made the most recent six months payments on time with no late payments 30 days or greater. 																								
Funding Fee	<ul style="list-style-type: none"> The Funding Fee is the fee that VA charges when a Veteran uses its Home Loan Guarantee Program. The funding fee may be financed into the loan amount provided the loan amount does not exceed \$424,100. The VA funding fee may be paid in cash (including with seller credits/rebate) or financed, or a combination of the two, provided the entire loan amount including any financed Funding Fee does not exceed the maximum loan amount permitted for this product. If the Veteran is disabled, they may be eligible for a waiver or reduced Funding Fee. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #e91e63; color: white;"> <th style="width: 25%;">Loan Purpose</th> <th style="width: 25%;">Down Payment</th> <th style="width: 25%;">% for 1st Time Use</th> <th style="width: 25%;">% for Subsequent Use</th> </tr> </thead> <tbody> <tr> <td>Purchase</td> <td>Less than 5%</td> <td style="text-align: center;">2.15%</td> <td style="text-align: center;">3.30%</td> </tr> <tr> <td>Purchase</td> <td>>/= 5% < 10%</td> <td style="text-align: center;">1.50%</td> <td style="text-align: center;">1.50%</td> </tr> <tr> <td>Purchase</td> <td>10% or More</td> <td style="text-align: center;">1.25%</td> <td style="text-align: center;">1.25%</td> </tr> <tr style="background-color: #e91e63; color: white;"> <th>Loan Purpose</th> <th colspan="2">% for 1st Time Use</th> <th>% for Subsequent Use</th> </tr> <tr> <td>Cash-Out Refinance</td> <td colspan="2" style="text-align: center;">2.15%</td> <td style="text-align: center;">3.3%</td> </tr> </tbody> </table>	Loan Purpose	Down Payment	% for 1 st Time Use	% for Subsequent Use	Purchase	Less than 5%	2.15%	3.30%	Purchase	>/= 5% < 10%	1.50%	1.50%	Purchase	10% or More	1.25%	1.25%	Loan Purpose	% for 1 st Time Use		% for Subsequent Use	Cash-Out Refinance	2.15%		3.3%
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Arc Home
Wholesale VA 3/1 and 5/1 ARM Standard and High Balance

<p>VA Loan Guaranty/Entitlement</p>	<ul style="list-style-type: none"> • For veterans with full entitlement, VA will guaranty 25% of any loan amount. • For veterans with partial entitlement, the maximum amount of guaranty is the lesser of 25% of the loan amount or the applicable years conforming loan limit for a 1-unit property, reduced by the amount of the entitlement previously used by the veteran.
<p>Secondary Financing</p>	<ul style="list-style-type: none"> • No new secondary financing may be initiated in conjunction with a new VA first lien • Down Payment Assistance programs are available, see section below for requirements. • Must meet VA requirements, contact the local RLC for any clarification on acceptability • Subordinate financing is acceptable as long as the veteran is not placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA • The lender must submit documentation disclosing the source, amount, and repayment terms of the second mortgage and agreement to such terms by the veteran and any co-obligors. • The second mortgage must be subordinated to the VA-guaranteed loan, that is, the second mortgage must be in a junior lien position relative to the VA loan. • Proceeds of the second mortgage may be used for a variety of purposes, including but not limited to: closing costs, or a down payment to meet secondary market requirements of the lender. But may not be used to cover any portion of a down payment required by VA to cover the excess of the purchase price over VA's reasonable value. • There can be no cash back to the veteran from the VA first mortgage or a second mortgage obtained simultaneously. • The veteran must qualify for the second mortgage which is underwritten as an additional recurring monthly obligation. • The rate on the second mortgage may exceed the rate on the VA-guaranteed first, however, it may not exceed industry standards for second mortgages. • The second mortgage should not restrict the veteran's ability to sell the property any more than the VA first mortgage. That is, it should be assumable by creditworthy purchasers. • Second mortgages bearing unusual terms, interest rates, etc., are sometimes offered by parties such as: Federal, state, or local government agencies, non-profit organizations, private individuals, a builder, or the seller. Consult VA if it is unclear whether the terms of the second mortgage meet VA standards or if there may be a reasonable basis for VA to make an exception to the general VA standards. • A copy of the subordination agreement, subordinate lien mortgage/deed of trust and note is required • Funding fee may not be paid with funds from second mortgage
<p>Property Types</p>	<p>Eligible Property Types</p> <ul style="list-style-type: none"> • Single Family Residence • 1-4 Units • Modular Homes • PUDs • VA Approved Condos <p>Eligibility can be verified at: https://vip.vba.va.gov/portal/VBAH/Home?paf_portalId=default&paf_dm=shared#</p> <ul style="list-style-type: none"> • Condos (including Site Condos) must be VA approved prior to ordering an appraisal

Arc Home
Wholesale VA 3/1 and 5/1 ARM Standard and High Balance

	<p>Ineligible Property Types</p> <ul style="list-style-type: none"> • Multiple Unit Condos • Manufactured Homes • Mobile homes • Condotels • Hotel Condominiums • Leasehold condos • Timeshares • Working Farms and Ranches • Unimproved Land • Property Currently in Litigation • Commercial Enterprises (i.e., Bed and Breakfast, Boarding House, Hotel) • Mixed-Use • Co-ops • Geodesic dome, Earth or Geothermal homes • Deed Restricted Properties (55+ Age Restricted Properties allowed, see below) • Properties in a flood zone that do not participate in the National Flood Insurance Program • Properties with hauled water • Properties rated in "less than average" condition • Indian land (leased or fee simple) • Properties with Unexpired Redemption Rights • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) unless the lien will subordinate (via a subordination agreement where the lien is no longer part of the property taxes that can take first lien priority) and meets all Agency requirements • Properties in C5 or C6 condition • Community Land Trusts
Occupancy	<ul style="list-style-type: none"> • Primary Residence (O/O)
Geographic Locations	<ul style="list-style-type: none"> • Arc Home cannot lend in Missouri
Assumptions	<ul style="list-style-type: none"> • N/A
Escrow Waivers	<ul style="list-style-type: none"> • Taxes and Homeowners Insurance must be escrowed
Prepayment Penalty	<ul style="list-style-type: none"> • None
Underwriting	<ul style="list-style-type: none"> • Loan must score Approve/Accept. Manual underwriting is not permitted. • VA prior approval is required for the following (but must also be listed as an Eligible Borrower Combination in the Eligible Borrowers section above if a borrower combination): <ul style="list-style-type: none"> ○ Joint loans involving a veteran and non-veteran who is not the veteran's spouse. ○ Veteran and non-veteran same-sex spouse (in some cases, see Same-Sex Spouse section) ○ Joint loans involving two or more veterans who intend to use their entitlement and take title jointly. ○ Loans to veterans in receipt of VA non-service related pension (would be identified on the COE as VA Prior Approval required and would not be exempt from the VA funding fee)

Arc Home
Wholesale VA 3/1 and 5/1 ARM Standard and High Balance

	<ul style="list-style-type: none"> ○ Loans to veterans rated incompetent by VA. ● A full executed 4506-C is required for all loans ● Tax transcripts will be required when determined by Underwriter ● Verbal Verification of Employment is required for all Borrowers using salaried income to qualify and must be completed within 10 business days prior to the note date. Verbal Verification of Employment is required for all Borrowers using self-employment 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: <ul style="list-style-type: none"> ○ Possession of cannabis or cannabis seeds ○ Processing ○ Growing ○ Harvesting/Cultivation ○ Testing ○ Packaging/Delivery ○ Wholesale or Retail sales
Processing Styles	<ul style="list-style-type: none"> ● Standard
Borrower Eligibility	<ul style="list-style-type: none"> ● A veteran who has served on active duty in the Army, Navy, Air Force, Marines, or Coast Guard, and who (except for a service member on active duty) was discharged or released from active duty under conditions other than dishonorable. ● The following eligibility criteria apply: ● The minimum service required during wartime periods is 90 days of active duty ● The minimum service required for the peacetime periods is 181 days of continuous active duty. ● The veteran must have been discharged or released from active duty under other than dishonorable conditions. Veterans who have served less than the minimum required period may be eligible if discharged because of service connected disabilities. ● Members of the Reserves or National Guard who are not eligible for loan guaranty benefits are eligible upon completion of six years of service in the Selected Reserve, or upon discharge from the Reserves or National Guard because of a service-connected disability before completing six years. ● The un-remarried surviving spouse of an eligible service member who died as a result of service or service-connected injuries may also be eligible. ● Must have a Certificate of Eligibility (COE) which also indicates the Veteran's entitlement ● ITIN (Individual Tax Payer Identification Numbers) are not allowed (must have Social Security Numbers) ● Maximum of four borrowers allowed per loan ● Co-signers are not allowed, anyone who signs the Note must be on all documents and take title on the loan ● Fractional title is not allowed, owners must have equal ownership ● Only eligible borrowers who sign the Note may take title to the property at closing. The only exception is the veteran's legal spouse. ● Life estates are not eligible for financing. A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death the right reverts to the grantor or his heirs

Arc Home
Wholesale VA 3/1 and 5/1 ARM Standard and High Balance

	<ul style="list-style-type: none"> Registered Domestic Partners are not recognized by VA. The borrower must permanently reside in the United States. In addition, an accurate and successful AUS submission requires the borrower currently reside in the U.S. and have a U.S. address or an APO military address within the U.S. for active deployed military, regardless of citizenship. Adequate documentation must be provided to substantiate such residency in the U.S. For borrowers employed in a residential real estate related profession loans on builder or developer owned properties are ineligible.
Borrower Combinations	<p>Eligible Veteran/Borrower Combinations:</p> <ul style="list-style-type: none"> Veteran Veteran and non-veteran spouse Two veterans who are married to each other where only one veteran will be using entitlement. Two veterans who are married to each other where each veteran will be using entitlement. Surviving spouse of an eligible veteran (if determined eligible by a VA-issued COE). Spouse of an active-duty service person who has been listed as MIA or POW for more than 90 days (if determined eligible by a VA-issued COE). Eligible Veteran/Borrower Combinations that require prior approval by VA: Two veterans who are not married to each other where each veteran will be using entitlement (Joint Loans). Veteran and non-veteran same-sex spouse (in some cases, see Same-Sex Spouse section) Veteran and non-veteran who is not the veteran's spouse (VA will only issue guaranty on the veteran's portion of the loan. Loan must still include the minimum 25% coverage and can be a combination of VA provided entitlement plus cash down payment/equity).
Same-Sex Spouse	<p>See VA Circular 26-15-29 for additional details,</p> <ul style="list-style-type: none"> Lenders may accept a Veteran's assertion of spousal status when a Veteran is applying for a mortgage. The administrations within VA will apply the same level of scrutiny to all Veterans' marriages, regardless of whether they are same-sex or opposite-sex marriages. VA will therefore process claims and applications involving same-sex marriage in the same manner as claims and applications based on opposite-sex marriage, without any additional scrutiny or development. To further implement this policy of equal treatment, VA will accept a claimant's or applicant's assertion that he or she is married as sufficient evidence to establish the Veteran's marriage. For the purposes of home loan benefits administered by Loan Guaranty Service, VA will accept an assertion on VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application, to establish spousal status for the purpose of this benefit. Lenders should process loan applications involving same-sex marriage in the same manner as loan applications based on opposite-sex marriage, without any additional scrutiny or development.
Co-Borrower	<ul style="list-style-type: none"> Non-occupying co-borrowers / co-signers are not allowed
Residual Income	<ul style="list-style-type: none"> Residual income is the amount of net earnings remaining to maintain family living expenses (i.e. food, healthcare, gasoline). The residual income that is calculated should be greater than or equal to the residual income posted by VA. Residual Income Calculations:

Arc Home
Wholesale VA 3/1 and 5/1 ARM Standard and High Balance

- Net Effective Income is taken from Line 41 of VA Form 26-6393
- Monthly Shelter Expense is taken from Line 21 of VA Form 26-6393
- Gross Income (taxable) – Federal & State Taxes & Social Security deduction = Net Take Home Pay.
- Gross Income (Non-taxable) = Net Take Home Pay. When calculating non-taxable residual income, the income may NOT be grossed up.
- Net Take Home Pay – Obligations (revolving & installment debts) – new PITIA (including maintenance, utilities, dues) = RESIDUAL INCOME.

Residual Income by Region for loan amounts <\$80,000				
Family Size ¹	North East	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1004
1 – Add \$75 for each additional member up to a family of 7.				

Residual Income by Region for loan amounts >=\$80,000				
Family Size ¹	North East	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1025	\$1003	\$1003	\$1117
5	\$1062	\$1039	\$1039	\$1158
1 – Add \$80 for each additional member up to a family of 7.				

Geographical Regions for Residual Income Guidelines

Northeast

Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

Midwest

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

South

Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, West Virginia

West

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

Credit Requirements

- Tri Merged Credit Report, see minimum credit score requirements above
- 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



Arc Home
Wholesale VA 3/1 and 5/1 ARM Standard and High Balance

	<p>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.</p>
<p>Appraisal Requirements</p>	<ul style="list-style-type: none"> • Effective for all appraisals ordered on or after December 29, 2011, in addition to VA's current exterior photograph requirements, VA appraisers must provide photographs of the following rooms and/or property conditions: <ul style="list-style-type: none"> • Kitchen • All bathrooms • Main living area • All physical deterioration, if applicable • Examples of recent updates, such as restoration, remodeling and renovation, if applicable • Effective with VA Circular 26-14-21, VA requires that appraisers must include Fannie Mae Form 1004MC, Market Conditions Addendum, in all VA appraisal reports. • Notice of Value (NOV) is valid for six (6) months. • NOV cannot be reused from a previous closed transaction • For properties served by individual water and/or sewer systems, connection to public water and/or public sewer will only be mandatory when such connection is required by the local building, planning, or health authorities. For properties on individual water and/or sewer (septic) systems where well water or septic tests or certifications were required, the validity of those tests or certifications is 90 days unless the local health authority indicates otherwise. All Notices of Value (NOVs) issued on properties served by individual water and/or sewer systems will require NOV Item #6 to be checked for connection to public water or public sewer only if the local building, planning, or health authority requires such connection. • Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period. • Staff Appraisal Reviewers (SARs) may not issue a Notice of Value (NOV) that is different from the appraiser's estimate of value • Appraisals must be ordered through The Appraisal System (TAS). • TAS will assign a case number, an appraiser, and a completed VA Form 26-1805-1 (VA Request for Determination of Reasonable Value). • Must include an interior and exterior inspection of the subject property • No new Appraisal can be requested on a property which already has a valid VA value determination (No duplicate appraisals) • Arc Home reserves the right to require additional appraisal reviews/reports at the underwriter's discretion.
<p>Review/ Second Appraisals</p>	<ul style="list-style-type: none"> • If required, review appraisals must be completed by an Arc Home approved Appraisal Company. • The veteran may NOT pay for a 2nd appraisal or review appraisal, unless the 2nd/review appraisal was requested by the veteran.
<p>Principal Reduction at Closing</p>	<p>Permitted on FHA and VA loans 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.</p>



Arc Home
Wholesale VA 3/1 and 5/1 ARM Standard and High Balance

Escrow Holdbacks	Approval is required for all repair escrows. See the Arc Home Escrow Holdback Policy on the Arc Home website for details.			
Interest Rate Adjustment Dates for 3/1 ARMs	Mortgage backed security issued on the first day of:	Shall have an initial interest adjustment at least 36 months, but no more than 42 months, after the first payment date on:	Shall have annual interest adjustments thereafter on:	Shall always have payment adjustments one month later than the interest adjustments, on:
	Dec, Jan., Feb.	April 1	April 1	May 1
	March April, May,	July 1	July 1	August 1
	June July, Aug.	October 1	October 1	November 1
	Sept, Oct., Nov.	January 1	January 1	February 1
Interest Rate Adjustment Dates for 5/1 ARMs	Mortgage backed security issued on the first day of:	Shall have an initial interest adjustment at least 60 months, but no more than 66 months, after the first payment date on:	Shall have annual interest adjustments thereafter on:	Shall always have payment adjustments one month later than the interest adjustments, on:
	Dec, Jan., Feb.	April 1	April 1	May 1
	March April, May,	July 1	July 1	August 1
	June July, Aug.	October 1	October 1	November 1
	Sept, Oct., Nov.	January 1	January 1	February 1
Reference Material	VA Handbook: http://benefits.va.gov/warms/pam26_7.asp			
Internet Links	www.archomellc.com			