



**Correspondent
Seller's Guide**

April 22, 2024

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 ARC Home LLC C/O Flagstar Bank ISAOA/ATIMA 105

P.O. Box 52198..... 105

Phoenix, AZ 85072-2198 105

800-968-7700 105

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- Name Affidavit for all borrowers - copy 110
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DEFINITIONS

As used in this Seller's Guide, the capitalized terms herein shall have the following meanings, unless the context requires otherwise:

"Best Efforts Commitment" means a Commitment requiring Seller to sell a loan as set forth in such Best Efforts Commitment to Arc Home provided it closes. Best Efforts Commitments may only be entered into for loans that have not yet closed. Seller will act in good faith to encourage the Mortgagors to close the loan. Sellers may not enter into any other commitments with respect to a loan subject to a Best Efforts Commitment. A Best Efforts Commitment with respect to a locked loan shall be considered a Mandatory Commitment with respect to such loan on the related Disbursement Date.

"Clear Date" means the day that the last suspense item is received by Arc Home.

"Commitment Confirmation" means a written communication from Arc Home to the Seller confirming that the Seller's Commitment request is accepted and outlining the additional terms and conditions applicable to Arc Home's potential purchase of the loan.

"Confidential Information" shall mean and include information about hardware, software, screens, specifications, designs, plans, drawings, data prototypes, discoveries, research, developments, methods, processes, procedures, improvements, "know-how", compilations, market research, marketing techniques and plans, business plans and strategies, customer names and other information related to customers, price lists, pricing policies and financial information or other business and/or technical information and materials, in oral, demonstrative, written, graphic or machine-readable form, which is unpublished, not available to the general public or trade, and which is maintained as confidential and proprietary information by Arc Home for regulatory, customer relations, and/or competitive reasons. Confidential Information shall also include such confidential and proprietary information or materials belonging to Arc Home or to which Seller may obtain knowledge or access through or as a result of the performance of its obligations under the Agreement. Confidential Information also includes any information described above which Arc Home has obtained in confidence from another party who treats it as proprietary or designates it as Confidential Information, whether or not owned or developed by Arc Home. Without limiting the foregoing, Confidential Information shall include all such information provided to Seller both before and after the date of the Agreement.

"Conventional Loan(s)" means a residential mortgage loan, other than an FHA or VA loan, eligible for purchase by Fannie Mae, Freddie Mac, FHLB or a private investor, with a loan term not exceeding 360 months.

"Credit File" generally means all documentation that the Seller has received, obtained, created or documented pertaining to the subject property and the borrower(s) on each loan to determine that both the subject property and the borrower(s) meet all eligibility standards and product guidelines. This documentation may include, but is not limited to, the underwriting approval, the automated underwriting score sheet, the credit report, income and employment documentation, asset documentation, any documentation that may be required to evaluate the occupancy status of the subject property, any letters of explanation that have been provided by the borrower, a copy of the sales agreement (if applicable), the appraisal and any necessary addendums, evidence of property insurance, and any other documentation that is needed to make a prudent underwriting decision.

"Current Market" means the current market price.

"Delegated" or "Delegated Underwriting Approval" means a Seller who completes all origination processes (including taking the application, processing, underwriting and closing) pertaining to a loan.

"Disbursement Date" means the date that a loan is disbursed on behalf of a mortgagor(s) by a closing agent after all recession and escrow periods have expired.

"Early Payment Default" means a loan for which any of the first four (4) payments due after purchase of the loan by Arc Home becomes ninety (90) or more days delinquent and such delinquency is not attributable to an error in servicing or other material error of Arc Home or its affiliates.

"Early Payoff" means a loan that is paid in full within 180 days following the Purchase Date.

"Higher Priced Mortgage Loan" or "HPML" is generally a first lien secured by a primary residence that has an annual percentage rate (APR) of 1.5% that is not jumbo loan, 2.50% for jumbo loans and 3.5% for a subordinate lien other than a home equity line of credit or more above the average prime offer rate (APOR) for comparable transaction as of the rate lock date.

"HO-6 Policy" The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have a HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.

"LLPA" means Loan-Level Price Adjustment

"Loan File" generally includes the complete Credit File along with the complete closing file, the compliance package (including all required federal, state, local and municipal law forms, properly prepared and executed), all required insurance documentation and any other documentation that was obtained as part of the loan origination, closing and funding process that was necessary to demonstrate compliance with the Guide.

"Mandatory Commitment" means a Commitment requiring Seller to unconditionally sell a loan or group of loans to Arc Home as set forth in such Mandatory Commitment. If Seller does not fulfill the Commitment terms prior to the Commitment expiration, the Seller will be subject to a Pair Off Fee payable to Arc Home.

"Mandatory Delivery" means the required sale and delivery of a locked loan registered with Arc Home or a loan or group of loans that are subject to a Mandatory Commitment.

"Non- Delegated" or " Non-Delegated Underwriting Approval" means a Seller who completes the following origination processes (taking the application, processing, and closing) pertaining to a loan. Underwriting is completed by Arc Home.

"Pair Off Fee" means the fees assessed if the Seller fails to deliver loan files in purchasable form, as determined by Arc Home, in the amount of the commitment, by the expiration date (including extensions) or the date on which the Seller cancels the commitment, whichever is earlier.

"Purchase and Sale Agreement", "PSA", or "Agreement" The Correspondent Seller Loan Purchase and Sale Agreement.



"Purchase Date" means the date when the loan is sold to Arc Home and the Purchase Price is paid by Arc Home.

"Qualified Mortgage" means a Qualified Mortgage as defined within the Truth-in-Lending Act.

"Rate Lock Commitment" means an agreement between the Seller and Arc Home to deliver and sell a loan to Arc Home.

"Rate Lock Expiration Date" means with respect to any locked loan or Mandatory Commitment is that date by which the applicable loan file(s) must be received by Arc Home, in complete and purchasable form, in order for the Purchase Price Percentage to be honored.

"Repurchase Price" means the price to be paid by the Seller to repurchase a loan. The amount will include base price, any SRP, if separately stated, all accrued interest and any and all reasonable expenses and attorney's fees incurred by Arc Home. The base price of the Loan will be the greater of the Purchase Price Percentage paid times the outstanding balance or the price which Arc Home was required to pay a subsequent investor to repurchase the loan.

"Seller" means an entity who is an approved correspondent counterparty to Arc Home. Any such Seller must close the loan in its own name and use its own source of funds.

"Seller's Guide" or "Guide" the document that establishes guidelines, policies, procedures, rate commitments, underwriting, and delivery requirements of a Credit File and Loan File being purchased by Arc Home. The document may be amended by Arc Home without notice from time to time in Arc Home's sole discretion and including any notices or bulletins issued by Arc Home which notices, bulletins, and changes shall be immediately binding upon Seller.

"SRP" means service release premium.

"Tangible Net Worth" generally means a calculation of the worth of a company after excluding any value that is derived from intangible assets.

"Third Party Originator" Any person or entity, not an employee of Seller, who is duly authorized to perform all or part of the origination process, including but not limited to processing a loan application, ordering appraisals and/or credit reports, verifying income and/or employment, and who is compensated by Seller for this activity. For avoidance of doubt, certain service providers who are engaged by the Seller in the ordinary course of its business including but not limited to contract underwriters, credit bureaus, and loan quality data providers, are not Third- Party Originators.

"Transfer Date" the servicing transfer date.

"Wholesale Mortgage" or "Third Party Origination" means any loan for which a Third-Party Originator performs a significant portion of the origination process for a fee, including but not limited to taking an application from a Borrower, processing the loan application, ordering appraisals and/or credit reports and verifying income and/or employment.

CHANNEL COMPARISON

	Delegated	Non-Delegated
APPLY AND UNDERWRITE		
Take a Loan Application	X	X
Collect Documents	X	X
Send Disclosures	X	X
Pull Tax Transcripts	X	X
Provide Appraisal	X	X
Order Flood	X	X
Fraud Check	X	X
Provide MERS Number	X	X
Underwrite Loan	X	ARC
Order MI	X	ARC*
Review POA	X	X
Re-Disclose if Loan Changes	X	X
Resolve Underwriting Conditions	X	X
CLOSE AND FUND		
Request Closing and Provide UW Documents	X	X
Complete Final Verbal VVOE	X	X
Resolve Compliance Issues-Change Fees, Re-Disc	X	X
Draw Documents	X	X
Prepare CD	X	X
Deliver Closing Package	X	X
Review Signed Closing Package	X	X
Request Funds	X	X
Register and Transfer MERS	X	X

	Delegated	Non-Delegated
SELL CLOSED LOAN		
Submit Closing Package to Investor	X	X
Resolve Purchase Conditions	X	X
Issue Purchase Advice	ARC	ARC
Submit Purchase Advice to Warehouse	X	X
Send Goodbye Letter to Borrower	X	X
Transfer Flood, Hazard, Wind, MERS	X	X
Collect First Payment	X	X
Activate MI (by ordering party)	X	X
Remit MIP or VA Funding Fees	X	ARC
Submit for Insuring to FHA, VA	X	ARC
Final Doc Follow Up	X	X
OTHER - GENERAL WORK, NOT SPECIFIC TO ONE TRANSACTION		
HMDA and other Compliance Reporting	X	X
1098 Statement	X	X
Keep Records of all Loan Documents	X	X

Key:

- X = Client completes activity
- ARC = Arc Home completes activity on Seller's behalf
- ARC* = Arc Home will complete if requested by Seller

NON-DELEGATED CORRESPONDENT CHANNEL - ROLES AND RESPONSIBILITIES

CLIENT RESPONSIBILITIES

- Compliance
- Quality Control
 - Prevention of Fraud and Misrepresentation (Rep and Warrants no
 - Processing QC
 - Post Closing/Post-Purchase QC
- Vendor Relationships
 - Credit
 - AUS
 - Pricing Engine
 - AIR Compliant Appraisals
 - Transcripts
 - Fraud Guard/Fraud Prevention
 - Mortgage Insurance
 - Flood Cert
 - MERS
 - Closing Docs
 - Verifies that their Warehouse Provider approves our NQM product set
 - 1098 Distribution
- Case Number Acquisition
- Complete Processing/Loan Packaging

ARC HOME RESPONSIBILITIES

- Credit and Appraisal Underwriting
- Final AUS
- NOV Issuance
- FHA and VA Insuring
- Purchase Audit
- Purchase Advise
- Servicing
- Government Fee Payment (FHA MIP and VA Funding Fee)
- HMDA Reporting
- Outstanding Customer Service (Our Core Promise)

CHAPTER 1: OVERVIEW

The Correspondent Lending Seller's Guide ("Seller's Guide" or "Guide") governs business relationships for Arc Home LLC. This Guide sets forth the terms and conditions for selling and originating loans to Arc Home by an approved Correspondent Seller ("Seller").

Delegated and Non-Delegated Sellers are bound by the requirements of this Seller's Guide. (unless otherwise noted) Arc Home may disqualify, such Sellers and terminate its entire relationship with that Seller upon any failure by the Seller to meet the Seller' DEFINITIONS.

Website

<https://www.archomellc.com/>

Bulletins

Arc Home reserves the right from time to time to amend and update the Seller's Guide, without notice to Seller, which amended Seller's Guide shall govern immediately upon amendment by Arc Home. Seller shall independently confirm that Seller is operating under the most current Seller's Guide. It is the responsibility of Seller to institute these updates as and when same become applicable.

Hours of Operations and Holidays

8:30 am – 5:00 pm EST

The federally recognized holidays in section 6103(a) of title 5, of the United States Code at the time of publication of this Seller's Guide are as follows:

New Year's Day
Martin Luther King Jr.
President's Day
Memorial Day
Juneteenth
Independence Day
Labor Day
Indigenous People's Day (also observed as Columbus Day)
Veteran's Day
Thanksgiving Day
Christmas Day

On federal holidays, banks and the U.S. Postal Service do not operate, and wire-transfers of funds do not occur. Federal holidays are not included in the rescission period. Arc Home's Wire Desk is closed on all federal holidays. Any funds that would otherwise be due for wiring on a federal holiday will be wired on the following business day.

CHAPTER 2: SELLER ELIGIBILITY STANDARDS

Use of Arc Home LLC Name and Confidentiality

Seller agrees not use the name “Arc Home LLC” or “Arc Home Loans” or the name or trademarks of any subsidiaries or affiliates of Arc Home LLC in any of Seller’s promotional or other materials without Arc Home’s prior written consent.

Seller will not share any trade secrets, confidential information, or any proprietary information regarding the practices, pricing, polices or procedures of Arc Home LLC.

Power of Attorney

Seller irrevocably appoints Arc Home as its attorney-in-fact in order to endorse promissory notes from Seller to Arc Home, and to execute necessary documents, such as, but not limited to, assignments of mortgages, deeds of trust, deeds to secure debt and other documents securing those promissory notes, giving Arc Home the authority to do each action as fully as Seller could do so. This power of attorney can only be revoked or discontinued by notification to Arc Home in writing. If the Agreement between Arc Home and Seller is terminated, this power of attorney will remain with Arc Home for a minimum of three (3) years after termination.

Privacy of Consumer Information

Seller agrees to comply with any applicable federal, state and local laws and regulations regarding the privacy and security of consumer information. Seller further agrees not to use consumer information in any manner inconsistent with any applicable laws and regulations regarding the privacy and security of such consumer information. It is also required that Seller agrees to maintain adequate physical, technical and administrative safeguards in order to protect consumer information from unauthorized access.

Delegated Seller

For Sellers who are approved as delegated, Seller is responsible to ensure that any loans sold to Arc Home meets the eligibility and underwriting guidelines as outlined in the Seller’s Guide and the related Purchase and Sale Agreement (“PSA”). All reference to this Seller’s Guide also incorporates the PSA. Seller represents and warrants compliance with the Seller’s Guide for all loan submissions.

If the Seller elects to use a third-party underwriting service for credit and underwriting, Seller remains responsible for compliance with Arc Home guidelines on all loan submissions.

Seller’s underwriting authority is determined at Arc Home discretion. Even if a Seller has Delegated Underwriting Approval, there may be certain products that require Arc Home underwriting approval.

Audits

At any time, Arc Home may conduct an audit of Seller’s offices during normal business hours. Seller must provide the assistance of a knowledgeable and responsible employee to assist Arc Home in such audits. Arc Home must be given access to all records and files pertaining to the loans and any other information needed to ensure that Seller is in compliance with the terms and provisions of this Seller’s Guide and the Seller’s Agreement with Arc Home.

Seller further agrees that, upon the request of Arc Home, it will provide any material and information requested. During this audit, Seller will provide contact persons for additional information.

Arc Home has the right to examine any, and all, records that pertain to loans governed by the Seller's Guide; such records must include the individual loan file, all accounting reports associated with the loan, other data, information and documentation that Arc Home may deem necessary to verify that Seller is in compliance with Arc Home requirements.

Seller is responsible to ensure that any electronic documents it uses (as allowable under state and federal law) meet all legal standards and requirements, and that Seller has appropriate storage, retrieval, and back-up systems for such documents.

Requests for these records by Arc Home to Seller must be satisfied within fifteen (15) days of receipt of the request.

Maintenance of Records

Seller will maintain such records of all loans submitted to Arc Home for purchase for such time frame as required to comply with applicable federal and state laws. In addition, Seller shall maintain each file for at least three (3) years from the date the loan is fully paid or if loan is accelerated, for at least six (6) years from the date of sale. It is necessary that Seller maintain an individual loan file for each loan submitted to Arc Home for purchase.

Changes in Seller Status

The following information should be reported to Arc Home prior to or upon occurrence, as applicable:

- Seller's address or phone number changes
- Material financial changes or changes in management ordered or required by a regulatory authority
- Net Worth dropping below required minimums as described in this Guide.
- Resignation or termination of any senior management. Seller will provide resumes of replacement personnel within 30 days of replacement
- Entry of any judgment or regulatory order where Seller is required to pay a claim, which may have material adverse effect on financial condition of the Seller
- Dissolution of Seller's business
- Notice to the Seller of an event of default on any loan sale agreements, warehouse lines or other material agreements.

Arc Home, at its sole discretion, reserves the right to temporarily suspend further business with Seller at any time. Seller's failure to timely notify Arc Home of any of the above-described changes, or any other significant changes, may result in termination.

Seller Eligibility

The Seller must meet all capital requirements, adhere to all applicable federal, state and other licenses, authorizations, approvals and insurance (such as Fidelity Bond and Errors & Omissions Insurance) in order to be in compliance with this Seller's Guide and the PSA. The Seller must be in compliance with any local, state or federal regulatory agency requirements applicable to it.

Net Worth

The following are minimum Seller guidelines for the program. If the Seller is required by an entity such as a regulator or licensing entity to maintain a higher net worth, than the higher net worth will apply. Exceptions to these guidelines may be approved on a case-by-case basis.

- Seller Net Worth Requirements for Non-Delegated Underwriting is a minimum TNW of \$150,000
- Seller Net Worth Requirements for Delegated Best Efforts Underwriting is Tangible Net Worth (“TNW”) equal or greater to \$1.0MM
- Seller Net Worth Requirements for Mandatory Delivery is a minimum TNW of \$1.5MM
- Seller Net Worth Requirements for Delegated Best Efforts Underwriting on the Arc Elite, Arc Access and Foreign National Products is a minimum TNW of \$5.0MM
- Seller Net Worth Requirements for Third Party Originator is a minimum TNW of \$2.5MM (not available on Arc Elite, Arc Access and Foreign National Delegated)

When reviewing a Seller’s financial statements, Arc Home reserves the right to complete its review using an adjusted TNW value, which may include deductions to the Seller’s TNW for other assets that the Seller holds on its balance sheet that may be considered, at Arc Home’s discretion, to be less liquid or more volatile in value.

Financial Statements Required

- Two (2) years audited financial statements
- Most recent quarter end interim financial statements

Other Required Documents

- Resumes of Key Principals and Senior Management
- Articles of Incorporation and By-Laws
- Evidence of all Mortgage Banker/Broker Licenses
- Copy of Quality Control Agreements (including third party vendor)
- Copy of Appraisal Independence Requirement Plans
- Production type and volume breakdown including origination source and processing method
- Investors, MI company and Warehouse References and report cards
- Executed PSA
- For TPO Sellers, Arc Home will monitor the portfolio mix sold for possible adverse selection. Approval of TPO, subject to review of the following:
 - Broker Relationship List
 - Copy of your Broker Application
 - Copy of your Broker Approval Process

Periodic Document Submissions

- Internally prepared Quarterly Financial Statements within 45 days of each quarter end (upon request).
- Annual Audited Financial statements within 120 days of Seller’s fiscal year end.

Re-Certification and Continuance

Sellers are subject to annual re-certification approval. In order to remain as an approved Seller with Arc Home, the Seller must provide all information, as requested, on an annual basis or at any time requested by Arc Home. Such information to include without limitation updated financial, compliance, quality control, and licensing updates and reports Seller must maintain all standards regarding current financial strength, volume, acceptable performance as detailed in the Seller's Guide and Agreement.

Loans delivered by Seller to Arc Home must have acceptable delinquency, defect, and prepayment rates. Acceptability is determined at the sole discretion of Arc Home.

Seller's mortgage insurance claims must be acceptable to Arc Home.

Arc Home reserves the right to amend the eligibility standards contained herein.

Seller Insurance Requirements

- Errors and Omissions ("E&O") and Fidelity Bond Insurance is required in amounts equal to those established from time-to-time by Arc Home.
- The minimum E&O and Fidelity Bond coverage must be consistent with state licensing and GSE guidelines, as applicable.

CHAPTER 3: QUALITY CONTROL

Requirements of Seller's Quality Control Program

It is necessary that the Seller maintain an internal quality control program that meets Arc Home guidelines, as well as standard industry requirements. Standard Industry requirements means the standards and requirements of Fannie Mae, Freddie Mac, FHA and GNMA with respect to, without limitation, appraisals, quality control, documentation, and underwriting.

The program must be documented and supported by a written plan that details the objectives and the scope of the review. The program must also include applicable policies and procedures. This written plan must be provided to Arc Home, upon request. Results of the quality control program must also be provided, upon request, in the form of a summary report that was distributed to the Seller's senior management.

Seller's internal quality control program, as documented, must at a minimum cover the following:

- Accuracy of legal and origination documents
- Soundness of underwriting decisions (if applicable)
- Evidence of monitoring for red flags, including any evidence of discovery of fraud and misrepresentation
- Identification of any systemic issues, their root causes and resolution
- Monitoring of corrective action plans in place
- Sound reporting procedures
- Description of sampling methodology, which must include random and high-risk targeted samples and loans that have delinquencies
- A post-closing review that monitors adherence to agency and investor requirements

Notifications Required

Seller must notify Arc Home immediately if it becomes aware of:

- Misrepresentation or fraudulent activity of any nature
- A variance is discovered that could adversely affect the interests of Arc Home
- A defect that could cause repurchase under Arc Home or investor guidelines
- Any issue that could cause an un-saleable loan

Seller must provide Arc Home with prompt written notice detailing the issues discovered, along with any supporting documentation. Notice should be sent to:

Arc Home LLC
Attention:
Notifications
224 Strawbridge
Drive, Suite 200
Moorestown, NJ
08057

Responsibility for Resolution of Quality Control Findings

The Seller is responsible to resolve any quality deficiencies discovered post funding on loans purchased by Arc Home LLC. Such resolution is required within five (5) business days of notification by the Arc Home Quality Assurance Resolution Team.

A mailbox has been set up exclusively for this activity. Correspondence and documentation should be sent to: QAResolution@ArcHome.com

After the first request for missing documentation or additional clarification on a deficient loan, an extension may be granted, if required. Such extension will be for another five (5) business day time frame. It is necessary that the Seller be actively involved in working to try and resolve all identified issues during this time frame.

Seller may be responsible to repurchase any loan with deficiencies, as per Chapter 4 of this Guide for reasons stated.

Failure of Arc Home to request repurchase immediately upon identification of the deficiency does not in any way indicate that a repurchase may not be requested at a later date, with or without an agency request for repurchase and Arc Home reserves all rights to cause a Seller to repurchase a deficient loan at any time after its purchase by Arc Home.

CHAPTER 4: REPRESENTATIONS AND WARRANTIES

Authority and Capacity

Seller represents and warrants that:

- Seller has all requisite corporate power, authority and capacity, to enter into agreement with Arc Home and to perform the obligations required in this Seller's Guide, any contracts signed, and any other required documentation.
- Seller is duly organized, validly existing and in good standing under the laws of the jurisdiction under which it was organized and is qualified to do business and is properly licensed or registered as a mortgage banker or lender in each jurisdiction in which the Seller does business or is exempt under applicable law from such qualification or licensing and no demand for such qualification or licensing has been made upon the Seller by any jurisdiction.
- Seller has duly executed and delivered the Agreement and upon authorization, execution and delivery by Arc Home, the Agreement will constitute the valid and legally binding obligation of Seller enforceable against Seller in accordance with its terms except as enforceability may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and by general principles of equity regardless of whether enforceability is considered in a proceeding in equity or at law.
- The execution and delivery of the Agreement shall not conflict with or result in the breach of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance of any nature upon the properties or assets of the Seller, any of the terms, conditions or provisions of the Seller's charter or bylaws or any similar corporate documents of the Seller or any mortgage, indenture, deed of trust, loan or credit agreement or other agreement or instrument to which the Seller is now a party or by which it is bound. Furthermore, the Agreement will not violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or regulatory directive presently in effect applicable to the Seller.
- Seller does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in the Agreement.
- The sale of the loans will not cause Seller to become insolvent, and the sale of the loans is not undertaken with the intent to hinder, delay or defraud any of the Seller's creditors.
- Seller warrants that there is no litigation, proceeding or governmental investigation pending, or any order, injunction or decree outstanding that might materially and adversely affect the mortgage loans or the related servicing rights to be sold pursuant to the Agreement. Additionally, there is no litigation, proceeding or governmental investigation existing or pending or to the knowledge of the Seller threatened, or any order, injunction or decree outstanding against or relating to the Seller that has not been disclosed by the Seller to Arc Home in writing that could have an adverse effect upon the mortgage loans or the related servicing rights or the other assets to be purchased by Arc Home, nor does the Seller know of any basis for any such litigation, proceeding or governmental investigation. The Seller has not violated any applicable law, regulation, ordinance, order, injunction or decree, or any other requirement of any governmental body or court, which may materially and adversely affect the mortgage loans or the related servicing rights to be sold.
- No representations, warranty or written statement made by the Seller or certificate furnished to Arc Home by the Seller contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.
- There is no action, suit, proceeding, or investigation pending, or to the Seller's knowledge threatened, against the Seller before any court, administrative agency, or other tribunal except as disclosed in writing to Arc Home.

Loan Characteristics

With respect to each mortgage loan sold by Seller to Arc Home, the Seller represents and warrants the following as of the applicable Purchase Date:

Valid First Lien

The mortgage is valid, subsisting, enforceable and the mortgaged property and all installations and mechanical, electrical, plumbing, heating and air conditioning systems located in or annexed to such buildings, and all additions, alterations and replacements made at a time with respect to the foregoing, and such mortgaged property is owned by the mortgagor in fee simple or is a leasehold estate, subject only to:

- The lien of current real property taxes and assessments not yet due and payable;
- Covenants, conditions and restrictions, rights of way, easements, and other matters of public record as of the date of recording acceptable to mortgage lending institutions generally and specifically referred to in the lender's title insurance policy delivered to the originator of the mortgage loan referred to or otherwise considered in the appraisal made for the originator of the mortgage loan or which do not adversely affect the appraised value of the mortgaged property set forth in such appraisal; and
- Other matters to which like properties are commonly subject to, which do not individually or in the aggregate materially interfere with the benefits of the security intended to be provided by the mortgage or the use, enjoyment, value, or marketability of the related mortgage property.
- The mortgage loan, lien position, enforceability, and other characteristics comply with the requirements of Fannie Mae and Freddie Mac.

Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the mortgage loan establishes and creates a valid, subsisting, and enforceable first lien, and first priority security interest on the property described therein and the Seller has the full right to sell and assign the same to Arc Home. All tax identifications and property descriptions are legally sufficient; tax segregations, where required, have been completed. The mortgaged property was not (as of the date of the origination of the mortgage loan and as of the date on which Arc Home purchased the mortgage loan) subject to a mortgage, deed of trust, deed to secure debt or other security instrument creating a lien senior to the lien of the mortgage.

Deeds of Trust

In the event the mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the deed of trust, and no fees or expenses are or will become payable by Arc Home to the trustee under the deed of trust except in connection with a trustee's sale after default by the mortgagor.

Full Disbursement of Proceeds

The mortgage loan has been closed and the proceeds of the mortgage loan have been fully disbursed and there is no requirement for future advances thereunder, and any, and all, requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefore have been complied with. All rescission periods have expired, and Borrower has received proper, timely and compliant notices related thereto. All costs, fees and expenses incurred in making or closing the mortgage loan and the recording of the mortgage were paid, the FHA mortgage insurance premium or the VA guaranty fee, if applicable, has been paid, and the mortgagor is not entitled to any refund of any amounts paid or due under the mortgage note or mortgage. There is no obligation on the part of the Seller, or of any other party, to make supplemental payments in addition to those made by the mortgagor. Any future advances that were made in connection with the mortgage loan have been consolidated with the outstanding principal amount secured by the mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term. Unless otherwise permitted in this Seller's Guide, the consolidated principal amount does not exceed the original principal amount of the mortgage loan.

Defenses

The mortgage loan is not subject to any right of rescission, setoff, counterclaim or defense, including without limitation the defense of usury, nor will the operation of any of the terms of the mortgage note or the mortgage, or the exercise of any right there under, render either the mortgage note or the mortgage unenforceable, in whole or in part, or subject to any right of rescission, setoff, counterclaim or defense, including without limitation the defense of usury, and no such right of rescission, setoff, counterclaim or defense has been asserted with the respect thereto, and unless permitted by Arc Home Program guidelines, no mortgagor was a debtor in any state or federal bankruptcy or insolvency proceeding at the time the mortgage loan was originated, and as of the date Arc Home purchased the mortgage loan, the mortgage loan was not subject to a bankruptcy plan, nor had the related Mortgagor filed bankruptcy.

Payments Current

The Seller represents and warrants to Arc Home for each loan offered for sale that Mortgagor has made, and Seller has credited all payments required to be made through the related loan's Purchase Date under the terms of the note. No payment required under the loan is delinquent nor has any payment under the loan been delinquent at any time since the origination of the loan. For the purposes of this paragraph, a loan will be deemed to be delinquent if the Mortgagor did not pay any payment due within fifteen (15) days of such payment's due date in the month such payment was due.

No Defaults

There is no default, breach, violation, or event of acceleration existing under the mortgage or the mortgage note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation, or event of acceleration, and neither the Seller nor its predecessors have waived any default, breach, violation, or event of acceleration.

Outstanding Charges

There are no defaults in complying with the terms of the mortgage, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due, and owing have been paid. The Seller has not advanced funds, or induced, solicited, or knowingly received any advance of funds by a party other than the mortgagor, directly or indirectly, for the payment of any amount required under the mortgage loan, except of interest accruing from the date of the mortgage note or date of disbursement of the mortgage loan proceeds, whichever is earlier, to the day which precedes by one month the due date of the first installment of principal and interest. No subordinate financing was used by the Mortgagor to acquire the mortgaged property, other than subordinate financing acceptable to Fannie Mae, Freddie Mac, HUD, or VA pursuant to the agency's requirements in effect at the time the mortgage loan was sold by the Seller to Arc Home.

Mechanic's Liens

There are no mechanic's or similar liens or claims which have been filed for work, labor, or material (and no rights are outstanding under the law that could give rise to such liens) affecting the mortgaged property which are or may be liens prior to, or equal to coordinate with, the lien of the mortgage.

Ownership

Immediately prior to Arc Home's purchase of a mortgage loan, Seller was the sole legal, beneficial and equitable owner of record and holder of the mortgage loan. Subject to the right of Seller's warehouse lender previously disclosed to Arc Home in writing, the mortgage loan had not been assigned or pledged, and Seller has good and marketable title thereto, and had full right to transfer and sell the mortgage loan to Arc Home free and clear of any encumbrance, equity, participation interests, lien, pledge, charge, claim or security interest, and had full right and authority subject to no interest or participation of, or agreement with, any other party, to sell and assign the mortgage loan pursuant to the Agreement and on the Purchase Date, Arc Home received good and marketable title to the mortgage loan free of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest. If the mortgage loan is pledged to, or encumbered by, the liens of Seller's warehouse lender previously disclosed to Arc Home, upon payment of the purchase proceeds to such warehouse lender, all rights and interest of such warehouse lender in the mortgage loan shall terminate. There is no litigation pending or, to the best of the Seller's knowledge, threatened, affecting, or relating to the Seller which may in any way affect, by attachment or otherwise, the title or interest of Arc Home in and to the mortgage loan, the mortgaged property or the related mortgage note or security instrument.

Occupancy of the Mortgage Premises

Except where Arc Home has specifically agreed to the contrary, the mortgaged property is lawfully occupied by the mortgagor under applicable law. All inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the mortgaged property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities.

No Satisfaction of the Mortgage

The mortgage has not been satisfied, canceled, subordinated, or rescinded, in whole or in part, and the mortgaged property has not been released from the lien of the mortgage, in whole or in part, nor has any instrument been executed that would affect any such release, cancellation, subordination or rescission. Seller has not waived the performance by the mortgagor of any action, if the mortgagor's failure to perform such action would cause the mortgage loan to be in default resulting from any action or inaction by the mortgagor.

No Servicing Restrictions

No servicing agreement has been entered into with respect to the mortgage loan, or if any such servicing agreement has been entered into it has been terminated, and there are no restrictions contractual, statutory, or otherwise, which would impair the ability of Arc Home or Arc Home's designees to service the mortgage loan.

No Refinance Agreement

Neither Seller nor any of the Seller's affiliates have entered into an agreement, formal or informal, with the mortgagor during the origination process of the mortgage loan to refinance the mortgage loan at some future date as an inducement to the mortgagor to enter into the original mortgage transaction.

No Adverse Selection

Seller did not use an adverse selection procedure in selecting the mortgage loan from among the outstanding mortgage loans owned by it which were available for sale to Arc Home.

Right of Rescission

With respect to refinance loans, the Borrower's Right of Rescission has not been waived.

No Graduated Payment or Shared Appreciation Feature

The mortgage loan is not a graduated payment mortgage loan; and the mortgage loan does not have a shared appreciation or other contingent interest feature.

No Liabilities

There are no liabilities of the Seller with respect to the mortgage loan, with respect to facts or circumstances prior to the date on which Arc Home purchased the mortgage loan for which Arc Home would be responsible as a result of its purchase of the mortgage loan.

Fair Lending and Predatory Lending

The mortgage does not meet the definition of “residential mortgage transaction” set forth in Section 1602 (aa) of the Truth-In-Lending Act. The mortgage loan was originated in full compliance with all state, city or district “high cost” home mortgage or “predatory” lending laws, ordinances, rules or regulations, and would not be considered a “high cost” or “predatory” mortgage loan under any federal, state, local or municipal laws, ordinances, rules or regulations. No form of predatory lending has been used in connection with the origination of any mortgage loan. For purposes of this paragraph, “predatory lending” includes, but is not limited to, any deceptive and/or abusive lending practice that is not in the best interest of the Borrower(s), including, but not limited to, any one or more of the following practices:

- Making loans strictly on the basis of the Borrower’s equity without regard to the proper underwriting of the Borrower’s payment ability and in a manner that unreasonably jeopardizes the Borrower’s equity;
- Frequent refinancing of loans with fees that can strip the equity from a Borrower, and which simply generate fee income with no benefit to a Borrower;
- Using pricing terms that far exceed the true risk and cost of making the loan;
- Including in the loan unearned or otherwise unwarranted fees for services;
- Making it difficult for Borrowers to reduce their indebtedness by adding unreasonably restrictive loan terms and structures; and/or
- Targeting customers who are less financially sophisticated or otherwise are vulnerable to abusive practices.
- No loan is a Higher Priced Mortgage Loan unless specifically permitted on under an Arc Home product guideline and documented accordingly.

Prohibited Practices

Seller and its Third-Party Originators have not engaged in any of the following practices with respect to loans purchased or to be purchased by Arc Home:

- Encouraging a Borrower to default on an existing loan in connection with the refinance of all or part of the existing loan;
- Financing single premium credit life, disability or unemployment insurance products with the proceeds of the mortgage loan;
- Refinancing of a Special Subsidized Mortgage, defined as a residential mortgage loan that is originated or subsidized by or through a state, local, or tribal government or nonprofit organization and that in some circumstances does not have to be completely repaid or requires only partial payment be made. Examples include, but are not limited to, a mortgage granted by organizations such as Habitat for Humanity or a local housing authority;
- Contracting for a prepayment penalty on any product or loan unless specifically allowed within Arc Home product guidelines;
- Executing documents to evidence or secure the loan which contain an arbitration clause;
NOTE: The Seller’s agreement with the Borrower must ensure that terms requiring arbitration are not included in the agreement and must also ensure that the agreement(s) do not bar the consumer from bringing a claim in court;
- Payment to a home improvement contractor from the proceeds of the mortgage loan other than by a check made payable either to the consumer, or jointly to the consumer and the home improvement contractor, or through an independent third-party escrow agent;
- Specifically targeting a mortgage loan sold to Arc Home for a refinance transaction including a preplanned refinancing on a premium priced loan;
- Payment of mortgage loan payments in advance from the loan proceeds; and
- Contracting for an increase in the interest rate upon default of the loan at a level not commensurate with risk mitigation.

Escrows

Escrows established for all loans must be compliant with all local, state and federal regulations.

GSA, LDP and Exclusionary List

The correspondent lender has verified that no company or individual who are material parties to the transaction is listed on HUD's Limited Denial Participation list, the federal General Services Administration (GSA) Excluded Party

list, Freddie Mac's Exclusionary List and Arc Home Internal Exclusionary List. All lists must be checked for all parties to the transaction. If any of the names appear on either list, the loan is not eligible for purchase. This applies to all loans and is not limited to FHA and VA loans.

Confidentiality. Seller agrees that the Arc exclusionary list and information contained on the Arc exclusionary list is maintained in a confidential manner. By accessing or using the Arc exclusionary list, Seller agrees to indemnify Arc for any loss, damage, or expense, including attorneys' fees, resulting from the Seller's failure to maintain the confidentiality of the Arc exclusionary list or information contained on the Arc exclusionary list. Seller uses the Arc exclusionary list only in connection with its responsibilities as a Seller of Arc.

Responsible Lending; Benefit to Borrower; Ability to Repay

- Seller has used best efforts to ensure that each loan offered to a Borrower is consistent with his or her needs, objectives and financial situation;
- Each mortgage loan, the proceeds of which have been used to refinance a previous mortgage loan, offers a documented, demonstrable, tangible net economic benefit to the Borrower;
- Appropriate assessment and documentation have been performed of the Borrowers' ability to repay each mortgage loan in accordance with its terms;
- Sufficient and accurate information has been provided to Borrowers concerning each mortgage loan's terms, costs, risks and benefits including but not limited to disclosure of:
 - The existence of a prepayment penalty, if applicable, prior to closing
 - Disclosure on products containing a prepayment penalty of the availability of similar products with no prepayment penalty, and
 - On limited documentation products, disclosure of the availability of a lower interest rate in exchange for higher levels of documentation.
- Total loan compensation for each mortgage loan, including compensation to Third Party Originators, has been structured to avoid providing any incentive to originate a loan with predatory or abusive characteristics and complies with all laws;
- For transactions involving a mortgage broker, all compensation received by the mortgage broker from any and all sources has been clearly disclosed to the Borrower, at or prior to application, in writing on a mortgage broker compensation disclosure form. The mortgage broker compensation actually received by the mortgage broker does not exceed the amount disclosed. A copy of the mortgage broker compensation form is included in the mortgage loan file.

Third Party Origination

In addition to all other representations and warranties stated in this Seller's Guide, the Seller represents the following with respect to each mortgage loan which was completely or partially originated, underwritten or packaged by any entity other than the Seller (each such mortgage loan a "Wholesale Mortgage Loan"):

- The Seller has received written authorization from Arc Home to sell Arc Home Wholesale Mortgage Loans which comply with the terms and conditions of the Seller's Guide, such authorization has not been rescinded, terminated or revoked by Arc Home and the sale of such Wholesale Mortgage Loan to Arc Home will not be inconsistent with, or exceed, any limitations or restrictions stated in such authorization;
- The Seller has implemented, and the Wholesale Mortgage Loan was subject to prudent Third-Party Origination risk management procedures which identify potential deficiencies in Wholesale Mortgage Loans including, but not limited to, misrepresentations of Borrower income and assets, and inaccuracies in appraisal reports;
- During the time the Wholesale Mortgage Loan was being originated, and at the time of the sale of the Wholesale Mortgage Loan to Arc Home, each entity that participated in the origination of the Wholesale Mortgage Loan:
 - Was duly organized, validly existing and in good standing under the laws of such state or organization and
 - Had all licenses, registrations and certifications in all applicable jurisdictions and such licenses, registrations and certifications were in force and effect at such times;
 - Each entity complied with all applicable agreements, contracts, laws and regulations with respect to, and the violation of which might adversely affect the Wholesale Mortgage Loan or result in any cost or liability to Arc Home; and
 - The entity and the Wholesale Mortgage Loan comply with all Fannie Mae and Freddie Mac requirements for Third Party Originated mortgage loans;
- The Wholesale Mortgage Loan must close in the name of the approved Seller;
- For purposes of this representation and warranty, the Seller's use of a contract underwriter that is known for the quality of its underwriting (for example, a mortgage insurer) will not, by itself, because a mortgage loan to be considered a Wholesale Mortgage Loan. In addition, a mortgage loan that is partially originated or funded by the Seller's parent corporation, or any other affiliate of the Seller, will not be considered a Wholesale Mortgage Loan as long as no unaffiliated third party participated in any aspect of the origination or funding of the mortgage loan.

Mortgage Loan as Described

The information contained in all commitments, advices, schedules, computer tapes or other documents or media prepared by the Seller or on behalf of the Seller or otherwise furnished to Arc Home relating to the mortgage loan is complete, true and correct.

Documents

The mortgage note and the mortgage are on forms acceptable to Fannie Mae, Freddie Mac, FHA and VA, or are instruments approved by Arc Home, and the Seller has not made any representation to the mortgagor which is inconsistent with the mortgage instruments used. The mortgage contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the mortgaged property of the benefits of the security provided therein, including (a) in the case of a mortgage designated as a deed of trust, by trustee's sale and (b) otherwise, by judicial foreclosure. Upon default by the mortgagor and foreclosure on, or trustee's sale of, the mortgaged property pursuant to the proper procedures, the holder of the mortgaged property at a trustee's sale has the right to foreclose the mortgage subject to applicable federal and state laws and judicial precedent with respect to bankruptcy and right of redemption. Payments under the mortgage note are due on the first day of each month with interest payable in arrears.

Due on Sale

All conventional Loans are non-assignable and must be paid in full on any sale or transfer of the mortgaged property. All such mortgage notes must reflect the required due on sale clause. FHA and VA Loans, when permitted under a specific program, may be assignable with the prior written consent of Arc Home and provided the assignee meets the applicable creditworthiness standards, pays all fees and assessments, and executes the required documents. Any FHA and VA mortgage loans not meeting the above criteria will be deemed due upon sale and the principal balance will be accelerated in accordance with the note.

Appraisals

The appraisal and AVM/CDA obtained in connection with the origination of the mortgage loan, as well as the appraiser who performed it, meet all the applicable requirements of this Seller's Guide and applicable laws and regulations. In addition to the Appraisal, if an AVM/CDA was used to support the value prior to closing, evidence that a copy of the AVM/CDA was sent to the borrower 3 business day prior to the note date must be included in the mortgage loan file. The value of the mortgaged property must not be less than the appraised value stated in the appraisal.

Original Terms Unmodified

The terms of the mortgage and mortgage note have not been impaired, waived, altered or modified in any respect, except by a written instrument which has been recorded, if necessary, to protect the interests of Arc Home and which has been delivered to and approved by Arc Home or its designee. The substance of any such waiver, alteration or modification has been approved by any applicable issuer of a title insurance policy or a primary mortgage insurance policy covering the mortgage loan, to the extent required by the policy, and its terms are reflected on the mortgage loan schedule delivered to Arc Home in connection with the mortgage loan. No mortgagor has been released, in whole or in part, except in connection with an assumption agreement approved by any applicable issuer of a title insurance policy covering the mortgage loan, to the extent required by the policy, and which assumption agreement is part of the mortgage loan file delivered to Arc Home or its designee and the terms of which are reflected in the mortgage loan schedule delivered to Arc Home in connection with the mortgage loan.

Validity of Mortgage Documents (Fraud and/or Misrepresentation)

The mortgage note and the mortgage are genuine, and each is the legal, valid and binding obligation of the maker thereof enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law).

All parties to the mortgage note and the mortgage and any other related agreement have legal capacity to enter into the mortgage loan and to execute and deliver the mortgage note and the mortgage and any other related agreement have been duly and properly executed by such parties.

The documents, instruments and agreements submitted for loan underwriting were not falsified and contain no untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading.

The Seller has reviewed all of the documents constituting the mortgage loan file and has made such inquiries as it deems necessary to make and confirm the accuracy of the representations and warranties set forth herein. The Borrower or any other party to the mortgage transaction has not made any false representation in conjunction with such transaction, whether or not the Seller was a party to or had knowledge of such representation.

All loan level information must be factual and not contain any false or misleading information of documentation. If at any time Arc Home identifies any misrepresentation of material fact, we will not purchase the loan. If the loan has already been purchased, the Seller will be required to repurchase the loan.

In addition to non-funding or repurchase, confirmed misrepresentation may result in immediate suspension or termination of the Seller.

Assignment of Mortgage

The assignment of mortgage to Arc Home, if applicable, is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the mortgaged property is located.

Escrow Holdback Loans

Arc Home may allow the establishment of a repair escrow for Conventional, FHA and VA loans. However, weather conditions in certain areas may result in the need to close a loan prior to the completion of required repairs. When this occurs, Arc Home may allow the establishment of a repair escrow for Conventional, FHA and VA loans, subject to the requirements in this policy. Under no circumstances will a loan be purchased if the repairs will affect the livability, safety, or structural integrity of the property, or affect the ability to obtain a Certificate of Occupancy on new or proposed construction.

Primary Mortgage Insurance

In the event that a conventional mortgage loan has a loan-to-value ratio greater than 80%, the loan is and will be insured as to payment defaults by a primary mortgage insurance policy with a coverage amount that meets the requirements of Arc Home and its investors. All provisions of such primary mortgage insurance policy have been and are being complied with, such policy is in full force and effect, and all premiums due there under have been paid. There has been no act or omission which would or may invalidate any such primary mortgage insurance policy with respect to Arc Home. The primary mortgage insurance policy is eligible for reinsurance by Arc Home. There are no defenses, counterclaims, or rights of setoff against Arc Home affecting the validity or enforceability of the primary mortgage insurance policy. Arc Home reserves the right to designate acceptable primary mortgage insurance companies. Primary mortgage insurance companies must meet all requirements of Fannie Mae and Freddie Mac to provide such coverage at the time of sale to Arc Home.

Certain non-Agency loans may not require primary mortgage insurance when the loan-to-value ratio exceeds 80%. Please refer to the applicable Arc Home product guidelines.

Government Loans

If the mortgage loan was sold by the Seller to Arc Home pursuant to a commitment which provided that such mortgage loan would be guaranteed by the VA, USDA, or insured by the FHA, the mortgage loan shall be fully guaranteed or insured, as applicable, and all insurance premiums or guarantee fees due on or before the Purchase Date shall be paid in full.

Title Insurance

The mortgage loan is covered by an ALTA form of lender's title insurance policy or other generally acceptable form of policy of insurance acceptable to Fannie Mae or Freddie Mac, issued by, and the binding obligation of, a title insurer acceptable to Fannie Mae or Freddie Mac and qualified to do business in the jurisdiction where the mortgaged property is located, insuring the Seller, its successors and assigns, as to the first priority lien of the mortgage in the original principal amount of the mortgage loan (or the extent that a mortgage note provides for negative amortization, the sum of such original principal amount and the maximum amount of negative amortization in accordance with the mortgage note), and against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions for the mortgage providing for adjustment in the mortgage interest rate and monthly payment.

Where required by state law or regulation, the mortgagor has been given the opportunity to choose the carrier of the required title insurance unless the premium for such insurance was not paid by the mortgagor. Additionally, such lender's title insurance policy affirmatively insures ingress and egress, and against encroachments by or upon the mortgaged property or any interest therein. The Seller is the sole insured of such lender's title insurance policy, and such lender's title insurance policy is in full effect upon the consummation of the transactions contemplated by the Agreement and will inure to the benefit of Arc Home without any further act. No claims have been made under such lender's title insurance policy, and no prior holder of the mortgage, including the Seller, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy.

Hazard and Flood Insurance

The improvements upon the mortgaged property are insured against loss by fire and other hazards as required by the Pre-Fund Diligence chapter, including flood insurance if required under the National Flood Insurance Act of 1968, as amended. The mortgage requires the mortgagor to maintain such casualty insurance at the mortgagor's expense, and upon the mortgagor's failure to do so, authorizes the holder of the mortgage to obtain and maintain such insurance at the mortgagor's expense and to seek reimbursement therefore from the mortgagor. The hazard insurance policy is the valid and binding obligation of the insurer and is in full force and effect and will inure to the benefit of Arc Home upon its purchase of the mortgage loan. All flood insurance and hazard insurance premiums have been paid when due. Where required by state law or regulation, the mortgagor has been given the opportunity to choose the carrier of the hazard insurance unless either a "master" or "blanket" hazard insurance policy covering the condominium project or planned unit development in which the mortgaged property is located was obtained. Additionally, if the mortgaged property is an individual unit in a condominium project or an individual unit in a planned unit development, then general liability, fidelity and all other insurance required pursuant to the Pre-Fund Diligence chapter of this Seller's Guide is maintained in connection with the condominium project or planned unit development, and each required insurance policy is in a form and amount, and is issued by an insurer, that is acceptable pursuant to this Seller's Guide.

The Seller has not engaged in and has no knowledge of the mortgagor's or of any prior servicer of the mortgage loan having engaged in, any act or omission which would impair the coverage of any such policy, the benefits of the endorsement provided therein or the validity and binding effect of either.

Coverage of Insurance

No action, inaction or event has occurred and no state of facts exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any applicable insurance policy or guarantee including, but not limited to, a title insurance policy, a hazard insurance policy, a primary mortgage insurance policy, FHA insurance coverage, a VA guarantee or a mortgage pool insurance policy obtained in connection with the mortgage loan. In connection with the placement of any such insurance or guarantee, no commission, fee, other unlawful compensation or value of any kind has been or will be received by the Seller or any designee of the Seller or any corporation in which the Seller or any officer, director or employee of the Seller had a financial interest at the time of placement of such insurance and, to the best of Seller's knowledge, no such commission, fee, other unlawful compensation or value of any kind has been received by any attorney, firm or other person or entity.

No Condemnation and Mortgaged Property Undamaged

There is no proceeding pending or threatened for the total or partial condemnation of the mortgaged property. The mortgaged property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty so as to affect adversely the value of the mortgaged property security for the mortgage loan or the use for which the premises were intended.

Detrimental Conditions

As of the origination date and the Purchase Date of the mortgage loan, the Seller did not know, nor did the Seller have any reason to know, that the mortgaged property and the improvements thereon were subject to any detrimental conditions which could reasonably be expected to adversely affect the market value of the mortgaged property or the drainage on or from the mortgaged property.

Location and Type of Mortgaged Property

The mortgaged property consists of a single parcel (or multiple parcels) of real property with a detached single-family residence erected thereon, or a two-to-four family dwelling, or an individual condominium unit in a condominium project, or an individual unit in a planned unit development.

Completion and Delivery of Documents

The Seller shall properly complete and transmit all of Arc Home forms in a timely manner and in accordance with the requirements set forth in this Seller's Guide and the instructions provided by Arc Home, including the method of transmission. All information contained in any form or communication sent or given to Arc Home by or on behalf of the Seller shall be true, correct and complete.

Use of Arc Home Name

The Seller shall confine its use of Arc Home logo and the Arc Home name to those uses specifically authorized in the Seller's Guide. The Seller may not use Arc Home's name and logo to obtain any mortgage related services.

No Solicitation

Seller covenants and agrees that it will not directly or indirectly take any action, or cause any action to be taken by any of its designated Third Party Originators, agents, contractors, employees or affiliates, to solicit the prepayment of or any alteration in payment procedures or terms of any loan sold to Arc Home under the terms of the Agreement. The preceding statement shall not preclude Seller from engaging in general advertising or from servicing the refinance needs of a Mortgagor who, without solicitation in violation of the Agreement, contacts Seller in connection with the refinance of such mortgagor's loan. Regardless of whether solicitation occurred, should any loan sold under this Agreement become an Early Payoff loan, other than an Arc Home direct refinance, the Seller shall be subject to the Early Payoff provisions that are set forth within this Guide.

Inspection of Records

The Seller shall permit Arc Home and its agents during normal business hours to inspect all book and records of the Seller pertaining to its mortgage lending operations or any mortgage loan purchased by Arc Home from the Seller. Such inspection shall be at Arc Home expense if there has been no default of the Seller.

Transfer of Servicing Covenants

Notice to Mortgagors

On or before the date prescribed under applicable federal and state law, the Seller shall, at the Seller's expenses, mail to the mortgagor a letter advising the mortgagor of the transfer of the servicing to Arc Home. The Seller's notice shall comply with all state and federal requirements. If any notices are returned to the Seller by the postal service for any reason, the Seller shall promptly forward the notice to Arc Home for disposition.



Notice to Mortgage Insurers

The Seller shall, at the Seller's expense, notify all relevant private mortgage insurance companies no later than 15 days prior to the Transfer Date that all insurance premium billings for the mortgage loan must be sent to Arc Home following the Transfer Date.

Notice to Taxing Authorities and Hazard / Flood Insurance Companies

No later than fifteen (15) days prior to the Transfer Date, the Seller shall, at the Seller's expense, transmit to the applicable taxing authorities and hazard insurance companies and/or agents, notification of the assignment of servicing and instructions to deliver all notices, tax bills and insurance statements, as the case may be, to Arc Home from and after the Transfer Date. The Seller shall provide Arc Home with copies of such notices and instructions within five (5) business days of the Seller's dispatch of such notices and instructions to the foregoing entities.

Internal Revenue Service Forms

The Seller shall mail, on or before the date required by law, all Internal Revenue Service required forms to all parties entitled to receive same for period from January 1 until the Transfer Date. The Seller shall provide copies of such forms to Arc Home upon request. Arc Home shall make such Internal Revenue Service filings pertaining to events on and after the Transfer Date.

All Internal Revenue Service forms including but not limited to Forms 1099, 1099A and 10page, as appropriate, which are required to be filed with respect to the mortgage loan for activity occurring on or before year end of the preceding calendar year have been filed.

Insurance Policies

After the Transfer Date, the Seller shall deliver such insurance policies or renewals as it may receive with respect to the mortgage loan or the servicing to Arc Home within five (5) days of its receipt of same.

Payment of Hazard Insurance Policies

The Seller shall pay; prior to the Transfer Date, all hazard insurance premiums due within sixty (60) days from the closing/settlement date, provided that the Seller has received bills for such insurance premiums prior to the Transfer Date. The Seller shall immediately deliver to Arc Home all bills and correspondence related to the mortgage loan and received by it subsequent to the Transfer Date.

Forced Place Hazard Insurance Coverage

Forced place insurance coverage will be placed on the loan if the hazard insurance premium remains unpaid when due. The company that we utilize is:

Assurant
The Insurance
Center PO Box
202049
Florence, SC 29502-2049
Fax: (843) 413-7127

Property Taxes

The Seller or its tax service provider is required to pay, prior to the Transfer Date, all tax bills (including interest, late charges, and penalties) due within ninety (90) days from the closing/settlement date that are issued by a taxing authority relating to the subject property. The Seller, or its tax service provider, shall immediately forward to Arc Home all tax bills received by them after loan funding. Arc Home has no obligation to pay any taxes (including interest, late charges, and penalties) for which a title insurer has an obligation to pay by the terms of a mortgagee policy of title insurance

Social Security Numbers

The mortgage loan has a certified social security number as required by the Internal Revenue Service or, if the mortgage loan does not have a certified social security number, the Seller has exercised due diligence (as defined by Internal Revenue Service regulations) to obtain such a number.

Mortgage Payments Received Prior to Transfer Date

Any mortgage payments that do not belong to the Seller should be forwarded to Arc Home with the Arc Home loan number, borrowers name and property address. A description of how to apply the funds and the effective date the funds are to be applied MUST also be documented for proper interest credit and principal reductions. Arc Home will forward to their servicing division for proper application into the borrowers servicing record.

Recording of Assignments

With respect to each mortgage loan purchased by Arc Home from the Seller which is not a MOM (MERS On Mortgage) loan, the Seller shall promptly record an assignment of mortgage to MERS which complies with all applicable provisions of state law in the applicable county recorder's office. Seller shall promptly take all necessary steps to ensure that all loans purchased by Arc Home are properly reflected in the MERS system indicating Arc Home as the holder of the beneficial interest and as the servicer.

Confidentiality

Seller agrees not to use Confidential Information (as defined) in this Seller's Guide for any purpose other than the fulfillment of its obligations under the agreement. Seller shall not disclose, publish, release, transfer or otherwise make available Confidential Information in any form to, or for the use or benefit of, any person or entity except to Seller's regulators and external auditors without the other's consent. Seller shall, however, be permitted to disclose relevant aspects of Confidential Information to its officers, agents, subcontractors and employees to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations under the Agreement and such disclosure is not prohibited by Gramm-Leach-Bliley Act of 1999 (Public Law 106-102, 113 Stat.1138), as it may be amended from time to time (the "GLB Act"), the regulations promulgated there under or other applicable law; provided, however, that Seller shall take all reasonable measures to ensure that Confidential Information is not disclosed or duplicated in contravention of these provisions by such officers, agents, subcontractors and employees. Seller further agrees promptly to advise Arc Home in writing of any misappropriation, or unauthorized disclosure or use by any person of Confidential Information which may come to its attention and to take steps reasonably requested by the

other to limit, stop or otherwise remedy such misappropriation, or unauthorized disclosure or use. If the GLB Act, the regulations promulgated there under or other applicable law now or hereafter in effect imposes a higher standard of confidentiality to the Confidential Information, such standard shall prevail over the provisions of this section.

Seller will not make any more copies of Arc Home written or graphic materials containing Confidential Information than is necessary for its use under the terms of the Agreement, and each such copy shall be marked with the same proprietary notices as appear on the originals.

Seller shall establish commercially reasonable controls to ensure Confidential Information is not disclosed contrary to the provisions of this section, GLB or any other applicable privacy laws and regulations. Without limiting the foregoing, Seller shall implement such physical and other security measures as are necessary to (i) ensure the security and confidentiality of the Confidential Information, (ii) protect against any threats or hazards to the security and integrity of the Confidential Information, (iii) protect against any unauthorized access to or use of the Confidential Information, and (iv) dispose of all consumer information, which includes credit reports and related information, that is obtained in conjunction with the contemplated services, in a manner to render the information unreadable and irretrievable. Seller shall, at a minimum, establish and maintain such data security program as is necessary to meet the objectives of the Interagency Guidelines Establishing Standards for Safeguarding Customer Information as set forth in the code of Federal Regulations at 12 C.F.R. Parts 20, 208, 211, 225, 263, 308, 364, 568 and 570. To the extent that Seller assigns any duties and responsibilities under the Agreement to an agent or other subcontractor, reasonable steps shall be taken to ensure that such agents and subcontractors adhere to the same requirements.

Arc Home shall have the right, during regular office hours and upon reasonable notice to audit Seller to ensure compliance with the terms of the Agreement, GLB and other privacy laws and regulations.

Notwithstanding anything to the contrary contained herein, Seller shall not have any obligation with respect to any Confidential Information of Arc Home, or any portion thereof, which the Seller can establish by competent proof:

- Is or becomes generally known to companies engaged in the same or similar businesses as the parties hereto on a non-confidential basis, through no wrongful act of the receiving party;
- Is lawfully obtained by the Seller from a third party which has no obligation to maintain the information as confidential and which provides it to the receiving party without any obligation to maintain the information as proprietary or confidential;
- Was known prior to its disclosure to the Seller without any obligation to keep it confidential as evidenced by tangible records kept by the receiving party in the ordinary course of its business;
- Is independently developed by the Seller without reference to the disclosing party's Confidential Information; or
- Is the subject of a written agreement whereby the disclosing party consents to the use or disclosure of such Confidential Information?

If the Seller or any of its representatives shall be under a legal obligation in any administrative, governmental or judicial circumstance to disclose any Confidential Information, the receiving party shall give Arc Home prompt notice so Arc Home may seek a protective order and/or waive the duty of nondisclosure; provided that in the absence of such order or waiver, if the Seller or any such representative shall, in the opinion of its counsel, stand liable for contempt or suffer other censure or penalty for failure to disclose, disclosure pursuant to the order of such tribunal may be made by the Seller or its representative without liability hereunder.

For as long as Seller continues to possess control of Confidential Information furnished by Arc Home, and for so long as the Confidential Information remains unpublished, confidential and legally protectable as the property of the disclosing party, except as otherwise specified herein, the Seller shall make no use of such Confidential Information whatsoever, notwithstanding the expiration of the Agreement. Seller acknowledges their understanding that the expiration of the Agreement shall not be deemed to give either a right or license to use or disclose the Confidential Information of Arc Home. Any materials or documents, including copies which contain Confidential Information, shall be promptly returned as may be necessary to prevent disclosure of Confidential Information to third parties.

It is agreed that the unauthorized disclosure or use of any Confidential Information may cause immediate or irreparable injury to Arc Home providing the Confidential Information, and that such party may not be adequately compensated for such injury in monetary damages. Seller therefore acknowledges and agrees that, in such event, Arc Home shall be entitled to seek any temporary or permanent injunctive relief necessary to prevent such unauthorized disclosure or use, and consents to the jurisdiction of any federal or state court of competent jurisdiction for purposes of any suit hereunder and to service of process therein by certified or registered mail, return receipt requested.

Remedies for Breaches of Representations, Warranties or Covenants

Remedies

This section sets forth events constituting defaults under the terms and conditions of the program documents (“Event of Default”) and sets forth the remedies available to Arc Home upon the occurrence of an Event of Default. The Seller is responsible for notifying Arc Home immediately upon the Seller’s knowledge of any Event of Default.

The remedies available to Arc Home include, but are not limited to:

- Repurchase
- Indemnification
- Suspension and Termination
- Set-off (Net Fund)
- Withholding of Fundings
- Damages including all losses, costs and expenses incurred as the result of any breach

Other Events of Default

Breach of Contract

Seller defaults under or breaches, or Arc Home or any of its assigns, discovers the inaccuracy of any of the representations, warranties or covenants set forth in this Seller’s Guide and the Agreement.

Uninsurable Mortgage

- Certificate of Insurance: The certificate of insurance has not been duly issued by a mortgage insurance company or guarantor (“Mortgage Insurer”) acceptable to Arc Home;
- Insurance Premium: The mortgage insurance premium has not been paid to the Mortgage Insurer;
- Insurance Cancellation or Denial: The Mortgage Insurer cancels coverage and/or denies a claim under such coverage due to fraud, misrepresentation or omission of a material fact or for any other reason related to the eligibility of the mortgage loan for Mortgage Insurance or guarantee;
- FHA/VA: Any LGC or MIC is not issued within 60 days by the VA or FHA, respectively.

Fraud and/or Misrepresentation

The Borrower or any other party to the mortgage transaction has made any false representation in conjunction with such transaction, whether or not the Seller was a party to or had knowledge of such false representation.

Unmarketable Loan

The mortgage loan the Seller delivers to Arc Home is unmarketable or unmarketable on the secondary market without loss to Arc Home due to the defect, including, but not limited to, a mortgage loan as to which:

- Program Documents: The Seller has not complied with a requirement, term or condition of the Program Documents.
- Evidence of Compliance: The Seller is unable to supply satisfactory evidence of compliance with the Program Documents.
- False or Misleading Representation: The Seller has made one or more false or misleading representations, warranties or covenants to Arc Home in the Program Documents or has failed to provide Arc Home with the information that is true, complete and accurate as to the mortgage loan or the Seller.
- Underwriting or Documentation: The Seller did not underwrite and/or document the mortgage loan in accordance with requirements.
- Protection of Occupants: The Seller violated or failed to comply with any applicable law designed to protect the health and safety of the mortgaged property’s occupants (including failure to take any action available to the Seller that would relieve the mortgage holder from liability under such law or regulation).
- Repurchases: Any agency or investor requires Arc Home to repurchase or indemnify them for a loan defect.

Repurchase Price

The amount the Seller must pay to Arc Home upon Arc Home repurchase request to the Seller (“Repurchase Price”) shall include the base price, any SRP, if separately stated, all accrued interest, penalties, fees and any and all reasonable expenses and attorney's fees incurred by Arc Home. The base price of the Loan will be the greater of (i) the product of (a) the Purchase Price Percentage paid times (b) the outstanding balance or (ii) the price which Arc Home was required to pay a subsequent investor to repurchase the loan.

- Arc Home may, as part of its loss mitigation efforts, enter into an agreement modifying the terms of the Loan (Modification Agreement) with a Borrower suffering an involuntary inability to pay their mortgage under the original terms of the Note. Such Modification Agreement may increase the amount of the unpaid principal balance due to capitalization of interest, escrow amount and/or other advances. If default should recur on that Loan, the base price portion of the Repurchase Price will be the greater of (i) the product of (a) the Purchase Price Percentage paid times (b) the outstanding principal balance based on the modified loan amount or (ii) the price which Arc Home was required to pay a subsequent investor to repurchase the loan.
- Expenses may include, but are not limited to, any and all documentary stamp taxes, recording fees, transfer taxes, and all other expenses payable in connection with any such Repurchase, including without limitation, any loss relating to the Mortgage Loan, all costs or expenses incurred by Arc Home in the course of Repurchasing such mortgage loan from a third party, and Arc Home’s reasonable attorneys’ fees; plus
- Interest, Penalties and Fees may include, but are not limited to, accrued but unpaid interest up to the first day of the month following the date of Repurchase and any penalties or fees charged to Arc Home by the Servicer, such as, but not limited to, late fees or restoration fees.

Procedures of Completing Repurchase

- Repurchase: The Seller must repurchase Arc Home’s interest in the identified mortgage loan by the repurchase invoice due date. In the event the repurchase is not completed by the invoice due date, Arc Home may net fund (set off) the amount from subsequent amounts due to the Seller from Arc Home. Alternatively, Arc Home may, in its sole discretion, obtain a market price from Arc Home’s Secondary Marketing department and require Seller to reimburse Arc Home for the marketing loss incurred plus the SRP and all interest, costs and expenses.
- Wire Transfer of Funds: The Seller shall affect repurchases by wire transfer from the Seller to Arc Home in immediately available funds. Same day credit shall not be given to any wire received after 3:00 PM EST.

Re-conveyance of loan following Repurchase by Seller: Upon repurchase by Seller, Arc Home will endorse the mortgage note without recourse or take steps necessary to effectuate the transfer control. Arc Home will execute a recordable assignment of the mortgage or take all steps necessary to effectuate the transfer of the beneficial interests in the security instrument in the MERS system as applicable, and reasonably cooperate in the transfer of the loan and all information relating thereto to the Seller.

- Recordation and Transfer Costs/Repurchase Date: The Seller shall assume the cost of recordation of assignments and other costs of transfer of any repurchased loans. The date of repurchase is the date when Arc Home receives the repurchase price funds by wire transfer.

Indemnification Amount

The Seller shall indemnify Arc Home against, and hold Arc Home harmless from, all losses, liabilities, costs, expenses (including attorney fees, and other professional fees and costs), suits, actions and claims arising out of any breach of a representation, warranty or covenant made by the Seller under the Agreement. The foregoing indemnification shall include, but not be limited to, costs incurred by Arc Home in connection with enforcing its rights under the Agreement or defending against any claim, demand or assertion against Arc Home by a third party arising out of a breach of a representation, warranty or covenant made by the Seller in the Agreement. The Seller's indemnification pursuant to this section shall survive the purchase and delivery of the mortgage loans, their liquidation or repurchase and any suspension or termination of the Seller's selling privileges or the termination of this Agreement.

Early Payoff & Early Default

Early Payoff

If a loan sold to Arc Home is paid in full within 180 days following the date of purchase by Arc Home, the Seller will be charged a penalty fee equal to the greater of (i) 1.25% of the loan's UPB at the time of purchase, (ii) the sum of any SRP and excess servicing paid, or (iii) the sum of any purchase price premium over par, the SRP and excess service fee paid, in each case, if applicable.

Pursuant to Fannie Mae Announcement SEL-2012-13 and Freddie Mac Bulletin 2012-11, for mortgage loans repurchased by a lender, Arc Home reserves the right to require reimbursement by the lender for any premium or buy up fee paid in connection with the purchase of the related repurchased mortgage loan without regard to the 180-day limitation.

Arc Home may exercise the right to terminate a Seller if the Seller is found to have an unacceptable number of mortgage loans that payoff within 365 days of purchase by Arc Home, determined at Arc Home's sole discretion.

Early Payment Default

An Early Payment Default (EPD) occurs when any of the first four (4) payments due after purchase of the Loan by Arc Home becomes ninety (90) or more days delinquent and such delinquency is not attributable to an error in servicing or other material error of Arc Home or its affiliates. For purposes of this definition, a loan is considered 30 days delinquent if the payment has not been received and applied by the end of the day immediately preceding the

Loan's next due date. Receipt of payments originally due prior to the date on which Arc Home purchases the loan will not satisfy EPD requirements.

For Arc Elite, Access and Foreign National loans: If any of the first four (4) monthly payments due after the loan sale date becomes delinquent, Arc considers this an Early Payment Default (EPD). EPD loans are subject to repurchase by the Originator pursuant to the Mortgage Loan Purchase Agreement.

Cure for an Early Payment Default is repurchase or indemnification, at the sole discretion of Arc Home. If indemnification is allowed by Arc Home, Seller will be required to return the greater of the Premium or 1.25% of the loan amount and pay \$3,500 for FHA insured and VA and USDA guaranteed Loans and \$2,000 for Conventional Loans and establish a reserve deposit in an amount solely determined by Arc Home to mitigate future losses including without limitation a loss on sale of the Loan. In the event these funds do not cover all losses, Seller will be invoiced

for the deficiency and will promptly remit such amount to Arc Home. Any excess reserve deposits will be returned to the Seller upon the loans final disposition after Arc Home is reimbursed for all costs and expenses including without limitation interest.

Arc Home may exercise the right to terminate a Seller if the Seller is found to have an unacceptable number of Early Pay Default loans, determined at Arc Home's sole discretion.

Offset "Net Funding"

Arc Home may offset against the Purchase Price for any loan delivered for purchase by the Seller, or against any other amounts owed by Arc Home to the Seller pursuant to this Agreement or any other contract or instrument between the Seller and Arc Home, any outstanding amounts owed to Arc Home by the Seller or any affiliate of the Seller, including, but not limited to, the following: (i) fees, penalties and expenses arising out of the Seller's failure to timely deliver any final documentation; (ii) pair-off fees, penalties or charges relating to delivered or undelivered Loans; (iii) costs and expenses arising out of the Seller's breach of any of its representations, warranties or covenants under this Agreement; and (iv) costs and expenses incurred by Arc Home as a result of action taken by Arc Home based on Arc Home's reasonable belief that the Seller is no longer able to fulfill its obligations under this Agreement, including its repurchase and indemnification obligations under this Agreement.

Suspension or Termination of Selling Privileges

Arc Home may, in its sole and absolute discretion, suspend or terminate the Seller's selling privileges for no reason at all or any reason, including, but not limited to, the following:

- The Seller fails to perform any of its obligations under the Agreement or this Seller's Guide within the prescribed time periods;
- Any representation or warranty made in the Agreement or this Seller's Guide is untrue or not remedied timely in any material respect;
- The Seller fails to meet the eligibility requirements contained in this Seller's Guide;
- Arc Home experiences excessive fallout during a defined period with respect to mortgage loans committed to be sold by the Seller to Arc Home;
- The Seller's fidelity and/or errors and omissions insurance is canceled and no replacement coverage is obtained;
- Arc Home discovers that excessive delinquencies have occurred with respect to mortgage loans purchased from Seller;
- The Seller is active and fails to lock any loans for six (6) months following the initial approval;
- The Seller fails to sell a minimum of \$3MM of production within a three-month period;
- Arc Home considers suspension or termination necessary to protect its interests or enforce its rights.

During a period of suspension or following termination, the Seller shall be ineligible to obtain new commitments. Arc Home shall, in its sole and absolute discretion, determine the duration of any period of suspension and shall prescribe the terms and conditions for reinstatement.

The Seller may file a written statement requesting any action or proposed action by Arc Home to suspend or terminate the Seller's selling privileges be reversed or modified. This statement need not be in any particular form, but should specify any mitigating circumstances and other information deemed relevant by the Seller. The statement must be postmarked or and delivered to Arc Home no later than fifteen (15) calendar days after the date the Seller receives the above described written notice from Arc Home. If a written statement is received within the required time period, Arc Home will determine whether the suspension or termination (and the effective date thereof) will be delayed pending review of the Seller's written statement, in its sole discretion. The Seller's written statement will be evaluated to determine whether to affirm, reverse or modify the action or proposed action to suspend or terminate. Written notice of the determination to affirm, reverse or modify will be mailed to the Seller within thirty (30) days or receipt of the Seller's written statement.

Loan Document Corrections

Although the Seller is solely responsible for the correction of all errors and deficiencies in the documentation relating to each mortgage loan sold by the Seller to Arc Home, Arc Home may in the interest of expediency or based on its interpretation of applicable law or agency requirements correct such errors or deficiencies at the expense of the Seller. The Seller shall reimburse Arc Home for any such expenses within thirty (30) days of demand by Arc Home. Arc Home's correction of any error or deficiency in a mortgage loan document shall not be deemed as a waiver of any rights Arc Home may have with respect to the Seller in connection with the related mortgage loan.

Remedies Cumulative

All rights and remedies of Arc Home under the Agreement are in addition to all other rights and remedies available to Arc Home in law or equity. Arc Home may exercise its rights and remedies concurrently, independently or in succession, and all such rights and remedies shall inure to the benefit of Arc Home, its successors and/or assigns. The failure of Arc Home to exercise any of its remedies under the Agreement with respect to a breach or default of the Seller does not constitute a waiver of such remedy with respect to such or default or any subsequent breach.

Outstanding Invoice

Sellers will be assessed a 5% late fee on any outstanding payments due Arc Home that are not received by Arc Home within 30 days of the invoice date. An additional 5% late fee will be charged for each subsequent 30 days of non- receipt. In the instance that a seller disagrees with the invoice, the seller must submit a written notice stating their concern to Arc Home within 15 days of the initial invoice date. If the dispute resolution exceeds 5 days and Arc Home determines that payment is still due, the seller will have an additional 15 days to make the payment without incurring a late fee. Once Arc Home has made the final decision on the invoice, any aged billing greater than 90 days may result in suspension of the seller's ability to lock loans with Arc Home.

CHAPTER 5: REGISTRATION AND COMMITMENTS

Flow Registration

The Arc Home Lock Desk works with Sellers to present clear, efficient and effective registrations of individual loan commitments. This chapter will refer to the policies and procedures of the Lock desk. It will provide pricing procedures and flow business of commitments. The Seller must close the loans in their own name and utilize an approved warehouse line or their own funds.

Lock Hours and Contact Information

The Arc Home Lock Desk hours of operation are 8:30 AM EST to 9:00 PM

EST. Email Address:

ArcHomelockdesk@ArcHome.com

Phone Number:

215-360-3737

Requesting a Commitment

Sellers may register and lock loans with Arc Home through the Arc Home website at <https://correspondent.archomellc.com/>. Please refer to the Approved Correspondent Sellers section of the website for login access to the correspondent portal or click on the Correspondent Login link at the top of the website page.

Although the website and portal may be available 24 hours a day, live pricing and any pricing dependent transactions and/or modifications will only be available during active market hours or at the discretion of Arc Home at any time.

Register / Float / Lock

Individual Loans are Registered as:

- Float Status (pricing and Rate Lock Expiration Date are not set)
- Best Efforts Lock Status
- Mandatory Lock Status (provided Seller is eligible to enter into Mandatory commitments with Arc Home)

A Seller may register a loan into float status in order to obtain a loan number prior to submission for underwriting with Arc Home or an Approved Contract Underwriter. If requested, pricing will be quoted from the current day's rate sheet for the loan attributes and delivery timeframe requested.

Registration of a Loan Requires the following Data Fields

- Seller Loan Number
- Program (Product Code)
- Borrower First Name and/or Co-Borrower
- Borrower Last Name and/or Co-Borrower
- Borrower SSN and/or Co-Borrower
- Property Street Address
- Property City
- Property State
- Zip Code
- Type (Property Type)
- Occupancy Type
- Commitment Type (Mandatory)
- Purpose (Loan Purpose)
- Servicing (Released)
- Loan Amount
- Appraised Value
- LTV/CLTV (will populate automatically when Appraised Value and Loan Amount are entered)
- Current Credit Score
- Months Reserves (Number of Months)
- DTI/Back End Ratio
- Amortization Term (10-30-year terms in increments of 12 months)
- Escrows/Impounds (Yes or No)
- Interest Rate
- MI/PMI
- AUS Engine
- Lock Period
- Price File (Rate Sheet)

Licensing

In order for Arc Home to accept a loan for sale from a correspondent client, the Seller and the sponsored mortgage loan originator ("MLO") responsible for the origination of the loan must hold an approved and current license, as reflected in NMLS, to originate the loan in the state in which the subject property is located. The Seller is solely responsible for compliance with all applicable licensure requirements for itself and its sponsored MLOs. Any failure by the Seller, or Seller's sponsored MLOs, to maintain all required licenses may require the Seller to repurchase any impacted loans.

Sellers are required to keep Arc Home updated on the status of their respective licenses, including those of their sponsored MLOs. If Arc Home does not have a current license or exemption on record for each Seller and their MLOs on record, then Arc Home will not be able to accept registration or locks from the Seller in the state in which the subject property located.

Arc Home will confirm a Seller's and MLO's licensing status through NMLS based on the 'Status' field being set to "Approved" and the 'Authorized to Conduct Business' field being set to "Yes". Should a question regarding licensure arise, the Seller will be contacted immediately. To the extent Seller's licensure, or that of a sponsored MLO, expires after a loan lock request has been accepted, then Seller may be required to submit a new lock request at the loan rate desired. Rates that were effective on the original request date may not be honored.

Certain states do not currently require a Seller or their sponsored MLOs to be licensed to the extent the loan being originated is a "business purpose loan" consistent, generally, with the meaning of that term under TILA/Reg Z. The only loan product Arc Home will purchase that meets the regulatory definition of "business purpose-loan" are debt service coverage ratio ("DSCR") loans.

Arc Home will permit Sellers and their sponsored MLOs to originate DSCR loans where the subject property is located in the following states without holding any of the typical licenses required to originate consumer-purpose home loans:

- Colorado
- Connecticut
- Florida
- Maryland
- Massachusetts
- Ohio
- South Carolina
- Texas
- Virginia
- Washington

This list of states is subject to change at any time.

Escrow Waivers/Impounds

Escrow waivers may be permitted on Conventional, Jumbo, Arc Elite, and Arc Access loans with LTVs less than or equal to 80%, unless restrictive under applicable state law, and are subject to certain criteria as outlined below. To be eligible to waive the property tax and/or homeowner's insurance escrow, the loan must meet product eligibility guidelines and qualifications, which are outlined in our Product Matrices.

Escrow waivers will not be permitted on FHA, VA and Foreign National loans. For FHA, VA and Foreign National loans, escrow accounts must be established for both taxes and insurance at origination

Escrow waivers will not be permitted if the transaction is a cash-out Refinance that pays delinquent taxes that are past due 60 days or more. (Must be paying two delinquent tax installments in California).

Escrow waivers will not be permitted after closing if escrows and impounds were reflected on the Closing Disclosure.

In relation to the payment of private mortgage insurance, it is necessary for an escrow account to be maintained in the event the following takes place:

- If Flood Insurance is required, it must be escrowed.
- If there is an escrow account established, full or partial, the HO-6 policy for condominiums must be escrowed, unless the association policy includes unit-level 'walls-in' coverage.

The current rate sheet will have the information and adjustments that apply to each state specific zone.

Property tax exemptions will be subject to all applicable price adjustments for non-escrowed loans. When the Seller elects to waive escrows for property tax and/or homeowner's insurance on a loan, certain restrictions and price adjustments will apply. If the noted exception circumstances do not apply, and all eligibility requirements related to escrow waivers have been met, the Seller may elect to waive the following:

- All Real Estate Taxes and All Insurances
- Hazard Insurance only

NOTE: All insurance types must either be escrowed or non-escrowed. If hazard (fire/HO) insurance is waived, flood and wind also must be waived. If hazard (fire/HO) insurance is escrowed, flood and wind also must be escrowed.

Locked Loan Changes

Most changes to a locked commitment would constitute a relock and would be subject to worst case repricing. The following list includes examples of changes that would be subject to re-pricing:

- Rate lock expired prior to loan closing and disbursing
- Rate lock expired prior to delivery of complete package
- Loan in suspense for more than 30 days
- Commitment cancelled/denied and new commitment requested
- Address changes

Product changes - Sellers should contact the Arc Home Lock Desk to determine a new price for a product change. All product changes completed without re-price are at the total discretion of the Arc Home Lock Desk and may be approved or denied based upon existing market conditions.

Changes to loan information are not automatic. The Lock Desk will determine if a request to change loan information requires that a loan be re-priced. The Lock Desk may also require additional information to facilitate the change. Arc Home routinely runs audit checks against the changed fields to guard against fraud and to comply with certain banking and regulatory requirements.

Any incorrect Borrower information, such as Borrower name or Social Security number, will require additional documentation and may result in worst-case re-pricing.

Regardless of loan status, the following fields cannot be changed once a loan is locked:

- Seller ID
- Borrower's and Co-Borrower's names
- Borrower's and Co-Borrower's Social Security Numbers
- Property address
- Property state
- Property zip code

On a locked loan, revisions to the following additional fields will not be permitted:

- Initial Lock Window

Any changes to the following fields on a locked loan may result in re-pricing the loan:

- Loan Amount
- Loan Purpose
- LTV
- CLTV
- Occupancy
- Credit Scores
- Sales Price
- Appraised Value
- Other liens or Secondary Financing
- DTI
- Interest Rate
- Term
- Program Code
- Documentation Type
- Property Type
- Escrows

Other circumstances that require a change to the property address will result in worst-case pricing and may require additional documentation for review.

Intra-Day Pricing Changes

Due to market volatility, Arc Home's pricing is subject to change at any time throughout the day and without notice. Arc Home reserves the right to determine cutoff times for intra-day pricing changes. During these pricing change times where Arc Home is in the process of preparing new rate sheets, all transactions on the website will be disabled until the new rate sheet has been published.

Username for the Web

When a Seller contacts the Lock Desk by phone, they will be required to provide their personal user name that they use for the website. This username will be set up by the Seller Web Administrator at their company previously and will be a unique username to the individual. This is important so that each user is set up with the correct security and access levels of the website. General usernames like "Lock Desk" will not be permitted. The username will be specific to the individual and only used by that individual. Shared usernames will not be tolerated. The Seller's Web Administrator will manage these responsibilities according to the Web Agreement and Terms of Use to monitor that all users are set up with the correct access levels at all times. Arc Home will not be responsible for any transactions that are completed by unauthorized users.

Incorrect Registrations/Loan Lock Errors

It is the Seller's responsibility to contact the Arc Home Lock Desk to report loan registration and rate lock commitment issues or omissions within 24 hours of the initial request. Arc Home will not be held responsible for incorrect registrations and/or loan lock errors. Errors, omissions, or mistakes that are reported to the Lock Desk within 24 hours after the incident occurs will be considered on a case-by-case basis for correction without penalty. Any error corrections that are requested after the 24-hour period will require that the loan be re-priced at Arc Home's discretion.

Mandatory Flow Commitments

Sellers may only enter into a Flow Commitment under a Mandatory Delivery Commitment, pending any approvals and authorizations. A Rate Lock Commitment must be created in order to sell and fund loans to Arc Home.

Defining a Rate Lock Commitment

A "Rate Lock Commitment" is an agreement between the Seller and Arc Home to deliver and sell a loan to Arc Home. The loan must be eligible for purchase under the Arc Home Seller's Guide (See Guidelines and Eligibility). Before delivering the loan to Arc Home, the Seller is required to enter into a Commitment with respect to each loan.

Best Efforts Delivery of Commitment

A commitment under the Best Efforts ("BE") program is a commitment for Arc Home to buy and Seller to sell a specific loan under the terms of the commitment and this Sellers Guide. The commitment is conditioned on the loan closing and being funded by the Seller. The Seller is required to act in good faith to attempt to close all loans subject to a BE commitment. Provided the loan closes, the Seller is then required to deliver the loan as agreed. Once the subject loan closes, the BE commitment is treated as a Mandatory Commitment and subjects the Seller to Pair Off Fees and other fees if a closed loan is not delivered as agreed.

Under a BE commitment, the Seller agrees to deliver a full credit and closing file in purchasable form before the Rate Lock Expiration Date. Arc Home will closely monitor pull-through ratios and any low pull-through levels that may affect the Seller's ability to sell the loan to Arc Home and maintain status as an approved Seller.

Mandatory Delivery Commitments

Upon entering into a Mandatory Delivery Commitment, Arc Home agrees to buy and the Seller commits to deliver and sell a loan or loans, eligible for purchase, to Arc Home under the terms of the Commitment and this Sellers Guide. Please refer to the Mandatory Commitment Options Section of this chapter for the description of the different types of Mandatory Commitments offered by Arc Home. All subject loans must be in purchasable form and complete in all document deliveries, as determined by Arc Home, prior to the expiration of the Commitment Period. If the Seller does not fulfill the commitment terms prior to the commitment expiration, the Seller will subject to a Pair-off Fee payable to Arc Home as determined below. Mandatory Commitment authority is granted to Sellers at the discretion of Arc Home. Arc Home reserves the right to curtail or limit a Sellers ability to enter into additional Mandatory Commitments at any time for any reason or for no reason. Arc Home will use reasonable efforts to notify the Seller of any changes to its ability to enter into Mandatory Commitments.

Pair Off Fee Calculations

Pair-off Fees (“Pair Off Fees”) are fees, that may be assessed at Arc Home’s discretion if the Seller fails to deliver loan files in purchasable form in the amount of the commitment by the expiration date or cancellation date, whichever is earlier.

The Arc Home lock desk will consider acceptable substitutions if the Seller is unable to fulfill its obligations under a mandatory commitment. Sellers must contact the Arc Home Lock Desk prior to the commitment expiration to request extensions and substitutions. The terms and price of a substitution are at the discretion of Arc Home.

Pair off fees will be equal to the sum of 6.25 basis points (0.0625%) on the undelivered amount plus any increase (but not a decrease) in the market price of the commitment price determined as of the date of the expiration or cancellation. The market price (“Current Market”) utilized in the Pair Off Fees calculation is the price for a comparable product, rate, commitment type, and commitment period determined on the business day succeeding the expiration or cancellation.

Any extension fees on the loan will also be included in the pair-off calculation as an increase to the Pair Off Fees.

If the Seller relocks an Individual Mandatory Delivery Commitment, the pair-off fee may be imbedded into the price of the new commitment. The new commitment will be relocked at worse case market pricing less the Pair-off Fee. If the Seller does not deliver the relocked commitment, the commitment will be paired off at the new price.

Pair-off fees will appear on the monthly invoices generated by Arc Home and are due upon receipt.

Interest Rate Tolerance

Arc Home allows for a tolerance of plus or minus 0.25% from the initial locked interest rate on Mandatory Delivery Commitments. Loans within the rate tolerance will be priced based on the price for similar loans and rates on the same rate sheet (time and date) that was utilized in the determination of the price on the original commitment.

Mandatory Commitment Options

- **Flow Mandatory** – Single loan that is committed by the Seller
- **Forward Mandatory Trades**– The Seller will enter into a commitment with the lock desk in a set amount, at a minimum of \$1,000,000, without providing the individual loans. Arc Home will provide the Seller with live pricing of the market and, when the loans are delivered, Arc Home will apply the price adjustments to the loans that were previously agreed upon at the time of the trade commitment. Arc Home will allow a tolerance of plus or minus 1% of the committed trade amount without a re-price or Pair Off Fees. Deliveries below the trade amount including the maximum tolerance will be subject e a Pair Off Fees on the net undelivered amount. Deliveries in excess of the original commitment amount plus any permitted tolerance will be priced at the Current Market rate on the excess amount. The Current Market rate will be determined in the manner described for pair offs.
- **Negotiated Bulk Transaction** – The Seller may send a pool of eligible loans, at no minimum, per the Arc Home guidelines to the Lock Desk to obtain a bid price on said loans. Pricing may be modified at the time of the trade by agreement, which will be included in a trade confirmation. Unless otherwise agreed at the time the commitment is entered into, the requirements of this Seller Guide will apply including without limitation LLPAs, pricing, and eligibility.

Daily Pricing and Rate Sheet

Daily prices are established at approximately 10:00 a.m. EST and are available on the Arc Home web site via the Correspondent Portal at <https://correspondent.archomellc.com/>. The lock window for commitments will typically close at 5:00 p.m. EST. Sellers based in time zones other than the Eastern Time Zone will be considered for extended availability of limited lock commitment capacity. Please contact your account executive or the Arc Home for further consideration.

The Seller can also obtain rate sheets through email by contacting the Arc Home Lock Desk. Arc Home will have periods when no pricing is available. These blackout periods, when no pricing is available, generally occur from 5:01 p.m. local time (based on location of Seller's corporate headquarters) through 10:00 a.m. EST the following morning.

Pricing will not be available on weekends and holidays. There may also be periods during the day when market conditions will necessitate a general rate sheet pricing update (see Intra-Day Pricing). During these periods, Sellers will not be able to obtain rate locks.

Overnight Rate Protection

Not offered at this time

Pending Status

A rate lock becomes activated when the Seller completes loan data requirements that meet Arc Home product eligibility and guidelines. If the registration is incomplete and does not have the necessary data fields completed, it will be placed into "Pending Status". Any loans in Pending Status will not be priced. Once the conditions have been cleared and the loan is out of Pending Status, Arc Home will allow the rate lock to be priced at Current Market.

Seller is responsible to enter into a Rate Lock Commitment to obtain such pricing.

Confirmation of a Commitment

A "Commitment Confirmation" is a written communication to the Seller confirming that the Seller's Commitment request is accepted and outlining the additional terms and conditions applicable to Arc Home's potential purchase of the loan. The Commitment Confirmation will be provided via a website posting.

If the Seller delivers an eligible loan within the Commitment Period, and is in compliance with Arc Home's Guidelines and product eligibilities, then the loan will be reviewed for potential purchase under the pricing and terms described in this Commitment Confirmation section.

After the Seller has communicated a request to enter into a Commitment, the request is non-revocable by the Seller. Once accepted or rejected, Arc Home will communicate its response and, if applicable, the terms of the Commitment including the price and the Commitment Period. Arc Home is not deemed to have accepted a request to enter into a Commitment until Arc Home has posted the Commitment Confirmation to the Seller.

Although Arc Home will use commercially reasonable means to receive requests and send its responses for Commitments, Arc Home is not responsible for any failures of the Seller to deliver or receive any such communications, and the Seller acknowledges that Arc Home will act in reliance of a Commitment that it has accepted even if the Seller does not receive the Commitment Confirmation. Sellers that wish to mitigate the risk of market shifting should use time-sensitive means of communication to the Arc Home Lock Desk, rather than means without immediate feedback.

The Seller must also acknowledge that if Arc Home accepts a Commitment by voice (such as by telephone), the Commitment will remain subject to all terms and conditions shown in a subsequently delivered Commitment Confirmation.

Furthermore, the Seller acknowledges that prices in a Commitment Confirmation will be those applicable at the time Arc Home acknowledges it received a completed and acceptable request for a Commitment. Arc Home is not responsible for market changes or other re-pricing events that may have occurred between the time of the Seller's request and Arc Home's receipt.

Arc Home reserves the right to modify and/or revise its Commitment Confirmation should any of the information submitted in the final loan package differ from the information provided during the original commitment request or if the loan does not meet Arc Home's guidelines. Changes, including, but not limited to, loan characteristics, program eligibility, commitment terms and fees will affect the final loan price.

A Commitment Confirmation does not constitute a loan decision/approval or a commitment to purchase a loan.

Out of Tolerance for Loan Amount on Individual Loan Commitments

Arc Home will allow a tolerance of plus or minus 2% for Mandatory Loans and 5% for Best Efforts Loans on Individual loan commitment loan amount changes. Any loan amount changes outside of 2% for Mandatory, or 5% for Best Efforts will be subject to a pricing adjustment for the loan. The undelivered amount after application of the tolerance will be treated as a partial pair off. Any over-delivered amount after the application of the tolerance will be priced to Current Market levels.

For mandatory loans locked into Bulk Commitments, pricing is subject to change if there are adjustments made to the loan parameters.

Lock Extensions

For current extension fees and terms, please refer to the Arc Home Daily Rate Sheet. Lock commitments must be extended on or prior to expiration in order to avoid a re-pricing or Pair Off Fees. The rate sheet includes the fees that will apply to the loan when the Seller requests an extension in compliance with the extension period as reflected on the Daily Rate Sheet. Extensions can be requested via the Arc Home website by the Seller. Standard extensions are granted up to 30 days. If the Seller requires additional extensions beyond 30 days, Sellers must contact the Arc Home Lock Desk by phone or email. These requests will be considered on a case-by-case basis.

Higher extension fees or upfront fees may apply for exceptions. In the event that the Seller is unable for any reason to process an extension on the Arc Home website, the Seller must contact the Arc Home Lock Desk for extension requests.

Lock extensions are calculated in continuous calendar days. Extension fees/policies are subject to change without notice. Changes will be listed and updated on the daily rate sheet. Arc Home reserves the right to prohibit extensions on individual mandatory commitments for any reason, which include Current Market conditions, or changes to the product eligibility or guidelines.

In the event of an erroneous extension fee or any other error, the Seller must contact the Arc Home Lock Desk within the same day of the error in order for it to be corrected.

Expirations

The Rate Lock Expiration Date is the expiration of Arc Home's commitment to honor a purchase commitment at a particular interest rate and price. All loans must be closed and funded by the Lock Expiration Date. The Seller must also deliver closed loans with all required documents including complete credit and closing package to Arc Home. If a Seller fails to deliver by the expiration date and any applicable extensions, Arc Home will re-price the loan subject to worse-case pricing once the credit and closing files are received. Arc Home encourages all Sellers to monitor lock expiration dates very carefully. Failure to extend locks prior to its expiration date in order to meet revised Purchase Dates may result in re-pricing. Any extension requests that need to be made on a locked loan must be made on or before the Rate Lock Expiration Date, and requests received after this date will be subject to re-lock at worse-case pricing, at the lower of current market versus market on the original lock date.

Holiday or Weekend Lock Expirations

If the initial lock expiration on a loan would fall on a weekend or an Arc Home observed holiday, Arc Home will automatically roll the Lock Expiration Date to the next business day.

Any further extensions or relocks made on a locked loan that cause the loan to expire on a weekend or Arc Home holiday will NOT roll to the next business day. If the loan gets extended and the lock expiration date lands on a weekend or holiday, please note that the Seller will be charged for the number of continuous calendar days until the next business day. If the Seller requires the loan to be extended through a weekend or holiday for a lock expiration date on a business day, the Seller will need to contact the Arc Home Lock Desk about the extension. Arc Home encourages the Seller to deliver the full file before the loan expires.

Withdrawing or Canceling Loans

Expired Commitments/Cancelations

If the loan is canceled prior to the lock expiration and then reestablished as a new loan, the same re-lock fee structure noted below will be applied based on cancellation date rather than lock expiration.

If the re-lock is requested more than 30 days after the Commitment's Lock Expiration, or cancellation, whichever applies, the loan will be priced at Current Market. However, the loan will continue to be assessed any previously purchased lock extensions or other fees unless the loan has been expired or canceled for more than 120 consecutive days

- A re-lock request may be subject to additional risk of secondary market illiquidity, and Arc Home may not accept the loan at original locked rate
- Loans that are re-locked must meet all current product eligibility guidelines
- Loans that have expired and have been re-locked more than once may be subject to additional fees or may become ineligible for re-lock
- If a loan has been expired more than 120 consecutive days, the loan can be re-locked at Current Market with no market comparison and is no longer subject to the cost of previous extensions. However, in most cases, a new loan number should be assigned and the old expired loan number should be withdrawn

Declined Loans

For Arc Home to comply with HMDA regulations, all loans that remain in a declined status for more than 20 calendar days, regardless of when the loans are set to expire, that are underwritten by Arc Home or approved contract underwriters that result in a declination may be canceled. Any resubmissions after the cancellation date will require a new loan registration and underwriting submission. The new loan will be subject to worse case pricing review if locked within 30 days after the cancellation has been processed, regardless of when the loan was actually declined.

Additional Rules

- Each lien position of a property may have no more than one Commitment outstanding at any one time with Arc Home. In the event that a duplicate lock is created, the loan will become subject to worse case pricing
- Only Sellers with mandatory selling approval from Arc Home will be permitted to lock into Mandatory Commitments
- The Seller may not assign or transfer a Commitment, in whole or in part, without the prior express written consent of Arc Home
- The terms of the Commitment are not to be confused with other agreements or terminology that may be in effect between the Seller and Arc Home

Re-lock Pricing

Re-locks will be performed on a worse case pricing basis as further described below. Once the requested re-lock period (15 or 30 days) is established, comparisons for the same product and interest rate will be made between the most recent lock base price less extension costs to the current rate sheet base price. If the Current Market price is lower than the original commitment price less a commensurate extension fee would cost from the date of the prior lock expiration to the new requested expiration, then the current base rate sheet price will be applied.

If the current rate sheet base price is higher than the original expired/canceled lock, then the total extension cost will be applied to the original commitment price and the lock expiration date adjusted accordingly.

If the Seller requests to re-lock an undelivered loan that has been expired or canceled for more than 30 days, the loan will be eligible to be re-locked at Current Market, without worse-case pricing comparison or re-lock fee.

However, any previously purchased extension or re-lock fees will remain with the loan unless it has been expired/canceled for over 120 concurrent days.

Worse-Case Pricing will be determined considering the following factors:

- The requested re-lock period of either 15 or 30 days
- The base price on the expired or canceled lock
- The Current Market base price for the requested re-lock period
- The current extension fees as posted on the rate sheet

For example, if a loan is locked for 30 days at a base price of 102.00% and expires and a re-lock is requested for 10 days on day 5 past the original lock expiration and the current cost of a 10-day extension is 15 basis point (0.15%). The current comparable 15-day price is 102.15%. Since the original base price is worse, the loan would be extended for 15 days less the extension costs or 101.85%.

A loan is locked for 30 days at a base price of 102.00% and the lock expires and a 30-day re-lock is requested on day 3 past the original lock expiration. The current comparable 30-day price is 100.00. Since the current price is worse (at 100.00%) and more than the fee for a 33-day extension (assume current cost of .495%) then the loan is re-locked for 30 days at Current Market or 100.00%.

Lastly, a loan is locked for 30 days at a base price of 102.00% and the lock expires and a 30-day re-lock is requested on day 25 past the original lock expiration. The current comparable price is 101.50%. In this example, the current price is worse than original commitment but is greater than original commitment price less the extension fee for 55 (30+25) days (assume current cost of .825%). In this case Arc Home will extend the lock at the original commitment price less the required extension fees or 101.175% (102.000% minus .825%) so this causes the lock to be extended at extension costs.

Late Delivery/ Suspense

Late Delivery

If a Seller delivers into a Rate Lock Commitment after the Rate Lock Expiration Date, Arc Home will assume that the Seller is requesting the loan to be relocked. Once the credit and closing files are received and the loan is assigned a **late delivery date (that is after the original expiration date on the loan)**, Arc Home will **automatically relock** the loan subject to worse case pricing.

For Example, if a loan is locked for 30 days at a base price of 102.00 and it is delivered 3 days late and Current Market is worse at 101.00, the loan will be relocked at Current Market.

Another instance would be if a loan is locked for 30 days at a base price of 102.00 and it is delivered 6 days late and Current Market is the same (at 102.00) or better (at 103.00), the loan would be relocked at the original price less a 6-day extension fee.

The expiration date will be reset to reflect the later of the credit or closing file received date and no additional time will be provided.

Late Suspense

Loans Suspended Greater than 30 Days:

Any loans that have been in suspense for more than 30 days will be re-locked subject to the worse of the accrued suspense fees for 30 days or worse-case market pricing. These loans will be purchased by Arc Home as exceptions. The worse-case pricing will be calculated with the comparison of base price to base price for the same rate and lock terms.

When a loan has been suspended greater than 30 days and also delivered for purchase and is then withdrawn and resubmitted, the new loan will be subject to the worse of the accrued suspense fees of 30 days or worse case market pricing for 30 days from the date of cancellation. All fees that were due on the original loan, such as extension fees, will be applied to the new rate lock. Loans suspended greater than 30 days must meet all current pricing and product eligibility before being re-locked. Arc Home will not purchase loans **after the first payment due date**. If the loan becomes a seasoned loan while Seller is working to clear deficiencies, Arc Home may refuse to accept the delivery in its sole discretion and Pair Off Fees may apply. Seasoned Loans are not eligible for purchase by Arc Home without the approval of the Arc Home Lock Desk. If approved by the Arc Home Lock Desk, pricing will be adjusted as determined by the Arc Home Lock Desk.

Suspended Closed Loans

Arc Home will not purchase any loans with incomplete documentation. If there is a document or qualification deficiency that is in the process of being sent, the loan will be placed into suspense until all conditions have been cleared.

While the loan is in suspense, the Seller may incur late fees until the documents are received by Arc Home and all conditions for funding have been cleared. Please see below for the suspense fee timeframe:

- Delegated and Non-Delegated Conventional, FHA, VA, Arc Access (NQM), Arc Elite (QM), Foreign National, Conventional Investment Property, FNMA/FHLMC Second Home & Investment Property programs, there will be a 5-calendar day grace period beginning after the later of the Rate Lock Expiration Date, Pre-Funding Reviews (QC and Due Diligence).
- After the grace period has expired, and the Seller has not provided complete and compliant funding documents, Arc Home may, at its discretion, allow or require any of the following:
 - Allow the Seller additional time to clear conditions subject to payment of an extension or suspense fee
 - Allow Seller additional time to clear conditions subject to Arc Home re-pricing the loan
 - Reject the delivery
 - Reject the delivery and require payment by the Seller of a Pair-off Fee

Late Suspense Fee Policy

Arc Access (Non-QM), Elite QM, Foreign National, Conventional Investment Property, Agency, Government, & FNMA/FHLMC Second Home & Investment products loans will hit late suspense if clear to purchase conditions have not yet been met. Late suspense starts at the later of the delivery expiration date, pre-funding or diligence review plus a 5-calendar day grace period and ends when the last condition has been uploaded. Loan will be charged 1.5 bps per day.

The suspense fees and this suspense policy are at Arc Home's discretion and are subject to change at any time.

Failure to Deliver

Best Efforts Delivery

If a loan subject to a Best Efforts Commitment cancels with the Seller and does not close, the Seller's obligation is to cancel the commitment in a timely manner with Arc Home. Provided the Seller acted in good faith to close and deliver the subject loan, the Seller will have no further obligation to Arc Home with respect to that loan (underwriting fees may apply for non-delegated loans submitted for review).

When a Seller closes a loan that is the subject of a Best Effort Commitment the Seller is required to deliver the Loan to Arc Home for purchase and its commitment becomes mandatory. Coincident with the loan closing the commitment becomes subject to the Mandatory Delivery terms described below.

Mandatory Delivery/Substitution of Loans

If upon expiration of the commitment period (including all extensions) there exists an undelivered balance after consideration of the applicable delivery tolerance, the amount of the net delivery shortfall will become subject to a Pair Off Fee.

Sellers can avoid or mitigate Pair Off Fees by substituting an eligible loan for any loans subject to an individual loan commitment prior to the expiration of the commitment including any extensions. To effectuate

a substitution Sellers are advised to contact the Arc Home lock desk at the earliest possible date.

Conflict Resolution

Any conflicting terms, problems, issues, concerns or scenarios of the Seller related to pricing, commitments and the related fees that are not specifically addressed within this document will be considered and are subject to review by Arc Home. Sellers are encouraged to phone and/or e-mail Arc Home with any questions, concerns or issues as they arise. Arc Home will attempt to resolve all issues in good faith. If a proposed resolution is not suitable to the Seller, the issue may then be escalated to a Senior manager of Arc Home at the Seller's request.

Arc Home LLC Pricing Policy for Jumbo Loans

Lock Hours

Jumbo Locks will be accepted from the time of rate sheet distribution (approximately 10 AM) until 6 pm EST. Any locks received after 6 pm EST will be subject to pricing on the following day's rate sheet as the Lock desk closes at this time.

Loan Review

Arc Home LLC encourages Correspondents to deliver their closed loan packages as early as possible once the loan is locked. Loans reaching a Clear to Close status still require a complete review and additional documentation may be required before a Cleared for Purchase status is issued. If required, the Arc Home Lock Desk will auto extend lock periods, at the Correspondent's expense, until the review is completed, and the Cleared for Purchase status is issued.

Late Suspense

Jumbo Locks will not adhere to a Late Suspense Policy. If a loan is in review, the lock will be extended by the Arc Home Lock Desk, at the Correspondent's expense, until the review is complete, and the loan is placed into "Cleared for Purchase" status. There is not a grace period for the locks as they will be either extended or withdrawn leading up to their expiration date.

Extension Policy

Lock extensions are at a cost of 2 bps per day. These extensions occur in 5-day increments. They are at a maximum of 30 days. If a lock extension lands on a weekend, the days needed to extend will go through to the next business day.

For example, if a loan is extended on a Monday and the 5-day extension lands on Saturday, there will be an additional 2-day cost until that next Monday totaling 7 days in extension costs.

Re-Lock Policy

Loans will be subject to worse case pricing at the time of re-lock plus a relock fee of 25 bps along with all prior extension fees for locks expired less than or equal to 60 days. After 60 days, loans are permitted to re-lock at current market with no re-lock fee or prior extension fees

CHAPTER 6: COMPLIANCE

Overview

Compliance with all federal, state, local and municipal laws, ordinances, rules and regulations including without limitation, usury, truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, fair housing and lending disclosure laws is mandatory and the responsibility of the Delegated or Non- Delegated Seller.

Seller must underwrite each mortgage loan in strict compliance with the applicable agency underwriting guidelines and all applicable governing statutes and regulations as amended and in effect at the time the loan was made, including, but not limited to, the following:

- Consumer Credit Protection Act
- Credit Practices Rule
- Customer Identification Program (CIP) under USA Patriot Act
- DFA (Dodd-Frank Wall Street Reform & Consumer Protection Act; and all implementing regulations thereto as regulations become effective)
- Electronic Signatures in Global and National Commerce Act (E-Sign)
- Equal Credit Opportunity Act (Regulation B)
- Fair Credit Reporting Act (FCRA)
- Fair Housing Act
- Federal Trade Commission – Unfair or Deceptive Acts and Practices (UDAAP)
- Home Mortgage Disclosure Act (HMDA – Regulation C)
- Home Ownership and Equity Protection (HOEPA); note Arc Home will not proceed with any loan scenario that exceeds HOEPA’s guidelines.
- Home Owners Protection Act (HPA)
- Home Valuation Code of Conduct (HVCC) and subsequent regulations
- National Flood Insurance Act of 1968, Flood Disaster Protection Act of 1973, National Flood Insurance Reform Act of 1994, Homeowner Flood Insurance Affordability Act of 2014 (HFIAA)
- Office of Foreign Asset Control (OFAC)
- Real Estate Settlement Disclosure Act (RESPA – Regulation X) Secure and Fair Enforcement for Mortgage Licensing Act (SAFE)
- Truth-in-Lending Act (Regulation Z); Arc Home will permit only Qualified Mortgages as defined within the Truth-in-Lending Act. Also note that the Integrated Disclosure Rule is defined within the Truth In Lending Act.

Arc Home will update the Guide regarding regulatory changes related to mortgage lending. Seller should not, however, rely on Arc Home to advise Seller of these changes in order to originate loans. Any Compliance related questions should be directed to the Seller’s Compliance Officer.

Sellers are required to comply with the following regulations and all areas of Compliance, including but not limited to TRID. Loans delivered for purchase to Arc Home must contain evidence of compliance to the requirements specified under each rule or the loan will not be purchased.

- Loan Originator Compensation – applications received on or after January 10, 2014; amendment to §1026.36(h) effective June 1, 2013 (regarding prohibition of mandatory arbitration clauses or waivers of federal claims).
- Escrow Rule for Higher Priced Mortgage Loans – applications received on or after June 1, 2013.
- NOTE: See Higher Priced Mortgage Loans (HPML).
- Disclosure and Delivery Requirements for Copies of Appraisals and Other Written Valuations Under the Equal Credit Opportunity Act (Regulation B) – applications received on or after January 18, 2014.
- Ability to Repay and Qualified Mortgage Standards Under the Truth in Lending Act (Regulation Z) – applications received on or after January 10, 2014.
- High-Cost Mortgage and Homeownership Counseling Amendments to the Truth in Lending Act. (Regulation Z) – applications received on or after January 10, 2014.
NOTE: Arc Home does not purchase High-Cost Mortgage Loans.
- Homeownership Counseling Amendments to the Real Estate Settlement Procedures Act (Regulation X) – applications received on or after January 10, 2014.
- Integrated Disclosure Rule Under the Truth-In-Lending Act (Regulation Z) – applications received on or after October 3, 2015

Arc Home Anti-Predatory Lending Policy

Overview

Arc Home supports the expansion of fair and equitable home ownership opportunities and opposes predatory lending. We are committed to upholding the standards of fair and responsible lending in all aspects of our business practice. Our commitment emphasizes product choice, fair pricing, and credit terms with clear disclosure.

Arc Home requires that all Borrowers be treated fairly and equitably through all channels, whether through Retail, Correspondent or Broker. Arc Home requires adherence to applicable federal state and local laws, statutes, regulations, commentary, and principles, including but not limited to the items more fully described below.

Arc Home will not fund, purchase, or warehouse loans that meet the definition of a “high-rate, high-fee mortgage”.

Predatory Lending Description

Arc Home requires that Seller warrant that no form of predatory lending has been used in connection with the

origination of any mortgage loan. For purposes herein, “predatory lending” includes, but is not limited to any deceptive and/or abusive lending practices that are not in the best interest of the Borrower(s). This includes, but is not limited to, any one or more of the following practices:

- Making loans strictly on the basis of the Borrower’s equity without regard to the proper underwriting of the Borrower’s payment ability;
- Making loans that unreasonably jeopardize the Borrower’s equity;
- Frequent refinancing of loans with fees that can strip the equity from a Borrower and which simply generate fee income with no benefit to a Borrower;
- Using pricing terms that far exceed the true risk and cost of making the loan;
- Including in the loan unearned or otherwise unwarranted fees for services;
- Making it difficult for Borrowers to reduce their indebtedness by adding unreasonably restrictive loan terms and structures; and
- Targeting customers who are less financially sophisticated or otherwise are vulnerable to abusive practices.

Arc Home requires that the Seller engage in responsible lending that provides benefit to the Borrower and the loan contains verification and evidence of the Borrower’s ability to repay.

- Seller to use best efforts to ensure that each loan offered to a Borrower is consistent with his or her needs, objectives, and financial situation.
- Each mortgage loan, the proceeds of which have been used to refinance a previous mortgage loan, offers a documented, demonstrable, tangible net economic benefit to the Borrower. Seller must provide any state-specific documentation, such as but not limited to Net Tangible Benefit Work, as required by state or local law.
- Appropriate assessment and documentation must be performed of the Borrowers’ ability to repay each mortgage loan in accordance with its terms.
- The Borrowers must be provided sufficient and accurate information concerning each mortgage loan’s terms, costs, risks, and benefits, including but not limited to disclosure of:
- The existence of a prepayment penalty, if applicable, prior to closing

- Disclosure on products containing a prepayment penalty of the availability of similar products with no prepayment penalty, and
- On limited documentation products, disclosure of the availability of a lower interest rate in exchange for higher levels of documentation.
- Total loan compensation of each mortgage loan, including compensation to Third Party Originators, must be structured to avoid providing any incentive to originate a loan with predatory or abusive characteristics.

HOEPA (Home Ownership and Equity Protection Act)

Seller will warrant that all mortgage loans comply with provisions of the Home Ownership and Equity Protection Act of 1994 (HOEPA), as amended, as well as meet all applicable state, federal or local laws or ordinances. **Loans that exceed HOEPA's guidelines are ineligible for delivery to Arc Home.**

Laws

Seller must strictly comply with all applicable federal, state and local laws, ordinances, and regulations. This includes, but is not limited to:

- Consumer Credit Protection Act
- Credit Practices Rule
- Customer Identification Program (CIP) under USA Patriot Act
- DFA (Dodd-Frank Wall Street Reform & Consumer Protection Act; and all implementing regulations thereto as regulations become effective)
- Electronic Signatures in Global and National Commerce Act (E-Sign)
- Equal Credit Opportunity Act (Regulation B)
- Fair Credit Reporting Act (FCRA)
- Fair Housing Act
- Federal Trade Commission – Unfair or Deceptive Acts and Practices (UDAAP)
- Home Mortgage Disclosure Act (HMDA – Regulation C)
- Home Ownership and Equity Protection (HOEPA); note Arc Home will not proceed with any loan scenario that exceeds HOEPA's guidelines.
- Home Owners Protection Act (HPA)
- Home Valuation Code of Conduct (HVCC) and subsequent regulations
- National Flood Insurance Act of 1968, Flood Disaster Protection Act of 1973, National Flood Insurance Reform Act of 1994, Homeowner Flood Insurance Affordability Act of 2014 (HFIAA)
- Office of Foreign Asset Control (OFAC)
- Real Estate Settlement Disclosure Act (RESPA – Regulation X)
- Secure and Fair Enforcement for Mortgage Licensing Act (SAFE)
- Truth-in-Lending Act (Regulation Z); Arc Home will permit only Qualified Mortgages as defined within the Truth-in-Lending Act. Also note that the Integrated Disclosure Rule is defined within the Truth in Lending Act.

Qualified Mortgage Rule:

Effective July 1, 2021, Arc Home will only purchase Qualified Mortgages for delivery to Fannie Mae, Freddie Mac and certain non-agency investors which comply with the APOR based requirements and consider/verify underwriting standards under the Qualified Mortgage Definition under § 1026.43(e)(2) of the Truth in Lending Act (Regulation Z) as adopted by the CFPB on December 20, 2020 (the "2021 General QM Amendment").

Compliance with Points and Fees

The maximum points and fees applicable to a Qualified Mortgage vary based upon the loan amount. In addition, all dollar amounts, including loan amounts, will be adjusted for inflation annually on January 1 by the CFPB.

Arc Home will require a fully completed “points and fees” detail form on all files submitted for purchase. The Sellers can provide this information by including one of the following in the loan file:

- Arc Home Fee Details Form as published on the Arc Home website. This is the preferred form, but Arc Home will also accept as alternative documentation;
- Ellie Mae’s Mavent Compliance Report with Expanded Fee Details
NOTE: In order for Arc Home to accept the Mavent Compliance Report as an alternate to the Arc Home Fee Details Form, the Mavent Compliance Report must include the Expanded Fee Details.
- A review of the vendor forms to ensure they contain the loan level data required to complete our pre-purchase review. If the loan-level data is not sufficient, it may delay the purchase of the loan by Arc Home. NOTE: We are not endorsing or approving the results of any vendor’s compliance screening, nor will we rely on any vendor’s compliance screening in lieu of our pre- purchase review.
- Similar points and fees forms (i.e. one generated from a LOS system) provided the form contains all of the loan level data required to complete our pre-purchase review. If the loan level data is not sufficient, it may delay the purchase of the loan by Arc Home

The applicable points and fees thresholds for 2021 are listed below:

Note Amount	Points and Fees Threshold
Greater than or equal to \$110,260	3% of Total Loan Amount
\$66,156 but less than \$110,260	\$3,052
\$22,952 but less than \$61,050	5% of Total Loan Amount
\$13,783 but less than \$22,052	\$1,017
Less than \$13,783	8% of Total Loan Amount

The applicable points and fees thresholds for 2022 are listed below and shall be subject to annual revision as established by the CFPB and published annually in the "Truth in Lending (Regulation Z) Annual Threshold Adjustments (Credit Cards, HOEPA, and Qualified Mortgages)" (12 CFR Part 1026):

Note Amount	Points and Fees Threshold
Greater than or equal to \$114,847	3% of Total Loan Amount
\$68,908 but less than \$114,487	\$3,445
\$22,969 but less than \$68,908	5% of Total Loan Amount
\$14,356 but less than \$22,696	\$1,148
Less than \$14,356	8% of Total Loan Amount

Points-and-Fees Calculation

- The points-and-fees calculation is the same as that used in the HOEPA points-and-fees calculation.
- To calculate the points-and-fees, a creditor will add together the amounts paid in connection with the transaction in six categories of charges:
- Finance Charge – In general, all items included in the finance charge under 1026.5(a) and (b) will be included, except the following:
- Interest or the time-price differential
- Mortgage Insurance Premiums
- For federal or state government sponsored MIPs, exclude up-front and annual FHA premiums, VA funding fees, and USDA guarantee fees
- For PMI, exclude monthly or annual PMI premiums. Also, can exclude up-front PMI premium if it is refundable on a prorated basis and a refund is automatically issued upon loan satisfaction. However, if the premium can be excluded, you must still include any portion exceeding the up- front MIP for FHA loans.
- Bona Fide Third-Party Charges - Cannot be retained by the creditor, loan originator, or an affiliate of either
- Bona Fide Discount Points
- Exclude up to 2 bona fide discount points if the interest rate before the discount doesn't exceed the APOR by more than 1 percentage point; or
- Exclude up to 1 bona fide discount point if the interest rate before the discount doesn't exceed the APOR by more than 2 percentage points.
- Loan Originator Compensation – Compensation paid directly or indirectly by a consumer or creditor to a loan originator that is not an employee of the creditor or mortgage broker must be included.
- Compensation paid by the creditor to its own employee loan originator on a transaction can be excluded;
- Compensation paid by a mortgage broker to its own employee loan originator on a transaction can be excluded;
- Compensation paid by a consumer directly to a mortgage broker can be excluded (so long as the amount has already been included in the points-and-fees under the finance charge);
- Compensation paid by a creditor to a mortgage broker that is not its own employee is to be included
- Real Estate-Related Fees – The following categories of charges are excluded if (i) the charge is reasonable; (ii) the creditor receives no direct or indirect compensation; and (iii) the charge is not paid to an affiliate of the creditor:
- Title related fees
- Loan-related documentation preparation fees
- Notary and credit-report fees
- Property appraisal or inspection fees
- Amounts paid into escrow or trustee accounts that are not otherwise included in the finance charge
- Premiums for credit insurance; credit property insurance; other life, accident, health or loss-of- income insurance where the creditor is beneficiary; or debt cancellation or suspension coverage payments
- Do not include these charges if they are paid after consummation of the loan
- For purposes of this provision, credit property insurance is defined as insurance that protects the creditor's interest in the property and does not include homeowner's insurance that protects the consumer.
- Maximum Prepayment Penalty.
- Prepayment Penalty Paid in a Refinance – If a creditor is refinancing a loan that it or its affiliate currently holds or services, then any penalties charged for prepaying the previous loan must be included.

High Cost Loans (HCL)

A high-cost mortgage is any consumer credit transaction, whether closed-end or open-end, that is secured by the consumer's principal dwelling in which:

- The annual percentage rate applicable to the transaction will exceed the average prime offer rate ("APOR"), as defined in § 1026.35(a)(2), for a comparable transaction by more than:
- 6.5 percentage points for a first-lien transaction
- 8.5 percentage points for a first-lien transaction if the dwelling is personal property and the loan amount is less than \$50,000; or
- 8.5 percentage points for a subordinate-lien transaction; or
- The transaction's total points and fees will exceed:
- 5 percent of the total loan amount for a transaction with a loan amount of \$22,052 or more for 2021 or \$22,696 or more for 2022;
- these figures shall be adjusted annually on January 1 by the annual percentage change in the Consumer Price Index that was reported on the preceding June 1; or
- The lesser of 8 percent of the total loan amount for a transaction with a loan amount of less than \$21,980 2020 or with a loan amount of less than \$22,969 for 2022; these figures shall be adjusted annually on January 1 by the annual percentage change in the Consumer Price Index that was reported on the preceding June.

Mortgage loans that are designated as "high-cost", "high-risk" or "subprime" under Federal and/or State laws are not eligible for sale to Arc Home unless otherwise noted in the product summary.

Higher Priced Mortgage Loan (HPML)

A "Higher Priced Mortgage Loan" (HPML) is generally a first lien secured by a primary residence that has an annual percentage rate (APR) of 1.5% that is not jumbo loan, 2.50% for jumbo loans and 3.5% for a subordinate lien other than a home equity line of credit or more above the average prime offer rate (APOR) for comparable transaction as of the rate lock date. Certain Safe Harbor QM rules apply to FHA Loans as further described below in the Section named Safe Harbor Qualified Mortgage (QM) Loans (FHA and VA Transactions). The APR and APOR are both defined in Regulation Z. Requirements, as outlined in Regulation Z, must be followed. Loans that are not eligible include, but are not limited to, loans with prepayment penalties, ARMs with initial period less than 7 years and 5-year balloon reset mortgages. Arc Home will not purchase or fund any loan considered a HPML loan, except for as permitted on certain Arc Access (Non-QM) programs.

If the loan is a Higher Priced Mortgage Loan (HPML), an escrow waiver will not be permitted.

It is the Seller's responsibility to determine if a loan is a Higher Priced Mortgage Loan (HPML) and the Seller must notify Arc Home prior to submission.

NOTE: For all loans delivered to Arc Home, Sellers must provide Arc Home with evidence of the date the Borrower locked the interest rate for the transaction.

Higher Priced Covered Transaction (Conventional Loans)

A Higher Priced Covered Transaction is a covered transaction with an annual percentage rate that exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set by 1.5 or more percentage points for a first-lien covered transaction, other than a Qualified Mortgage under paragraph (e)(5) or (f) of § 1026.43; by 3.5 or more percentage points for a first-lien covered transaction that is a Qualified Mortgage under paragraph (e)(5) or (f) of § 1026.43; or by 3.5 or more percentage points for a subordinate-lien covered transaction. NOTE: Arc Home does not purchase subordinate lien transactions.

Arc Home will purchase Higher Priced Covered Transactions (as defined in Regulation Z) provided they meet the definition of a Qualified Mortgage Loan.

Safe Harbor Qualified Mortgage (QM) Loans (FHA and VA Transactions)

A Safe Harbor Qualified Mortgage (QM) as defined by HUD is a FHA loan transaction where the APR is less than or equal to the APOR for a comparable mortgage, as of the date the interest rate is set, plus the combined annual MIP (expressed by HUD in basis points or as a percentage) and 1.15% for first-lien transactions.

In addition, Safe Harbor FHA Streamline Refinance loans are excluded from income verification requirements.

- In general, all VA guaranteed purchase money origination loans and refinances other than certain interest rate reduction refinance loans (“IRRRL”) guaranteed or insured by the VA are defined as safe harbor QM loans. An IRRRL is entitled to safe harbor QM status provided:
The loan being refinanced was originated at least 6 months before the new loan’s closing date
- The veteran has not been more than 30 days past due during the 6 months preceding the new loan’s Closing Date.
- The recoupment period for all allowable fees and charges financed as part of the loan or paid at closing does not exceed 36 months
- All other VA requirements for guaranteeing an IRRRL are met.

In addition, VA IRRRLs are excluded from income verification requirements and the 3% points and fees test if certain criteria are met.

FHA Transactions must meet the HUD Safe Harbor requirements.

VA Transactions (excluding VA IRRRL) must meet Qualified Mortgage (QM) requirements. VA IRRRLs must meet the VA Safe Harbor requirements.

Rebuttable Presumption Qualified Mortgage (QM) Loans (FHA Transactions)

Arc does not purchase loans deemed to be Higher Priced Mortgage Loans (HPML) under its Qualified Mortgage programs. Arc does NOT purchase loans covered under Federal and State HOEPA Regulations.

Prepayment Penalty

Prepayment penalties are only allowed for certain products under the Arc Access suite and Foreign National program. Refer to Exhibit F for prepayment structures that are acceptable.

Credit Insurance

Arc Home does not accept any loans with the following credit insurance where the premiums were paid out of loan proceeds or in connection with the granting of the loan:

- Prepaid single-premium credit life
- Credit disabilityCredit unemployment
- Credit property insurance policy or
- Other such products

Monitoring / Quality Control

If any irregularities or discrepancies are discovered during Arc Home's routine review, Arc Home will expand the scope of the quality control reviews on Seller's loans to ensure all problem areas are identified.

Arc Home may provide reports to Sellers from time-to-time. Sellers will be required to respond to any findings of moderate risk or greater or to any indications of trends toward risk findings. Sellers should investigate and respond with their results and what actions will be taken to correct the situations.

Serious issues with quality and/or material findings trends or failure to respond to the report findings will result in termination of the Seller's approval with Arc Home.

Disclaimer: From time to time, Arc Home will alert Sellers to important legal issues. However, Sellers should not rely upon Arc Home to inform them of the legal requirements applicable to the origination of mortgage loans.

Sellers represent and warrant to Arc Home that all loans sold to Arc Home are originated in accordance with state and federal law. This Policy is not intended and should not be construed as legal or business advice.

Appraiser Independence Requirements

All appraisals on loans offered for sale to Arc Home must be in compliance with Appraiser Independence Requirements (AIR) specified by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC and the Office of Thrift Supervision. AIR was developed by Fannie Mae, the Federal Housing Finance Agency (FHFA), Freddie Mac and key industry participants to replace the Home Valuation Code of Conduct (HVCC). This went into effect on October 15, 2010. The updated requirements maintain the principle and intent of the HVCC and continue to provide important protections for mortgage investors, home buyers and the housing market.

Appraiser Independence Safeguards

- An appraiser must be, at a minimum, licensed or certified by the state in which the property to be appraised is located.
- No employee, director, officer, or agent of the Seller, or any other third party acting as joint venture partner, independent contractor, appraisal company, appraisal management company, or partner on behalf of the Seller, shall influence or attempt to influence the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner including but not limited to:
 - Withholding or threatening to withhold timely payment or partial payment for an appraisal report;
 - Withholding or threatening to withhold future business for an appraiser, or demoting or terminating or threatening to demote or terminate an appraiser;
 - Expressly or impliedly promising future business, promotions, or increased compensation for an appraiser;
 - Conditioning the ordering of an appraisal report or the payment of an appraisal fee or salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary value estimate requested from an appraiser;
 - Requesting that an appraiser provide an estimated, predetermined, or desired valuation in an appraisal report prior to the completion of the appraisal report, or requesting that an appraiser provide estimated values or comparable sales at any time prior to the appraiser's completion of an appraisal report;
 - Providing to an appraiser an anticipated, estimated, encouraged, or desired value for a subject property or a proposed or target amount to be loaned to the Borrower, except that a copy of the sales contract for purchase transactions may be provided;
 - Providing to an appraiser, appraisal company, appraisal management company, or any entity or person related to the appraiser, appraisal company, or appraisal management company, stock or other financial or non-financial benefits;
 - Removing an appraiser from a list of qualified appraisers, or adding an appraiser to an exclusionary list of disapproved appraisers, in connection with the influencing or attempting to influence an appraisal as described in Paragraph B above (this prohibition does not preclude the management of appraiser lists for bona fide administrative or quality-control reasons based on written policy); and
 - Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, or impartiality or violates law or regulation, including, but not limited to, the Truth in Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

Acceptability of Subsequent Appraisals

A Seller must not order, obtain, use, or pay for a second or subsequent appraisal in connection with a Mortgage financing transaction unless: (i) there is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately noted in the Mortgage file, or (ii) such appraisal is done pursuant to written, pre-established bona fide pre- or post-funding appraisal review or quality control processes or underwriting guidelines, and so long as the Seller adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value, or (iii) a second appraisal is required by law.

Borrower Receipt of Appraisal

The Seller shall ensure that the Borrower is provided a copy of any appraisal report concerning the Borrower's subject property promptly upon completion at no additional cost to the Borrower, and in any event no less than three days prior to the closing of the Mortgage. The Borrower may waive this three-day requirement if such waiver is obtained at least three days prior to the closing of the Mortgage. The Seller may provide the Borrower at closing, a revised copy of an appraisal and information as to the nature of any revisions, so long as the revisions had no impact on value. The Seller may require the Borrower to reimburse the Seller for the actual cost of the appraisal; however, the Borrowers cannot be charged a fee for a copy of their appraisal. If this fee is shown on the Closing Disclosure, Arc Home will require a refund to the Borrower prior to purchase.

NOTE: Texas 50(a)(6) – Evidence of the Affidavit of Fair Market Value of Homestead Property must be valid

Appraiser Engagement

- The Seller or any third party specifically authorized by the Seller (including, but not limited to, appraisal companies, appraisal management companies, and Sellers) shall be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser. The Seller will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by any other third party (including Mortgage Brokers and real estate agents).
- There must be separation of a Seller's sales or Mortgage production functions and appraisal functions. An employee of the Seller in the sales or Mortgage production function shall have no involvement in the operations of the appraisal function.
- Certain parties are prohibited from:
- Selecting, retaining, recommending, or influencing the selection of any appraiser for a particular appraisal assignment or for inclusion on a list or panel of appraisers approved or forbidden to perform appraisals for the Seller; and
- Having any substantive communications with an appraiser or appraisal management company relating to or having an impact on valuation, including ordering or managing an appraisal assignment.
- These parties are:
- All members of the Seller's Mortgage production staff;
- Any person who is compensated on a commission basis upon the successful completion of a Mortgage; and
- Any person whose immediate supervisor is not independent of the Mortgage production staff and process.

Seller personnel not described are not subject to the restrictions above and may engage in communications with an appraiser. In addition, any party, including the parties described above, may request that an appraiser provide additional information or explanation about the basis for a valuation, or correct objective factual errors in an appraisal report. If absolute lines of independence cannot be achieved as a result of the Seller's small size and limited staff, the Seller must be able to clearly demonstrate that it has prudent safeguards to isolate its collateral evaluation process from influence or interference from its Mortgage production process. Any employee of the Seller (or if the Seller retains an appraisal company or appraisal management company, any employee of that company) tasked with selecting appraisers for an approved panel or substantive appraisal review must be:

- Appropriately trained and qualified in the area of real estate appraisals; and
- In the case of an employee of the Seller, wholly independent of the Mortgage production staff and process.

Use of Appraisal Reports by In-House Appraisers or Affiliated Appraisers

In underwriting a Mortgage, the Seller may use an appraisal report:

- Prepared by an appraiser employed by:
 - The Seller;
 - An affiliate of the Seller;
 - An entity that is owned, in whole or in part, by the Seller; or
 - An entity that owns, in whole or in part, the Seller.
- Prepared by an appraiser employed, engaged as an independent contractor, or otherwise retained by an appraisal company or any appraisal management company affiliated with, or that owns or is owned, in whole or in part, by the Seller or an affiliate of the Seller, provided that the Seller complies with the provisions of these Appraiser Independence Requirements.
- The Seller also may use in-house staff appraisers to:
 - Order appraisals;
 - Conduct appraisal reviews or other quality control, whether pre-funding or post-funding;
 - Develop, deploy, or use internal Automated Valuation Models; or
 - Prepare appraisals in connection with transactions other than Mortgage origination transactions (e.g., Mortgage workouts), if the Seller complies with the provisions of these Appraiser Independence Requirements.

Transfer of Appraisals

Refer to Arc Home's Transferred Appraisal Policy.

Referrals of Appraisal Misconduct Reports

Any Seller that has a reasonable basis to believe an appraiser or appraisal management company is violating applicable laws, or is otherwise engaging in unethical conduct, shall promptly refer the matter to the applicable state appraiser certifying and licensing agency or other relevant regulatory bodies.

Compliance

Sellers must adopt written policies and procedures implementing these Appraiser Independence Requirements, including, but not limited to, adequate training and disciplinary rules on appraiser independence, including the principles detailed in Chapter 6. Additionally, Sellers must ensure that any third parties, such as appraisal management companies or Sellers, used in conjunction with the sale and delivery of a Mortgage to Arc Home are also in compliance with these Appraiser Independence Requirements.

CHAPTER 7: PRODUCT GUIDELINES AGENCY & GOVERNMENT

See individual product summaries for specific guidelines at <https://correspondent.archomellc.com/>. Anything not addressed within the Seller's Guide and Product Summaries would default to Agency, FHA and VA eligibility standards. If you have any specific underwriting questions, please contact your Account Executive.

Conventional Conforming

Agency- See individual product summaries for specific Agency guidelines at:

- [Product Guideline | Arc Home LLC](#)
- [FNMA/FHLMC Second Home & Investment Property Forms and Guidelines Correspondent | Arc Home LLC](#)

Government

Federal Housing Administration (FHA): See individual product summaries for specific FHA guidelines at

- [FHA Guideline | Arc Home LLC](#)

Veterans Administration (VA): See individual product summaries for specific VA guidelines at

- [VA Guideline | Arc Home LLC](#)
- [VA Forms | Arc Home LLC](#)

CHAPTER 8: PRODUCT GUIDELINES NON-AGENCY

Arc Home Portfolio Jumbo: See individual product summaries for specific guidelines at <https://correspondent.archomellc.com/page/correspondent-loan-products?tab=tab5>

Arc Access NQM: See individual product summaries for specific guidelines at <https://correspondent.archomellc.com/page/correspondent-loan-products>

Arc Elite QM: See individual product summaries for specific guidelines at <https://correspondent.archomellc.com/page/correspondent-loan-products?tab=tab2>

Foreign National: See individual product summaries for specific guidelines at <https://correspondent.archomellc.com/page/correspondent-loan-products>

CHAPTER 9: PREFUND DILIGENCE

General

- Any original note with white out will not be accepted, and the Borrower must initial any cross outs on the note.
- Closing date needs to match closing date on the security instrument.
- If the late charge is incorrect, a new executed note is required.
- Property address (on the executed note) must match the subject address on the appraisal report that is submitted in the address field in UCDP.
- Property address must match the title and legal description.
- Current state license is needed in order to lock and fund – please see details under Sellers Eligibility.
- For loans with application dates on or after January 10, 2014, the note must contain the loan originator company's seller name and NMLS Identifier number.
- For loans with application dates on or after January 10, 2014, the note must contain the originator's name and NMLS Identifier number.
- Loan amount, interest rate and P&I must be correct and match other documents in file.
- First payment on note must be the first day of the month.
- Arc will not purchase loans after the first payment due date.
- Maturity date must match the term of the loan.
- Note form must be correct according to the product & state. If the form is incorrect, a new original signed note is required.
- Refer to <http://www.efanniemae.com> for state and product specific note forms.
- Note must be signed by all credit qualifying Borrowers.
- If closed in the name of a trust, Borrower must sign individually and as Trustee. The complete name of the Trust is required as part of the signature line on the Note.
- If loan is an FHA Loan, the case number is required to be on the note
- On all loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a uniform Instrument must remain part of the document and be included on each page.

The tagline requirements do not apply to FHA or VA loans.

The list of required documents to be shipped to Arc Home LLC document custodian can be found in Exhibits section of this Guide.

Corrective Note

When a revised original note needs to be signed by the Borrower, Arc Home will not accept notes with markings identified as:

- Duplicate original
- Corrected copy
- Replacement note or similar

This also applies if there is an original signature and/or the words “duplicate original”, “corrected copy”, or “replacement note” are crossed through with or without initials. The marking stamped “original” is acceptable only.

Documents executed by the attorney in fact must be signed according to the following examples (the typed signature lien and actual signature must match exactly on all POA documents):

State Requirements	Acceptable Signatures
All States Except California & Texas Equity 50(a)(6)	Any of the following examples are permitted: ✓ Mary Smith by John Smith as her Attorney-in-Fact ✓ Mary Smith by John Smith as Attorney-in-Fact ✓ Mary Smith by John Smith, Attorney-in-Fact ✓ Mary Smith by John Smith, her Attorney-in-Fact
California	Only the following signature is acceptable: ✓ Mary Smith by John Smith as Attorney-in-Fact
Texas Equity 50(a)(6)	✓ A Texas closing attorney must document the compliance with all applicable state laws or the loan is not eligible.
NOTE: In all states, documents executed by the attorney in fact must include the principal's name, the agent's name, and the agent's capacity in the signature. Additionally, the document should have the same information typed or written.	

Pre-Signing of Mortgage Documents

On purchase and rescindable transactions, the closing loan documents can be signed prior to the computer-generated date on the documents.

The computer-generated document date remains the same. The notarization (of the security instrument and other documents that require notarization), however, must match the date the documents are signed by the Borrower.

On rescindable transactions, the three-day rescission period begins following consummation, delivery of the Notice of Right to Cancel, or delivery of all material disclosures, whichever occurs last. The rescission period begins the day the last Borrower signs and dates the notice of right to cancel.

Name Affidavit

A name affidavit will be required only in situations where the Borrower did not sign the note or mortgage exactly as typed or when the Borrower is on title differently from the note and mortgage. (ex: middle initial is included on note but Borrower did not sign with initial on note and/or Borrower is in title under maiden name and is refinancing as a married person). The Name Affidavit for each borrower must be included in the collateral package to the Arc Home Document Custodian.

Security Instrument

- Complete security instrument, including all pages and correct legal description is required.
- Check closing date, loan amount, maturity date and property address against note.
- Check county name and legal description against title commitment and appraisal.
- Seller name must be correct.
- For loans with application dates on or after January 10, 2014, the Security Instrument must contain the loan originator company's name and NMLS identifier number.
- For loans with application dates on or after January 10, 2014, the security instrument must contain the originator name and NMLS identifier number.
- Mortgagor and mortgagee must be correct.
- If there is a deed of trust, the trustee name and address must be filled in.
- If any information on the security instrument is incorrect, the errors must be corrected and the Security Instrument re-recorded. Arc Home will require a copy of the instrument with corrections and letter of intent to re-record prior to funding of loan.
- Changes on the security instrument that affect the terms of the loan (ex: loan amount and maturity date) must be initialed by Borrower and a letter of intent to re-record must be received prior to funding of loan.
- If closed in the name of a trust, Borrower must sign individually and as trustee. The complete name of the trust is required on the signature line.
- Correct forms must be used according to the product & state.
- If loan is an FHA loan the case number must be listed on security Instrument.
- On all loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a uniform Instrument must remain part of the document and be included on each page. ****The tagline requirements do not apply to FHA or VA loans.**

****Important:** The owner of the homestead must not be required to sign any instruments in which blanks related to substantive terms contained in the document are left to be filled in. The term "instrument" means a document that creates or alters a legal obligation of a party.

- A MOM Security Instrument must have 18-digit MIN number.
- If seller's org ID, and/or MIN number is incorrect or missing, the seller may take one of the following actions to correct:
 - Execute a Mortgage's Affidavit to be recorded.
 - In CA only - an Assignment from MERS to MERS may be recorded to correct the MIN#.
 - Execute Mortgage Modification to be recorded.
 - Correct the mortgage and re-record

MERS will not accept a Security Instrument with Arc's Org ID and MIN number on the document

- The following person(s) must sign the Security Instrument and any Riders to the Security Instrument:
 - Each person who has an ownership interest in the security property (an individual "in title), even if the person's income is not used in qualifying for the loan.
 - The spouse or domestic partner of any person who has an ownership interest in the property, if his or her signature is necessary under applicable state law to waive any property right, he or she has by virtue of being the owner's spouse or domestic partner.

We will accept short form security instruments for properties that are located in the following states:

- Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Idaho, Kentucky, Maine, Maryland, Nebraska, Nevada, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Washington, Wisconsin and Wyoming

At closing the Borrower signs a short form security instrument that contains the specifics of the transaction, such as closing date, loan amount, maturity date, property address, and any applicable riders, but incorporates the details of a master mortgage only by reference.

The short form security instrument must reference the master form that has been previously recorded:

- It must state that the master form instrument was recorded in the county in which the subject mortgage is offered for record.
- It must state the date when the master form instrument was recorded.
- It must state the book and page where the master form instrument was recorded.
- And it must state that a copy of the master form instrument was provided to the person executing the security instrument.

Security Instrument Riders

Check that appropriate riders are attached and signed. If a rider is not signed at closing, Borrower(s) must execute the applicable riders and security instrument with Rider attached must be re-recorded.

Riders can be viewed on the following agency website:

<https://www.fanniemae.com/singlefamily/riders-addenda>

Multistate Planned Unit Development (PUD) Rider (Form

3150)

- If appraisal states that the property is a PUD, a signed PUD rider must be attached to the Security Instrument.
- If PUD rider was signed and property is a single family, this is acceptable.
- Required for all Conventional Loans and VA loans when the FNMA/FHLMC form is used
- The project name must be filled in. Check project name against appraisal and title/legal description. If project name is incomplete or incorrect, need completed or corrected copy along with a letter of intent to re-record the security instrument.

Multistate Condominium Rider (Form 3140)

- If appraisal states that the property is a condominium, a signed condominium rider must be attached to the security instrument.
- If condominium rider was signed and property is a single family detached, the Condo Rider must be removed from the Security Instrument and the Security Instrument must be re-recorded. A letter of intent is required.
- Required for all Conventional Loans and VA loans when the FNMA/FHLMC form is used and the property is confirmed as a condo.
- The project name must be filled in. Check project name against appraisal and title/legal description. If project name is incomplete or incorrect, need completed or corrected copy along with a letter of intent to re-record the security instrument.

Multistate Balloon Rider (Form 3180)

- If loan is a balloon loan, a signed Multistate Balloon Rider must be attached to the security instrument
- If loan is not a balloon, rider must be removed from security instrument and the security instrument must be rerecorded. Letter of intent to re-record to be provided.

Applicable Multistate Adjustable Rate Note and Rider (and, if applicable, an addendum to the rider)

- Conventional Loans:
 - 1/1 ARM - FNMA 3526/3189 or FHLMC 5530/5130
 - 3/1 ARM - FNMA 3526/3189 or FHLMC 5530/5130
 - 5/1 ARM - FNMA 3528/3187 or FHLMC 5531/5131
 - 7/1 ARM - FNMA 3528/3187 or FHLMC 5531/5131
 - 10/1 ARM - FNMA 3528/3187 or FHLMC 5531/5131

Multistate Second Home Rider (Form 3890)

- Required for a loan secured by a second home.
- If loan is not a second home, rider must be removed from the security instrument and the security instrument must be re-recorded. Letter of intent to re-record to be provided.

Multistate 1 - 4 Family Rider (Form 3170)

- Required for loan secured by a one to four-unit investment property or a two to four-unit principal residence.
- Rider is not required on FHA loans

VA Assumption Rider

Required on all VA loans if these clauses are not incorporated in the body of the Security Instrument: Acceleration clause; Funding Fee clause; Processing Charge clause; and Indemnity Liability Assumption clause.

Revocable Trust Rider

- If a Seller is going to use a Revocable Trust Rider to the security instrument, the revocable trust rider clarifies who is considered to be “the Borrower” with respect to the covenants in the security Instrument.
- Trust rider, which should be used if the loan is secured by property located in California, can be found on Fannie Mae’s website. If the loan is secured by property located in another state, the revocable trust rider must be modified to reflect the requirements of the specific state. In all states, except California, if foreclosure proceedings later must be initiated to acquire the property and we suffer a loss that relates either to the modifications the seller made (or to the inappropriate use of the sample rider) or to any ambiguity in the application of the covenants in the security instrument, Seller must either repurchase the mortgage or the acquired property, or “make us whole.”
- As an alternative to using the Revocable Trust Rider, a Seller may choose to amend the security instrument to include appropriate definitions and language similar in substance to the sample revocable trust rider. If foreclosure proceedings later must be initiated to acquire the property and we suffer a loss that relates either to the Seller’s amendment or to any ambiguity in the application of the covenants in the security instrument, seller must either repurchase the mortgage or the acquired property, or “make us whole.”
- If a Seller chooses not use a revocable trust rider or to amend the Security Instrument, if foreclosure proceedings later must be initiated to acquire the property and we suffer a loss that relates to any ambiguity in the application of the covenants in the security instrument, seller must either repurchase the mortgage or the acquired property, or “make us whole.”

A Rider that includes a cross-default provision

Must be used to amend security instruments for loans secured by leasehold estates so that a default on the lease is a default on the mortgage. Fannie Mae does not publish a standard rider that includes this provision.

On all loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a uniform instrument must remain part of the document and be included on each page.

*The tagline requirements do not apply to FHA or VA loans

MERS Rider (form 3158) – for the states of MT, OR & WA Only

Recent decisions regarding MERS and its role as the nominee for the mortgagee requirements concerning loans registered with MERS in Montana, Oregon and Washington have been revised as described below.

- The following requirements apply to loans in these states with note dates of October 15, 2014 or later, but may be implemented immediately.
 - Loans must be registered with MERS and may not be assigned to Arc Home.
 - The new MERS rider (Fannie Mae/Freddie Mac Form 3158) must be attached to the security instrument for newly originated Conventional Loans.
 - Sellers must also follow the instructions to the MERS rider to make changes to the standard security instruments for these states.
 - The rider and instructions are available on the Fannie Mae and Freddie Mac websites.

This requirement is effective for loans with Note dates of October 15, 2014 or later.

Marital Rights – Non-Owner Spouses

If a loan is subject to rescission under the Truth-in-Lending Act, the following person(s) must receive the Closing Disclosure (or Truth-in-Lending Disclosure) and two copies of the Notice of Right to Cancel:

- Each person who has an ownership interest in the security property (an individual "in title"), even if the person's income is not used in qualifying for the loan.
- The spouse or domestic partner of any person who has an ownership interest in the property, if his or her signature is necessary under applicable state law to waive any property right, he or she has by virtue of being the owner's spouse or domestic partner. An ownership interest does not include leaseholds or inchoate rights, such as dower and courtesy. An ownership interest does include ownership rights under homestead laws and community property laws.

The loan file must contain evidentiary documentation of receipt of the Closing Disclosure (or Truth-in-Lending Disclosure) when applicable and two copies of the Notice of Right to Cancel by the required person(s). Evidence of delivery is not sufficient.

Modification Agreement

The mortgage or deed of trust and note will be audited upon receipt to confirm compliance with program parameters. If an error is identified during the audit, it is the Seller's responsibility to provide corrected documents. In lieu of correcting the original documents, a modification agreement may be prepared and executed by all Borrowers and then recorded. If a modification agreement is used solely to correct an error on the note, it is not necessary to record the document. A sample modification agreement is available in our Forms Library.

Intervening Assignments

- If intervening security instrument is on MERS form or assigned to MERS, then an intervening assignment is not required
- Must be assigned to seller (follow chain).
- If there is an assignment of deed of trust, the trustee must be the same as on the deed of trust.
- The assignment note date must match the closing date on both the note and the security instrument
- Borrower name must match the Borrower name on the security instrument
- Assignment must reference the property address or legal description or Security Instrument recording information
- Seller name must match security instrument exactly

Assignment – MERS

All loans must be assigned to Mortgage Electronic Registration Systems, Inc. For information on MERS membership, visit their Web site at www.mersinc.org.

General

- Required only if loan did not close using MOM Security Instrument (MERS on Mortgage)
- In MT, OR & WA only - effective for loans with note dates of October 15, 2014 or later, loans must be registered with MERS and may not be assigned to Arc Home.
- If required, must be assigned to "Mortgage Electronic Registration Systems Inc." and include 18-digit MIN #, MERS address and phone number.
- If Seller's Org ID, and MIN # is incorrect or missing, one of the following corrective actions can be taken:
 - Execute a Mortgagee's Affidavit to be recorded
 - In CA only - an Assignment from MERS to MERS may be recorded to correct the MIN#
 - Execute Mortgage Modification to be recorded
 - Correct the assignment and re-record
- If there is an Assignment of Deed of Trust, the Trustee must be the same as on the Deed of Trust.
 - Assignment note date must match closing date on note and security instrument.
 - County must be correct.
 - Seller name must match security instrument.
 - Notary section must be complete.
 - Assignment should be a copy of the original, which is sent for recording.
 - Needs to be signed by seller representative.

MERS Members

The following are MERS Members policies:

- MERS members have an Org ID with MERS and can generate MIN numbers.
- You can close your loans with MOM Security Instruments, which will eliminate the need for an assignment.
- MERS members must register the loan within 5 days of purchase, and then transfer the loan to Arc Home:
- Transfer to Org ID 1003048 as servicer all first and second mortgage loans.
- If the loan is not registered within five (5) calendar days after Arc Home's purchase of the loan, our servicing team will register the loan with MERS and Arc Home will send an invoice to the correspondent on a monthly basis to collect any fee we may be charged for the registration.

MERS Loan Suspension WARNINGS and Reminders

The following is a list of common MERS errors made by our Seller's when interpreting our policy regarding MERS as On Mortgage (MOM) I and Non-MOM loan assignments. Loans that do not comply with our policy will not be funded.

NOTE: If errors occur and Arc Home is charged a fee from MERS to correct these errors, those fees will be transferred to the seller.

- Ensure that the MIN (MERS Identification Number) is printed on the appropriate documents in the designated location. For MOM loans, the MIN should be printed on the Mortgage or Deed of Trust. For NON-MOM loans, the MIN should be printed on the assignment.
- For NON-MOM loans, endorse the loan assignment to the full name, spelled out completely as follows: "Mortgage Electronic Registration Systems, Inc."

Closing Disclosure

For mortgages secured by a mortgaged property NOT in an escrow state, the file must contain the Closing Disclosure or other closing statement signed by all parties to the transaction and evidencing all costs to the homebuyer and property seller.

For mortgages secured by a mortgaged property in an escrow state (Alaska, Arizona, California, Hawaii, Idaho, Nevada, New Mexico, Oregon and Washington), the mortgage file must include:

- Estimated Closing Disclosure or other closing statement signed by the Borrower and property seller, if applicable; and
- The Closing Disclosure or other closing statement signed by the Escrow Officer.

The Closing Disclosure or other closing statement must include the Borrower's name, property address and loan amount.

Interest Credits: Arc Home must allow sufficient time for our servicing division to process the loan before receipt of the first payment, therefore an interest credit to the Borrower at closing can only be made up to the 10th day of the month. This is in order for the first payment on the loan to reflect a full month of interest collected.

For conforming loan amounts, a loan is considered to be Cash Out if the cash back to the Borrower is 2% of the loan amount or \$2000 whichever is less.

A loan can also be considered Cash Out according to UW restrictions (ex. paying off major debt, a previous loan or buyout of a co-owner). Always refer to the underwriting approval and AUS Findings when referring to the loan purpose.

If DU Refi Plus product, cash back cannot be over \$250.00. If over \$250, the difference must have been applied as a principal reduction.

If escrows are collected on the Closing Disclosure, Arc Home will net escrows from the Purchase Advice.

In addition to the Closing Disclosure, Arc Home will require a fully completed “points and fees” detail form for all files submitted for purchase. The Sellers can provide this information by including one of the following in the loan file:

- Arc Home Fee Details Form as published on the Arc Home website. This is the preferred form, but Arc Home will also accept as alternative documentation;
- Ellie Mae’s Mavent Compliance Report with Expanded Fee Details
NOTE: In order for Arc Home to accept the Mavent Compliance Report as an alternate to the Arc Home Fee Details Form, the Mavent Compliance Report must include the Expanded Fee Details.
- A review of the vendor forms to ensure they contain the loan level data required to complete our pre-purchase review. If the loan-level data is not sufficient, it may delay the purchase of the loan by Arc Home.

NOTE: We are not endorsing or approving the results of any vendor’s compliance screening, nor will we rely on any vendor’s compliance screening in lieu of our pre-purchase review.

- Similar points and fees forms (i.e. one generated from a LOS system) provided the form contains all of the loan level data required to complete our pre-purchase review. If the loan level data is not sufficient, it may delay the purchase of the loan by Arc Home.
- Lender Credits – If the lender credit stays the same or increases and the lender credit is inclusive of the increase, a revised Change of Circumstance is not required. If there is a decrease in the lender credit a Change of Circumstance would be required due to the lender needs to notify the borrower of the decrease or the credit to the borrower. An itemization of seller and lender credits is not required but is considered a best practice and encouraged.

Uniform Closing Dataset- UCD (Delegated, Non-Delegated)

UCD data submitted to both Fannie Mae and Freddie Mac is required. The UCD Findings Report (FNMA) and the Loan Closing Advisor Feedback Certificate (FHLMC) are required to be uploaded with your closed loan package.

Escrows Accounts (AKA Impounds)

Tax Bills

Prior to starting escrow calculations, it is important that all tax bills due within ninety (90) days of the settlement date are paid before or at settlement.

Insurance Policy

Escrow accounts – the policy must have a remaining term of at least 60 days after closing. Non-escrow accounts – the policy must have a remaining term of at least 30 days after closing. If the renewal insurance policy is not available, obtain one of the following:

- Temporary binder from the insurance company
- Offer of renewal from the insurance company
- Quote with underwriting approval from a new company

* Any bills paid prior to settlement must have a paid receipt at settlement for proof of payment. You will be billed for any tax penalties that accrue. If bills are not available, the title policy must reflect taxes as being paid current. Escrow Analysis performed 60 days after funding. On an annual basis, each loan is reviewed according to assure compliance with the state requirements. Refer to our Escrow Analysis Schedule, located in our Forms Library, which provides a listing of which state's loans are reviewed by month.

Initial Escrow Statement

Initial Escrow Statements are required on all loans in which escrows/impounds are being held by the servicer. When flood Insurance is required, it must always be escrowed and no waivers are permitted. Arc Home requires all taxes and insurance(s) to be escrowed if the loan requires flood Insurance.

If loan has mortgage insurance, monthly MI must be on Initial Escrow Account Disclosure and amount match MI Cert. All taxes and insurance(s) to be escrowed if the loan requires MI. A two (2) month cushion should be used in the Initial Escrow Statement unless state regulations specify differently.

This statement must be provided to the Borrower at the time of settlement. Initial Escrow Statements must include the following information:

- Amount of the total monthly payment
- Portion of monthly payment that is being placed into their escrow account
- Itemize the estimated charges such as school taxes, city taxes, insurance premiums, etc. that is expected to be paid during the next escrow computation year. Need to include the description of the item, due date, term and disbursement amount.
- Running trial balance which reflects the estimated activity in the escrow account during the next 12 months.
- Starting Reserves (inclusive of the initial PMI premium amount); escrow disbursements prior to the 1st Pay Date; interim/added assessment; total reserves to be collected at closing and target balance.
- For loans with monthly FHA/MIP insurance, the MIP amount is NOT included in the calculation of the target balance/cushion.

Escrows for New Construction

To avoid “payment shock” Regulation X applies to escrows for new construction loans. The customer shall estimate the amount of escrow account items to be disbursed. In cases of un-assessed new construction, the servicer may base an estimate on the assessment of comparable residential properties in the market area.

Escrow Waiver Policy

Please refer to [Chapter 5 – Registration - Escrow Accounts/ Impound Waivers](#) for details and requirements in order for an escrow waiver to be considered. Escrow Waiver form indication what escrows are being waived with Borrower(s) signatures. Payment Letter signed by Borrowers showing no escrows with payment

Escrow Waiver is not permitted (subject to state restrictions):

- For the payment of private mortgage insurance.
- If Flood Insurance is required, it must be escrowed.
- If HO-6 is required, it must be escrowed, unless the association policy includes unit-level ‘walls-in’ coverage.
 - Escrow waivers will not be permitted if the transaction is a Cash Out Refinance that pays delinquent taxes that are past due 60 days or more. (Must be paying two delinquent tax installments in California).

If escrows were waived and product does not permit an escrow waiver an approved exception must be obtained or the loan may not be eligible for purchase.

NOTE: Escrow waivers will not be permitted after closing if escrows and impounds were reflected on the Closing Disclosure.

Tax Certificate

A completed tax certificate must be in the file. If there is not a completed tax cert, tax information provided within the title commitment or policy is acceptable. Tax Authorization form is required in NJ, PA, NY or IL

Hazard Insurance

A current hazard insurance policy or binder must be in the file and must include:

- Borrower must be listed on policy.
- The policy/binder must reference the property address.
- If a condo the policy must have one million dollars in liability insurance.
- If Site/Detached Condo, an individual policy is acceptable.
- The property insurance policy for a property securing any first mortgage, including master policies for project developments, must be written by an insurer that meets Fannie Mae/Freddie Mac guidelines. An insurer is only required to meet the rating category requirements for one of the rating agencies, even if they are rated by multiple rating agencies. The following types of property insurance policies are also acceptable if they are the only coverage the borrower can obtain at the time of the loan closing or policy renewal:
 - Policies obtained through state or territory insurance plans, including a state’s Fair Access to Insurance Requirements (FAIR) plan, or
 - Other state-mandated windstorm and beach erosion insurance pools.
- A hazard insurance policy or insurance binder (if required by law) and a paid receipt will be accepted provided that the policy term is for twelve (12) months.
- Perpetual homeowner’s insurance is acceptable - this type of policy has no expiration date and requires no annual premiums to keep it in force, it has been paid for with a single one-time payment.
- Adequate funds must be collected at closing and be included in the mortgage monthly payment for the payment of the hazard insurance premium.

- Fannie Mae and Freddie Mac guidelines for hazard/homeowner's insurance coverage apply. For first mortgage secured by a property on which an individually held insurance policy is maintained. They require coverage equal to the lesser of the following:
 - 100% of the insurable value of the improvements, as established by the property insurer; OR
 - The unpaid principal balance of the mortgage, as long as it at least equals the minimum amount of 80% of the insurable value of the improvements – required to compensate for damage OR loss on guaranteed replacement cost basis. If it does not, then coverage that does provide the minimum required loan amount must be obtained.
- Condominium Requirements: Insurance should cover 100% of the insurable replacement cost of the project improvements, including the individual units in a condominium project. Coverage does not need to include land, foundations, excavations, or other items that are usually excluded from insurance coverage.

An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

- Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); OR
- Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the property's insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

Deductibles - The following are guidelines from Fannie Mae and Freddie Mac for 1-4 family properties. Unless a higher maximum deductible amount is required by state law, the maximum allowable deductible for a first mortgage is five percent of the face amount of the insurance policy, regardless of property type.

Flood Insurance

Flood Insurance (if applicable per above):

- A current Flood Insurance Policy or Binder must be in the file. A flood application is also acceptable but a paid receipt is then required.
- The Policy/Binder/Application must reference Borrower.
- The Policy/Binder/Application must reference the property address.
- The Policy/Binder/Application must be for a term of 12 months.
- The amount of coverage must be shown on the Policy/Binder/Application.
- If a Condo, the policy must have one million dollars in liability insurance.
- If Site/Detached Condo, individual policy is acceptable
- Seller should follow Fannie Mae, Freddie Mac and federal guidelines for flood insurance coverage.

They require the lesser of:

- 100 percent of replacement cost of the dwelling;
- the maximum insurance available from the NFIP, which is currently \$250,000; or
- the unpaid principal balance of the mortgage (or combined balance of all mortgages if there is more than one lien).

Condominium Requirements:

The amount of coverage should be at least equal to the lesser of 100% of the insurable value of each insured building (including all common elements and property) or the maximum coverage available under the applicable National Flood Insurance Program (NFIP).

For those condominium projects that consist of high-rise buildings or other vertical buildings, the required coverage has three components:

- The building coverage should equal 100% of the insurable value of the common elements and property (including machinery and equipment that are part of the building);
- The contents coverage should equal 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; AND
- The coverage for each unit should be the lesser of \$250,000 or the amount of its replacement cost. If this required coverage exceeds the maximum coverage available under the National Flood Insurance Program, we will accept coverage equal to the maximum amount that is available.

Deductibles- The following are guidelines from Fannie Mae and Freddie Mac for 1-4 family properties. Unless a higher maximum amount is required by state law, the maximum allowable deductible for a flood insurance policy for a first mortgage is \$5,000. For condominiums and PUD projects, the maximum deductible amount is \$25,000.

Hawaii Lava Flow Hazard Zones

The following two zones have been identified as particularly hazardous:

- Zone #1, which consists of the summit areas and active parts of the rift zones of Kilaua and Mauna Loan.
- Zone #2, which consists of areas adjacent to (and downslope from) the active rift zones of Kilaua and Mauna.
- Properties located in Lava Zone 1 or Lava Zone 2 are ineligible for purchase.

Life of Loan SFHA Determination Certificates

- Arc Home requires that all loans submitted for funding contain a SFHA Determination Certificate (Flood Certificate)
- The Flood Certificate must contain correct property address
- The initial flood determination verifies whether the property lies in a Special Flood Hazard Area.
- The Life of Loan Monitoring enables the investor to continue to track any changes in the property flood zone status over the life of the loan
- Federal law requires proof of flood hazard insurance if the property lies in a flood zone, and that the certification meets regulatory requirements including compliance with the National Flood Insurance Reform Act of 1994
- If a SFHA Determination Certificate states that the property is located in a zone beginning with A or V, then the property is located in a Flood Zone and requires Flood Insurance
- Flood Insurance is not required if the property is located in one of the following zones (B, C, D, or X)
 - Sellers can obtain a Life of Loan SFHA Determination Certificate from either CoreLogic Flood Services or Servicelink. For Government loans specifically, the Life of Loan SFHA Determination Certificate must be from Corelogic.

Mortgage Insurance

MI Certificate with the following info is required on all loans with an LTV over 80%. (Exceptions: HARP and certain non-agency loans for which MI was not required on the underlying loan pursuant to the applicable Arc Home product guidelines):

- Borrower's Name and Property Address
- Correct Loan Amount and Loan Term
- Correct Appraised Value and Sales Price
- Coverage Percent
- Premium Source (e.g. BPMI or Single Premium)

If the cert shows initial premium due, the amount must be shown on the Closing Disclosure as being paid. If the cert shows zero payment, no payment is required to be on the Closing Disclosure. If the cert states "Zomp" no payment is required to be on the Closing Disclosure. All loan information listed below must match the loan terms. If the loan information is different, a new certification must be obtained. MI coverage must meet Arc Home requirements.

NOTE: For Non-delegated transactions, Arc Home will accept a Mortgage Insurance certificate ordered by the Seller provided the Seller has their own Master Policy. Arc Home will continue to order the Mortgage Insurance certificate from the MI Company for Sellers submitting an MI quote. The seller must complete the Mortgage Insurance information on the Underwriting Submission Checklist (refer to Arc Home website)

Borrower Paid Mortgage Insurance (BPMI) Option – Acceptable Companies

- Arch MI
- Essent
- Enact
- MGIC
- National MI
- Radian

Acceptable Borrower Paid Mortgage Insurance (BPMI) Payment Options

- Monthly and Zero Monthly
- Level Annual
- Standard Annual
- Split Premium (with or without options) (Not Available at this time)
- Single Premium (No Financed MI)

In the event that the correspondent has paid the monthly MIP or PMI prior to loan purchase by Arc Home, a payment history showing the disbursement of these funds will be required with the purchase package. Arc Home will review the payment history and adjust the purchase advice accordingly. If the payment history is submitted after purchase of the loan, you may see a delay in the processing time.

Notice Regarding PMI

Disclosure is required if:

- Borrower paid Mortgage Insurance
- 1-unit Primary residence

Disclosure must contain the two dates informing the Borrower when they can cancel their Mortgage Insurance. If loan is a Balloon or an ARM, a Disclosure is required but the dates are not required to be on the form.

FHA Loans

FHA connection for all FHA loans must verify the following:

- Borrower's names
- Property address
- If MIP has been paid (for delegated Sellers).
- Sellers must verify that the term, maturity date, original loan amount and ADP codes in FHA Connection are correct.

FHA Case Number must be consistent on all documents in the file

The following documents are required on all FHA Loans:

- Addendums to application must be completed, signed and dated as required.
- Amendatory language clause – can be separate from or part of sales contract
 - Required on all purchase transactions
 - Must be signed and dated by all Borrowers and sellers
 - If Seller is HUD or a Financial Institution/Bank, then this form is not required.
 - Value section must be completed.
- Real Estate Certification - can be on separate form or part of Amendatory Language Clause form or part of sales contract.
 - Must be signed and dated by all Borrowers, sellers and agent. Agent signature not required if no real estate agent is involved in transaction or if seller is HUD.
- Signed and Dated Notice to Homebuyer 92900B- required on all loans except Streamline Refinances. Should be signed and dated by Borrowers.
- Informed Consumer Choice Disclosure – not required to be signed
- For Your Protection – Get a Home Inspection or acknowledgement of receipt may be combined in sales contract (purchase re-sale only; not applicable on new construction).
- Conditional Commitment 92800.5B – required on all loans with an appraisal
- Underwriter Name and CHUMS ID number required
- Certificate of Occupancy – required in Purchase only, Owner Occupied properties that are not New Construction
- Termite Certification – required when Appraisal asks for one, n/a for streamlines
 - Signed and dated by Borrower's and seller's
- Evidence of SS Number – SS Card, Paystubs, W2's, Rapid Reporting, Tax Transcripts
- Comprehensive Risk Assessment Worksheet is required on all loans not underwritten by Arc Home
 - Required on all loans manually underwritten except Streamline Refinances
- FHA Addendum (for closing disclosure) Required, when applicable.
 - Required on all Purchase Transactions
 - Must be signed and dated by all Borrowers, Sellers and Closing Agent
 - If Seller is HUD or a Financial Institution/Bank, then this form is not required

Application (1003)

- Arc Home requires a completed fully executed 1003.
- Initial and final 1003's must be provided on all closed loan packages.
- All HMDA data on applications must be completed
- There are two situations where the lender should be making changes to the 1003 after closing – if the closed loan information no longer matches the information used when the casefile was last submitted to DU or when the lender has obtained a new credit report in the lender's post-closing quality review process. The borrower is not required to sign the post-closing 1003 however, the lender must comply with the four bullet points below:
 - all information provided in the final submission to DU matches the terms of the closed loan;
 - the loan complies with the requirements specified in A2-2.1-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU;
 - the loan delivery data matches both the closed loan and the final data submitted to DU; and
 - the loan casefile receives an eligible recommendation from DU on the final submission

Home Mortgage Disclosure Act ("HMDA")

The Home Mortgage Disclosure Act (HMDA) was enacted by Congress in 1975 and is implemented by the Federal Reserve Board's Regulation C. This regulation provides the public and regulatory agencies with loan data that can be used, among other things, to assist:

- In determining whether financial institutions are serving the housing needs of their communities; and in identifying possible discriminatory lending patterns. Sellers must report data about home purchase loans, home improvement loans, and refinancing loans that they originate or purchase, or for which they receive applications (application date, action taken and date of that action, loan amount, loan type and purpose, and if the loan is sold, type of purchaser).
- Each applicant or Borrower (ethnicity, race, sex and income).
- Each property (location and occupancy status).
- Rate spread if over certain thresholds, HOEPA status, and loan status, on or after 01/01/04).

Sellers can access "A Guide to HMDA Reporting-Getting It Right" at www.ffiec.gov/hmda.

The following scenarios illustrate whether Arc Home or Seller have HMDA reporting responsibilities:

Closed Loan - Delegated Seller:

- Seller takes the application and underwrites; Arc Home purchases the loan. HMDA action: The Seller reports the loan as an origination on its LAR and Arc Home reports the loan as Code 71, "Life insurance company, credit union, mortgage bank, or finance company".

Closed Loan - Non-Delegated:

- Seller takes the application; Arc Home or an MI partner underwrites the loan, and Arc Home subsequently purchases the loan. HMDA action: Arc Home reports the loan as an origination on the LAR. Seller is not required to file a report.
- If Arc Home or an MI partner of Arc Home denies the loan, HMDA action: Arc Home reports the loan as denial on the LAR. Seller is not required to file a report.

Title Insurance

Title insurance policy must grant Arc Home their valid lien position and comply with FNMA's title insurance requirements as it relates to coverage, acceptable title exceptions and endorsements. You can find more information on the FNMA website at <http://www.efanniemae.com>.

If a refinance, title must be vested in our Borrower(s) only, if it is not a Quit Claim Deed is required.

If a purchase, current owner must match current owner on appraisal or sales contract. Determine if the property is fee simple or leasehold. If leasehold, the leasehold agreement should not expire before the maturity date of mortgage and ground rents must be paid current.

Appraisal will also confirm if property is leasehold or fee simple.

Required endorsements, if applicable:

- Adjustable Rate Mortgage Endorsement (ALTA 6) - ensures that the rate adjustments will not make the mortgage unenforceable or cause our lien to lose priority over other liens attached to the property after the loan is made.
- Condominium Endorsement (ALTA 4) - insures, among other things, that the unit is listed on the required condominium documents (Master Deed, Condo Declarations, etc.) and is part of the condominium. Additionally, it ensures that condominium documents properly create a condominium; restrictions in the condominium documents will not cause a loss of title; that the lien of mortgage is superior to any lien for assessments; and that the unit is a separate tax parcel.
- Planned Unit Development Endorsement (ALTA 5) - insures, among other things, against loss from violations of restrictions, prior assessment liens, encroachments.
- Manufactured Housing Endorsement (ALTA 7) - clarifies that the housing unit is insured under the policy.
- Balloon Payment Loan Endorsement - ensures that the conditional right to refinance and the subsequent change in interest rate will not make the mortgage unenforceable or cause our lien to lose priority over other liens created after the loan is made.
- A signed attorney opinion letter with the correct legal description, easements and/or restrictions is acceptable in place of a title commitment in Iowa.

Short Form Title Policies

Arc Home will accept provided the short form title policies provide the same amount of coverage as a standard policy but in a shorter format. The policy references the loan specifics (insured amount, date of policy, property address, Borrowers, etc.) and refers to general documents for all coverage. Limited Coverage Policies are not acceptable.

For example: it automatically provides the Environmental Protection Lien Endorsement (ALTA 8.1) Condo and PUD endorsements and all other standard endorsements without actually providing copies of these endorsements. It also provides affirmative coverage for property specific exceptions such as restrictions, encroachments, etc. with general statements in the policy text. Not acceptable when:

- Property state is in Texas and Oregon
- Property is a leasehold
- Investor guidelines prohibit (refer to product summary)



Closing Disclosure (or Final Truth-in-Lending)

A closing disclosure (or Final Truth in Lending disclosure) signed at closing is required.

Closing disclosure (or Truth in Lending document) must be signed by all Borrowers (all parties on title must sign for primary residence)

Confirm closing disclosure (or Truth in Lending) is dated same day as Note/Security Instrument.

Demand assumption section must be completed. Products that allow assumption are all Arm products and FHA and VA loans.

Prepay section must be completed correctly.

For applications taken on or after January 30, 2011, through October 2, 2015, creditors extending closed end consumer credit secured by real property or a dwelling must disclose certain summary information about interest rates and payment changes in a tabular format. The interest rate and payment summary tables must replace the

payment schedule previously required as part of the TILA disclosure for mortgage transactions. The previously required payment schedule will now apply only to closed end transactions not secured by real property or a dwelling.

Arc Home will require all TILA disclosures for loans with applications taken on or after January 30, 2011, through October 2, 2015, to contain the required information about interest rates and payments changes in the format.

PMI Drop Off in Payment Schedules

The Homeowners Protection Act sets out rules for termination of PMI insurance on single-family dwellings that are the principal residence of the mortgagor. It provides that the Borrower may request PMI cancellation when the principal balance of the loan reaches 80% of the property's value and that the servicer must cancel PMI when the principal balance of the loan reaches 78% of the property's value.

The reduction in principal balance to 78% of the property's value would rarely coincide exactly with the timing of the monthly payment, sellers cut off the MI payment just above the cancellation figure (i.e. 78.05%) or just below (i.e.

77.95%). The calculation of when the servicer must cancel PMI affects the payment schedule on the Truth in Lending disclosure. If the PMI payment is dropped just above the 78% LTV, the payment schedule will show one month (or more) fewer PMI payments than if the PMI payment is dropped just below the 78% LTV. See example below.

Arc Home audits the Truth in Lending/Closing Disclosure ("TIL/CD") on its purchased loans pre-fund or post fund and reviews the payment schedule calculations.

Additional audits of the TIL/CD payment schedule calculations will require that PMI payments must continue until the principal balance of the loan has reached 78% of the property value. Since the 78% does not coincide exactly with the timing of the monthly payment, this will mean the principal balance will actually be below 78% at the time that the PMI payments can be dropped

Calculation of PMI / MIP Payments

For loans that include mortgage insurance (PMI/MIP), the amount of the PMI/MIP payment calculated is included in the finance charge and Closing Disclosure (or TILA disclosure).

To calculate the amount of the monthly PMI payment on Conventional Loans, multiply the loan amount on the note by the initial premium percentage rate from the PMI certificate and divide the result by 12.

For HUD/FHA loans, the HUD required calculation must be used to determine the monthly MIP payments. This is described at: <http://www.hud.gov/offices/hsg/comp/premiums/sfpcalc.cfm>

Arc Home will not purchase loans where the seller has multiplied the loan amount by .5 and divided by 12 to calculate the MIP payment on FHA/HUD loans. If the .5 calculation is used instead of the calculation required by HUD on an FHA/HUD loan, the payment stream will be inaccurate. This practice is unacceptable.

Arc Home requires that the FHA/HUD MIP calculation be always used to determine the MIP payment on FHA/HUD loans.

Right of Rescission

Use the rescission form that most accurately describes what is happening in the transaction:

H-9 Rescission Model Form (Refinancing with Original Creditor) - applies when a creditor that has a prior lien on the Borrower's home extends additional credit that is also secured by the home

H-8 Rescission Model Form (General) - applies to a loan from a creditor with no prior lien on the Borrower's home
Right of rescission documents must be signed and dated by all Borrowers and all parties on title.

Right of rescission should be signed and dated the same day as TIL/CD and Security Instrument was notarized.

New rescission must be issued if cancellation date is not within 3 full days after date of the TIL/CD, and Security Instrument notarized date.

If rescission is not signed by all applicable parties, if dates are missing or incomplete or if the Borrowers did not receive a full 3 days, Arc Home will suspend for a new rescission period to be opened and disclosed to the Borrower(s). The new rescission notice must have current dates and the loan will not fund until rescission waiting period has ended.

Waivers of rescission period are not permitted.

Right of rescission are not required on investment properties or 2nd homes.

State Disclosures

All disclosures must be in compliance with state, federal and local mortgage lending laws and regulations. Arc Home will accept loans for funding/purchase, in which Borrowers received initial federal and state disclosures electronically according to the requirements outlined by the Electronic Signatures in Global and National Commerce (E-SIGN) Act of 2000. This also applies to FHA loans as long as the initial disclosures are not required as part of the insuring process.

Arc Home does not review for required state disclosures except for the following states: Alabama, California, Colorado, Georgia, Illinois, Kansas, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Rhode Island, South Carolina, Texas, Utah and Washington.

Arc Home does not provide sample copies of any Adjustable Rate Mortgage disclosures. Lender should contact their Document Vendor

TRID Requirements

All disclosures must be in compliance with TRID regulations. This includes, without limitation, the Loan Estimate and Closing Disclosures required under TILA/RESPA Integrated Disclosure Rule ("TRID"). DSCR loans do not need to follow TRID regulations. Arc Home will enforce and audit loans for full compliance according to the TRID regulations. Any loan found to be defective may not be eligible for purchase. Any failure of Arc Home to identify a defect at or prior to purchase will not relieve the Seller of liability and Arc Home reserves all rights and remedies available to it.

Arc Home will review each file to verify the Borrowers were provided with either:

- The List of Homeowners Counseling Organizations within three (3) business days of the application. *This list must be provided on all applications taken on or after July 10, 2014.* The list must be obtained from either:
 - The CFPB website created to assist lenders in complying with this section which can be found here: <http://www.consumerfinance.gov/find-a-housing-counselor/>; or
 - Lenders may use their own system to generate the list using the same HUD data that the CFPB uses on HUD- approved counseling agencies, in accordance with the CFPB's list requirements (See <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>); or
 - The interim homeowner's counseling disclosure within three (3) business days of the application. This option is acceptable on loans with application dated prior to July 10, 2014.

The List of Homeowners Counseling Organizations within three (3) business days of the application. This list must be provided on all application taken on or after July 10, 2014.

Closing Instructions - Borrower Identity

For conventional conforming loans located in an escrow state escrow/closing instruction signed by Borrower and seller or a signed Closing Disclosure is required.

On Seller table funded loans, the Seller's closing instructions must include specific instructions to the closing agent to confirm the identity of the Borrowers. Copies of the closing instructions must be included in the file for purchase. A closing agent certification form that can be used by the closing agent is available in the Forms Library on the Seller website.

The following documents may be used to certify the Borrower's identity:

U.S. Person:

- Valid State driver's license (photo)
- Valid State non-driver's license (photo)
- Work ID (photo)
- Student photo ID
- Military photo
- Military dependents' photo ID
- Department of Public Welfare photo ID
- Medicare card
- U.S. Passport (photo)

Non-U.S. Person:

- Non-U.S. Passport (photo)
- Resident Alien Card

W-9 Form

Required to be signed by the primary Borrower.

4506T Form

Required to be completed, signed and dated by all Borrowers prior to closing.

NOTE: If the form is executed and utilized to obtain the transcripts, as required in Chapter 10 Tax Transcripts Requirements Using the 4506-T, another 4506-T is not required to be signed at closing.

Complete IRS Form 4506-T as instructed below. If the form is not complete as instructed, signed and dated, the loan will be ineligible for delivery to Arc Home.

Line #

- 1 - 4. Complete with appropriate Borrower information
- Line 6 Transcript requested: A or C can be checked off Enter Form 1040
- Return Transcript
- Record of Account
- Check Box
- Check box 9. Year or period requested Complete most recent two years
- Signatures of Taxpayers section signed and

dated Helpful Hints for completing the IRS Form

4506-T

Filing Jointly

Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. The form must be signed exactly as the Borrower's name appears on the original return. If the Borrower's name changed, the Borrower must sign with both their current name and as their name appears on the return.

Filing Separately

- If tax returns were filed separately, each Borrower must individually complete and sign an IRS Form 4506-T.
- Borrower Address - The address completed on the form must be the same as the address on the tax return even if that is not the Borrower's current address.

Inter Vivos Revocable Trusts

Arc Home will audit to the Agency guidelines.

Title and Title Insurance Requirements

The title insurance policy for the subject property may not list any exceptions arising from the trust ownership of the property.

Full title to the property must be vested either:

- In the trustee of the inter vivos revocable trust.
- Jointly in the trustee of the inter vivos revocable trust and in the name of an individual Borrower.
- If title will be vested in the trustees of more than one inter vivos revocable trust, the terms of the two revocable inter vivos trust documents must complement each other and may not be in conflict with one another.

Signature Requirements

Note: The Note and any addendum to the note must be executed by the trustee(s) on behalf of the trust, indicating the complete legal name of the trust, and each individual establishing the trust whose income and assets are used to qualify for the loan.

Form of signature required on mortgage note and addendum to the note for an individual trustee who is both a settlor and a credit applicant:

Each individual trustee of the living trust who is both a "settlor" and a credit applicant must sign the Note (and any necessary addendum). This may be accomplished by either one or two separate signatures (see below).

Example 1: One signature presented - acceptable format

Signature: John Doe

Typed Name: John Doe, Trustee for the Doe Family Trust under trust instrument dated mth/day/year.

Example 2: Two signatures presented - acceptable

format Signature: John Doe

Typed Name: John Doe

AND

Signature: John Doe OR John Doe, Trustee

Typed Name: John Doe, as Trustee for the Doe Family Trust under trust instrument dated mth/day/year.

Form of Signature Required on mortgage note for an institutional trustee and for an individual trustee who is not both a settlor and a credit applicant:



Each institutional trustee of the living trust and each individual trustee of the living trust who is not both a “settlor” and a credit applicant must sign the note (and any necessary addendum), using a signature block substantially similar to the following:

Signature: John Doe

Typed Name: John Doe, as Trustee for the Doe Family Trust under trust instrument dated mth/day/year.

Security Instrument

The security instrument and any applicable riders must be executed by the trustee(s) on behalf of the trust. Each individual establishing the trust whose income and assets are used to qualify for the loan must acknowledge all of the terms and covenants in the security instrument and any riders and agree to be bound thereby by placing his or her signature after a statement of acknowledgment on the security instrument and riders.

Form of Signature Required on Security Instrument and Riders for all Trustees:

Each trustee of the living trust must sign the security instrument (any necessary rider), using a signature block substantially similar to the following:

Signature: John Doe

Typed Name: John Doe, individually and as Trustee for the Doe Family Trust under trust instrument dated mth/day/year.

Form of Settlor/Credit Applicant's Signature Acknowledgment Required on Security Instrument and Riders:

The following must be added to the Security Instrument (and any applicable Riders) following the Borrower's Signature lines (and then must be signed by each settlor of the living trust who is a credit applicant):

By SIGNING BELOW, the undersigned, Settlor(s) of the _____ Trust under trust instrument dated _____, _____, acknowledges all of the terms and covenants contained in this Security Instrument and any Rider(s) thereto and agrees to be bound thereby.

) Trust Settlor (Seal)

Revocable Trust Rider to the Security Instrument

The Revocable Trust Rider to the security instrument must be executed by the trustees on behalf of the trust. Each individual establishing the trust whose income and assets are used to qualify for the Loan must acknowledge all of the terms and covenants in the security instrument and any riders and agree to be bound thereby by placing his or her signature after a statement of acknowledgment on the security instrument and riders. See security instrument section, above.

Interim Interest Calculation and Interest Credits

Arc Home charges interest to the Seller and interest is calculated based on 360 days per year for all loans.

Our Servicing Division must have sufficient time to process the loan before the first full monthly payment is due, therefore an interest credit to the Borrower at closing can only be made up to the 10th day of the month.

Year End 1098 Reporting

Delegated and Non-Delegated

Delegated and Non-Delegated closed loan sellers are required to provide the 1098 to the Borrower for pre-paid interest collected at closing as reflected on the Closing Disclosure and for points paid by the Borrower to the seller. Arc Home will only provide the 1098 for interest on payments received. If Arc Home purchases the loan at original balance, the seller is still responsible to report pre-paid interest collected at closing.

Underwriting Approval/Automated Underwriting Requirements/Reviews

Every credit file submitted to Arc Home must include a signed underwriting approval that matches the terms of the loan.

Delegated Sellers must have some form of approval signed by an underwriter. The following documents, signed by an underwriter, will be accepted as approval:

- 1008 with Automated Findings
- HUD 92900-LT
- VA Loan Analysis or Interest Rate Reduction Refinance Loan Worksheet
- Seller's own approval form with conditions
- If contract underwritten, approval must reference the delegated seller as the seller and not Arc Home.

Non-Delegated sellers must have an Underwriting approval from Arc Home for both Conventional and Government Loans which is labeled "clear to close" and all "At Closing" conditions must be provided.

- Approval must reference Arc Home as Seller or investor
- Approval must not have expired
- All Conventional, Jumbo, Arc Elite QM and Arc Access NQM 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).

Underwriting conditions must be cleared prior to closing. Loans submitted for purchase without conditions being cleared may be rejected for purchase.

Credit documents cannot be expired on approval.

The AUS findings/contract UW approval must match how the loan was closed.

If the loan amount and/or interest rate are higher than the Note, findings are acceptable. If they are lower, you need corrected findings/contract UW approval

If the appraised value and/or Sales price are higher, the findings are acceptable. If they are lower than you need corrected findings/contract UW approval

We will require corrected findings/contract UW approval if the following are not correct for the following items:

- Loan type (i.e. product/term)
- Property type (i.e. Condo/PUD)
- Occupancy type (i.e. Primary/second home/investment)
- Units
- Property address
- Correct Version of DU must be used
- DU Preliminary Findings are not acceptable
- The latest DU Submission is required
- Submission Number Must Match Contract Approval
- AUS Credit Report Reference # must match Credit Report

Arc Home will conduct credit and collateral reviews. Arc Home will randomly select loans prior to funding and review them to ensure they meet our underwriting guidelines. These reviews may be targeted to a specific area of review (such as collateral) or may be a full underwriting review of the loan file. The review may include re- verification of loan information which may include (but not limited to): Employment, Income, Social Security, Property Information and valuation, as well as Public Records information.

These reviews will be used to determine:

- Complete loan file and all underwriting disclosures provided (as required by product)
- Soundness of underwriting decisions
- Detection of fraud and misrepresentation

Arc Home will use fraud detection tools to screen every loan.

Arc Home does not tolerate fraud or misrepresentation in a mortgage loan transaction. Correspondents and brokers are responsible for the content and quality of each application taken and each loan submitted to Arc Home. The submission of a loan application containing information that is false or misrepresented is a federal crime. Evidence of loan fraud of any type will result in the immediate termination, for cause, of the wholesale or correspondent relationship with Arc Home. Mortgage fraud includes but is not limited to:

- Submission of inaccurate information, including false statements on a loan application and falsification of documents purporting to substantiate credit, employment, deposit and asset information; personal information including data related to identity; ownership / non- ownership of real property, etc.;
- Forgery of any information, including partially or predominantly accurate information, including forged signatures on any document(s) in the loan file;
- Incorrect statements regarding current occupancy or intent to maintain minimum continuing occupancy status as stated in the loan application;
- Lack of due diligence by correspondent / loan officer / interviewer / processor, including failure to obtain all information required in support of the application and failure to request further information as dictated by Lender or by Borrower's responses to other questions;
- Unquestioned acceptance of information or documentation, which is known, should be known, or should be suspected to be inaccurate;
- Simultaneous or consecutive processing of multiple owner-occupied loans from one applicant on multiple properties, or from one applicant supplying different information on each application;
- Allowing an applicant or interested third-party to "assist" with the processing of the loan;
- Nondisclosure of relevant information to anyone involved in the loan process (e.g., lender, title company, appraiser, etc.).

Condo/PUD Warranty

If the subject property is a condominium, delegated Correspondents are required to warrant the Condominium and Attached PUD projects to the applicable Arc Home Condominium/PUD guidelines below using one of the following:

- Arc Home has published a Conventional Condominium / PUD Warranty form on the Arc Home website for use by the Seller, or
- the Seller may use a similar form, or
- the Seller may enter the warranty type of the 1008.
- Refer to Chapter 9 – Condominium for requirements for approval
- Delegated Correspondents are responsible for retaining all supporting documentation to complete the required review and certification. Arc Home may, at its discretion, request all supporting documentation from the Seller that was used to complete the certification.
- Non-Delegated loans will need to have the appropriate Condominium Questionnaire (posted to the Arc Home website) completed by a HOA representative and submitted with the complete file. Arc Home underwriters will certify the condominium is warrantable.
 - An additional condominium review fee of \$175.00 will be charged for the full condominium review.

Appraisal

- The Closing Disclosure must not reflect an appraisal waiver fee on eligible loans as determined by Fannie Mae's Desktop Underwriter.
- Arc Home will allow the use of an origination appraisal for a subsequent transaction if the following requirements are met:
 - The subsequent transaction may only be a Limited Cash Out Refinance.
 - The appraisal report must not be more than 12 months old on the note date of the subsequent transaction. If the appraisal report is greater than 120 days old on the date of the note and mortgage, then an appraisal update is required. Additional details regarding requirements for completing an appraisal update can be found in Fannie Mae and Freddie Mac guidelines.
 - The seller must ensure that the property has not undergone any significant remodeling, renovation, or deterioration to the extent that the improvement or deterioration of the property would materially affect the market value of the subject property.
 - The Borrower and the lender/seller must be the same on the original and subsequent transaction. NOTE: The only exception is in the event of a divorce or legal separation. The Borrower for the new transaction must be one of the Borrowers on the prior transaction, and the file must document that the Borrower for the new transaction obtained the property through a divorce or legal separation.
 - The appraisal must comply with all other requirements in the Underwriting Property section of the Selling Guide
- Form C-9, Disclosure of Right to Receive a Copy of Appraisal with language: "We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost." must be executed and in the file.
- Seller must provide evidence that the applicants are provided a copy of all written appraisals and valuations promptly upon their completion or three business days before consummation, whichever is earlier.
- The Borrowers cannot be charged a fee for a copy of their appraisal. If this fee is shown on the Closing Disclosure, Arc Home will require a refund to the Borrower prior to purchase.

- The seller may acknowledge the Appraiser Independence Requirements by executing the Appraisal Independence Lender Acknowledgement form (published on our website) for each file; **OR**
 - The appraiser of the subject property or the Appraisal Management Company (“AMC”) can acknowledge that they have followed the appraiser independence safeguards in compliance with Appraisal Independence Requirements (AIR) established by Fannie Mae and Freddie Mac, by utilizing the Appraiser Independence Certification form (published on our website) executed by the appraiser of the subject property or AMC. Arc Home will accept a similar form if the appraiser, AMC or seller has one in their software system, so long as it acknowledges the AIR requirements. If the seller uses a similar form from their software system, it must be executed by the appraiser or AMC.
- Appraisal must be signed
- Check AUS findings & Product Matrix to determine appraisal form is required.
- Appraiser license is required and must be active and not expired
- Appraisal must be "As-Is", if not:
- Completion Certification (442) with original photos is required (for 1st mortgage Conventional Loans only)
- If appraisal reflects property as a Condo or an attached PUD, a Condo/PUD warranty form must be provided in the loan file.
- The monthly rental income and number of bedroom data must be provided for primary residence multi-family (2-4 units) and investment properties (1-4 units). Rental income can be found on the below documents:
 - Operating Income Statement (FHLMC Form 998)
 - Comparable Rent Schedule (FNMA Form 1007 or FHLMC Form 1000)
 - Fair Market Rent letter from Realtor
 - Lease Agreement
 - Rental Income note on the Application or 1008The monthly rental income and number of bedrooms is required regardless of processing style or if the PIW option is selected.
- For inspection requirements when natural disasters occur, refer to Chapter 9.
- All Appraisals must be delivered to Arc Home in PDF format with color photos.
- If the Note is aged 60 days or greater PRIOR to Arc Home’s purchase from the seller, the loan will be pended until a 1004D (with, at a minimum, a photograph of the front of the subject property included) is obtained from the seller confirming that the property has not decreased in value.

Credit Report

A complete credit report is required on all loans.

- If there are fraud or identity alerts on credit report and identity verification form is required

Occupancy Certification

A signed Occupancy Cert is required on all Conventional Loans locked where the occupancy type is a primary residence or second homes and DU/LP issues an occupancy finding or is required per UW Approval

VA Loans

The following documents are required on all VA Loans:

- Single Case Status print-out must be consistent with NOV – Borrower’s name, property address, value of property dated issued and expiration date and seller name
- VA Loan Guaranty Certificate (web LGY)
- Copy of VA Funding Fee receipt – required even if Borrower is exempt from VA Funding Fee
 - Receipt must indicate “processed” and not “pending”
- VA case number must be consistent throughout the file
- Final application signed and date by Borrowers
- All pages must be provided & loan terms must match actual loan terms
- Addendum to Application (VA Form 26-1802a) completed as required
- Loan terms on addendum must match actual loan terms
- VA report & certification of Loan Disbursement (form 1820) must be completed
- GMI section must be completed
- Must be signed and dated by Borrower & seller
- Amendatory Language Clause/VA Escape Clause – can be part of sales contract or on separate form (required on purchases only)
 - Must be signed and dated by all Borrowers & sellers – date only required if there is a date field
 - If seller is the VA or a Financial Institution/Bank this form is not required
 - Value section must be completed
- VA Loan Summary Sheet – must be completed
- VA Interest Rate Reduction Comparison sheet required on streamlines
 - Must be signed by Borrower and terms of new loan must match actual terms

CEMA Loans

- Original Consolidated Note
 - Intervening Assignment(s) required unless registered with MERS
- Original New Money Note
- Original Note for each consolidated prior loan
- Copy of mortgage for new money signed by all parties currently on title. If not, Quit Claim Deed required
 - Assignment of New Money Mortgage required unless registered with MERS
- Copy of CEMA (FNMA Form 3172) including exhibits A-D signed by all parties currently on title and from old mortgage. If not, Quit Claim Deed required

Universal Loan Identifier (ULI)

Effective 1/1/2018, HMDA, Regulation C (HMDA) requires the capture and reporting of new data points and the reporting of a Universal Loan Identifier (ULI). Please review the following information for how this will affect submission of loans to Arc Home.

The Legal Entity Identifier and the Universal Loan Identifier (ULI)

Sellers have their own Legal Entity Identifier (LEI). You can contact your Mers representative to obtain your LEI or access the following link:

<https://www.mersinc.org/products-services/mers-esuite/registry>



The LEI is a unique, 20-digit alphanumeric identifier, specific to each registered company and appends the loan number to help create the new ULI for reporting. The new ULI begins with the LEI, is followed by up to 23 unique additional letters and/or numbers assigned by the lender/seller and ends with a two-digit check code.

The ULI remains with a loan through its life cycle, therefore, Arc Home will require the ULI as part of the seller loan and data file for loans where Arc Home is NOT making the credit decision. The ULI will be assigned for loans where Arc Home is rendering the credit decision.

Wire Instructions/Bailee Letter

Arc Home will require a Bailee letter to be submitted with the delivery of the original note. If correspondent is a self-funder a copy of the wiring instructions will be accepted in lieu of a Bailee letter. Arc Home reserves the right to review the funding sources for self-funders.

A copy of the wiring instructions is required to be uploaded with all files for Operations review.

GSA, LDP and Exclusionary List

Arc Home will not purchase any loan where any company or individual who is a material party to the transaction are listed on HUD's "Limited Denial Participation" (LDP) list.

Arc Home will not purchase any loan where any company or individual who is a material party to the transaction are listed on the federal General Services Administration (GSA) Excluded Party list.

Arc Home will not purchase any loan where any company or individual who is a material party to the transaction are listed on the Freddie Mac Exclusionary List.

Arc Home will not purchase any loan where the appraiser is on the Fannie Mae Appraiser Quality Monitoring Notice for 100% Review or No Longer Accepted.

Arc Home will not purchase any loan where any company or individual who is a material party to the transaction are listed on the Arc Home Internal Exclusionary List.

Arc Home will not purchase any loan where any company or individual who is a material party to the transaction are listed on the FHFA Suspended Counterparty List.

Arc Home reserves the right to make additions and revisions to this list without notice. This applies to all loans.

Confidentiality. Seller agrees that the Arc exclusionary list and information contained on the Arc exclusionary list is maintained in a confidential manner. By accessing or using the Arc exclusionary list, Seller agrees to indemnify Arc for any loss, damage, or expense, including attorneys' fees, resulting from the Seller's failure to maintain the confidentiality of the Arc exclusionary list or information contained on the Arc exclusionary list. Seller uses the Arc exclusionary list only in connection with its responsibilities as a Seller of Arc.

Income and Debt Worksheet

The Income and Debt Worksheet is used to help the reviewer determine stable monthly income for qualification. The worksheet is not intended to capture all underwriting requirements and documentation standards but will help the reviewer consider income trends and document how the income was calculated. Sellers are responsible for reviewing guidelines and documentation to access whether income is reasonable and properly documented. The Seller's Guide and product summaries provide detailed information on income documentation and standards.

The worksheet will provide a total of all income considered on the worksheet. Comments on the worksheet can be included to show how income was calculated or to identify unique notes specific to the calculation of income. This worksheet can be used for non-self-employed income. For Borrowers who are self-employed or receive income from real estate activities, a self-employed analysis worksheet (i.e. Fannie Mae 1084, or Freddie Mac 91) must be used.

All loans submitted to Arc Home for purchase must include an income calculation breakdown. Arc Home highly recommends the use of the Arc Home Income and Debt Worksheet published on the website (for self-employed employed Borrowers the Fannie Mae 1084 or Freddie Mac 91), but will also accept:

- the Sellers may use a comparable worksheet to document income provided it details and clearly documents how income was calculated, or
- The 1008 transmittal summary will be acceptable for salaried Borrowers in lieu of a separate calculation worksheet, provided the transmittal summary reflects the formal calculation for all income used to qualify.

Social Security Number Verification Form

DU and Fannie Mae's Loan Delivery system may identify data integrity issues pertaining to the Borrower's social security number. Sellers must take steps to resolve any issues, including numbers not issued, Borrower age/issue date discrepancies, or social security numbers associated with deceased individuals. If a seller cannot resolve any social security number inconsistencies:

- The SSN accuracy must be confirmed, and if incorrect, the SSN must be updated and the loan case file resubmitted to DU. If the SSN is determined to be correct, it must be verified directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae.
- If verification with the Social Security Administration is required, the authorization for the Social Security Administration to Release Social Security Number verification form SSA-89 must be completed by the Borrower(s). This form can be found on the Social Security Administration website at <https://search.ssa.gov/search?affiliate=ssa&query=Social+Security+Administration+to+Release+Social+Security+Number+verification+form+SSA-89+>
- The completed form as well as the Social Security Administration's response must be retained in the loan file when submitting to Arc Home for purchase.



Fees

Arc Home will charge the following fees when purchasing a loan from the seller
Non Delegated

Channel	Product	Funding Fee	Tax Service Fee	Flood Certification Fee ¹	Collateral Desktop Analysis (CDA)	Re-Underwrite Fee	LLC & Corporation Vesting Review Fee	Trust Vesting Review Fee	Condo Review Fee - Full Review Only
Non-Delegated	30 YR Fixed Conventional Investment, Conventional Conforming Fixed, ARMs, FNMA/FHLMC 30 YR Fixed Investment & FNMA/FHLMC 30 YR Fixed Second Home	\$695	\$85	\$13	\$125	\$250	Not Applicable	\$125	FNMA/FHLMC (GSE) \$300 Existing \$650 New Construction FHA \$750 Existing \$1250 New Construction
	FHA & VA Full Doc	\$795	\$85	\$13	Not Applicable		Not Applicable	\$125	
	FHA Streamline and VA IRRRL	\$495	\$85	\$13	Not Applicable		Not Applicable	\$125	
	Jumbo Express Jumbo Prime Elite Jumbo	\$1025	\$85	\$13	\$125		Not Applicable	\$125	
	Arc Access NQM Edge Arc Elite QM Foreign National	\$1,215	\$85	\$13	\$125		\$150 Business Purpose Investment Transactions Only	\$125	

¹If the seller provides a Life of Loan SFHA Determination Certificate from Servicelink (except for Government) or CoreLogic Flood Services, the Flood Certification Fee does not apply. If the file does not include a Life of Loan SFHA Determination Certificate, or it is from a vendor other than CoreLogic, the fee will apply.

Delegated

Channel	Product	Funding Fee	Tax Service Fee	Flood Certification Fee ¹	Collateral Desktop Analysis (CDA)	Re-Underwrite Fee	Condo Questionnaire Fee - Full Review Only	Condo Review Fee - Full Review Only	TX 50(a)6
Delegated	Conventional Conforming, Government, FNMA/FHLMC 30 YR Fixed Investment & FNMA/FHLMC 30 YR Fixed Second Home	\$400	\$85	\$13	Not Applicable	Not Applicable	Not Applicable	Not Applicable	\$115
	Arc Access NQM Edge Arc Elite QM Conv Investment Property Foreign National Elite Jumbo	\$695	\$85	\$13	Not Applicable	Not Applicable	Not Applicable	Not Applicable	\$115

¹If the seller provides a Life of Loan SFHA Determination Certificate from Servicelink (except for Government) or CoreLogic Flood Services, the Flood Certification Fee does not apply. If the file does not include a Life of Loan SFHA Determination Certificate, or it is from a vendor other than CoreLogic, the fee will apply.

Documents Eligible for Electronic Signatures (eSignatures)

Arc Home will purchase loans on which certain documents are signed using an “Electronic Signature”.

Initial application documents associated with the 1003, (i.e. initial disclosures, sales contract) may be signed electronically. The Seller is responsible for determining that the documents have been properly signed by all parties (as with non-electronic documents). Any transaction involving the use of a Power of Attorney will not be permitted to use an “eSignature”.

Hybrid closing documents, which are a combination of paper and electronic versions. Arc Home requires the Note, Note Addendums, Mortgage and any Riders to be paper (wet signed). All remaining closing documents can be signed using Electronic Signatures.

The documents received under the “E Signature” process must adhere to Uniform Electronic Transactions Act (“UETA”), or the Electronic Signatures in Global and National Commerce Act (“ESIGN”).

Signature requirements for Wet vs. Dry State on Closing Documents

Please see exhibit section for “Signature Requirements”.

Condition Review SLA for Suspense

Condition clearing*

Review and response within twenty-four (24) hours from correspondent image upload. This includes compliance and underwriting conditions.

* Files received by 3:00 PM Central Time on normal business days (excluding weekends and federal holidays) to be counted as same day for Service Level measurement. Files received after 3:00 PM Central Time or on weekends and federal holidays to count as received at 8:00 AM the following business day.

CHAPTER 10: FUNDING REQUIREMENTS

This chapter describes Arc Home's processes to wire transfer payments to Seller for funded Mortgage Loans purchased by Arc Home, and procedures for complying with Sellers' remittance obligations.

Holidays

The federally recognized holidays in section 6103(a) of title 5, of the United States Code at the time of publication of this Seller's Guide are as follows:

- New Year's Day
- Martin Luther King Jr.
- President's Day
- Memorial Day
- Juneteenth
- Independence Day
- Labor Day
- Indigenous People's Day (also observed as Columbus Day)
- Veteran's Day
- Thanksgiving Day
- Christmas Day

On federal holidays' banks and the U.S. Postal Service do not operate and wire transfers of funds do not occur. Federal holidays are not included in the rescission period on. Arc Home's Wire Desk is closed on all federal holidays. Any funds that would otherwise be due for wiring on a federal holiday will be wired on the following business day.

Apart from the Wire Desk schedule noted above, Arc Home observes the following holidays:

- New Year's Day
- Martin Luther King, Jr. Day
- President's Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Christmas Day

Purchase Mortgage Loans at Scheduled Balance

Arc Home assumes Seller will collect scheduled payments that have already become due.

For loans purchased after the 14th of the month prior to the next payment due, Arc Home will amortize down one more payment so the scheduled purchase balance is lower than the current unpaid principal balance. Arc does not purchase loans after the 1st payment due date has passed. For scheduled balance Loans funded between the 1st and 14th of the month, the "Effective Date of Transfer" is the 1st day of the following month. For Loans funded after the 14th of the month, the Effective Date of Transfer is the 1st day of the second month following the Sale Date. It is the Seller's responsibility to continue servicing the loan and collecting payments up to the Effective Date of Transfer and to forward all curtailments received during this time.

Scheduled Balance- Delegated and Non-Delegated

For Loans purchased after the 14th of the month prior to the next payment due, Arc Home will amortize down one more payment so the scheduled purchase balance is lower than the current unpaid principal balance. Arc does not purchase loans after the 1st payment due date has passed.

Effective Date of Transfer-Delegated and Non-Delegated

The Effective Date of Transfer is determined by the type of purchase balance at funding. For scheduled balance Loans funded between the 1st and 14th of the month, the Effective Date of Transfer is the 1st day of the following month. For Loans funded after the 14th of the month, the Effective Date of Transfer is the 1st day of the second month following the Sale Date. It is the Seller's responsibility to continue servicing the Loan and collecting payments up to the Effective Date of Transfer and to forward all curtailments received during this time.

Wire Transfer Process

Prior to wiring funds to Seller, Arc Home will review the funding documents and make a determination regarding completeness and accuracy. If Arc Home agrees the delivery is complete and accurate, the following occurs:

Using the Bailee letter, Arc Home wires the agreed-upon funds. Arc Home will purchase loans up to 4PM EST on the day the loan is "approved for funding". It is the responsibility of the Seller to provide the Purchase Advice to its Warehouse Bank for repayments.

Sellers will be notified by email when a loan is purchased and instructed to obtain the Purchase Advice from our Website. List of email addresses should be provided during the New Seller Set Up Call. Any changes notify your Operations Seller Manager.

Any fees due to Arc Home will be netted from the wired funds (e.g.: Funding fee). Seller is solely responsible for the Purchase Advice reconciliation. Seller must notify Arc Home of any disputes immediately upon discovery. Seller must deliver any request to Arc Home for corrections to payments due to Seller within 30 days of the due date, or the right to pursue such disputes will be deemed waived by Seller.

Principal Reductions

If you receive a principal reduction payment from the borrower. The lender must hold the payment until the loan is boarded to the servicing system. Once the loan is boarded the principal curtailment should be sent by overnight mail with the borrowers Arc Home loan number, last name and description of the payment (principal). It also needs to state when the date the check was received by the lender so it can be applied properly. The addresses for LoanCare and Flagstar are as follows:

ARC Home LLC C/O LoanCare, LLC
3637 Sentara Way
Virginia Beach, VA 23452

ARC Home LLC C/O Flagstar Bank
Attn: Cash Ops Servicing Transfers
Mailstop W-175-3
5151 Corporate Drive
Troy, MI 48098-2639

Post Purchase Requests

Arc Home may request copy of any checks that are associated with the mortgaged property in accordance to loan servicing. It is the lenders responsibility to adhere to the request and supply to Arc Home within 24 hours of the request. This can also include correspondence.

CHAPTER 11: PROCEDURES

Link to Procedural Documents:

Non-Delegated and Delegated Sellers delivering through SPARC:

<https://correspondent.archomellc.com/page/sparc-training>

SPARC Add New Non-Delegated Correspondent User Cheat Sheet

- SPARC Non-Delegated Correspondent Lender User Guide
- Non-Delegated Correspondent Initial Submission Form Checklist
- Correspondent Client Reference Guide

CHAPTER 12: POST PURCHASE RESPONSIBILITIES

Introduction

This chapter provides information related to the Seller responsibility to notify vendors and actions required post purchase.

FHLMC or FNMA Conventional and Jumbo Prime/Express- Change of Servicer Notifications to Vendors (exclude FHLMC/FNMA second home and investment)

The following notices must be sent by the Seller. The mailing of the notification of servicing transfer letters must be in compliance with the 1990 Housing Bill and the requirements of each state in which loans from the subject portfolio are located.

- Mail notification to the taxing authority advising them of the change. The endorsement to request changing the servicer to out Tax Service Provider should read as follows:

****PLEASE NOTE:** For **AR, FL, IL, MO, TX and WI** the lender name should be Arc Home Loans LLC; In **Oregon** the lender name should be Arc Home LLC, a limited liability company of Maryland.

ARC Home LLC C/O Corelogic
Attn: Crystal Kaiser
486 Thomas Jones Way #150,
Exton, PA 19341
Phone: (800) 229-3477 x4915
Fax: (817)826-1534

- Mail letters to the hazard insurance carrier(s) advising them of the change. The new mortgagee clause should read as follows:

****PLEASE NOTE:** For **AR, FL, IL, MO, TX and WI** the lender name should be Arc Home Loans LLC; In **Oregon** the lender name should be Arc Home LLC, a limited liability company of Maryland.

Arc Home LLC C/O LoanCare, LLC
ISAOA/ATIMA
P.O. Box 202049
Florence, SC 29502-2049

- Mail letters to the flood insurance carrier advising them of the change. The new mortgagee clause should read as follows:

****PLEASE NOTE:** For **AR, FL, IL, MO, TX and WI** the lender name should be Arc Home Loans LLC; In **Oregon** the lender name should be Arc Home LLC, a limited liability company of Maryland.

Arc Home LLC C/O LoanCare, LLC
ISAOA/ATIMA
Cert P.O. Box 8068
Virginia Beach, VA
23450 (800) 274-6600



- Mail letters to the private mortgage insurance carrier(s) and optional insurance carrier(s) advising them of the change. The endorsement request should read as follows:

****PLEASE NOTE:** For **AR, FL, IL, MO, TX and WI** the lender name should be Arc Home Loans LLC; In **Oregon** the lender name should be Arc Home LLC, a limited liability company of Maryland.

Arc Home LLC C/O LoanCare, LLC
ISAOA/ATIMA
P.O. Box 8068
Virginia Beach, VA
23450 (800)274-6600

- All property taxes, hazard, and PMI insurance premiums that will become due up to 60 days after the transfer date must be paid prior to the transfer. A list of any open items after transfer should be sent to your Account Executive at Arc Home LLC.

Arc Access Non-QM, Arc Elite QM, Foreign National, Elite Jumbo, FHLMC/FNMA Second Home or Investment, and Conventional Investment Loans- Change of Servicer Notifications to Vendors

The following notices must be sent by the Seller. The mailing of the notification of servicing transfer letters must be in compliance with the 1990 Housing Bill and the requirements of each state in which loans from the subject portfolio are located.

- Mail letters to the hazard, flood mortgage insurance carrier(s) advising them of the change. The new mortgagee clause should read as follows:

Shellpoint Mortgage Servicing
ISAOA ATIMA
P.O. Box 7050
Troy, MI 48007-7050
800-365-7107

Government Loans (FHA, VA, USDA)- Change of Servicer Notifications to Vendors

The following notices must be sent by the Seller. The mailing of the notification of servicing transfer letters must be in compliance with the 1990 Housing Bill and the requirements of each state in which loans from the subject portfolio are located.

- Mail notification to the taxing authority advising them of the change. The endorsement to request changing the servicer should read as follows:

****PLEASE NOTE:** For **AR, FL, IL, MO, TX and WI** the lender name should be Arc Home Loans LLC; In **Oregon** the lender name should be Arc Home LLC, a limited liability company of Maryland.

ARC Home LLC C/O Corelogic
Attn: Tax Processing
3001 Hackberry Road
Irving, TX 75063

- Mail letters to the hazard and flood insurance carrier(s) advising them of the change. The new mortgagee clause should read as follows:

****PLEASE NOTE:** For **AR, FL, IL, MO, TX and WI** the lender name should be Arc Home Loans LLC; In **Oregon** the lender name should be Arc Home LLC, a limited liability company of Maryland.

ARC Home LLC C/O Flagstar Bank
ISAOA/ATIMA
P.O. Box 52198
Phoenix, AZ 85072-2198
800-968-7700

****No escrows are collected or transferred for any optional insurance policies**

- All hazard and property taxes that will become due up to 60 days after the transfer date must be paid prior to the transfer. A list of any open items after transfer should be sent to: ServicingCashOps-LoanTransfers@flagstar.com

Actions Required Post Transfer of Servicing

Notice of Transfer of Servicing

- Per RESPA rules, at least fifteen (15) days prior to the Effective Date of the Transfer or with proper notice at the time
- of closing, the Seller shall notify the Borrower in accordance with applicable regulatory requirements of the transfer of the servicing to Arc Home (the "Notice of Transfer"). Arc Home will be responsible for sending a welcome letter to the Borrower within fifteen (15) days after the Effective Date of the Transfer.
- The Seller shall also, real estate tax authorities and insurance companies and/or agents, that the Servicing Rights are being transferred and instruct such entities to deliver all payments, notices, tax bills and insurance statements to the Arc Home after the effective date of the purchase. "Servicing Rights" means all rights to service loans for investors.

Flood Service Contracts

- Promptly following the applicable effective date of the transfer, the Seller is required to notify the existing flood contract service provider to transfer the life-of-loan flood service contract to Arc Home. The Seller is required to pay any fees required to transfer the existing life-of-loan flood service contracts to Arc Home.
- In the event a life-of-loan flood service contract is not in place, or not assignable or reasonably acceptable to Arc Home, the Seller agrees to pay all fees necessary to obtain a life-of-loan flood service contract, as applicable, for the related Mortgage Loan. The cost of life-of-loan flood service contracts will be invoiced.

Escrow Accounts

- If there is a shortage in the escrow balance-based Purchase Advice (e.g., incorrect MI coverage, unpaid MI premium, incorrect tax information or penalties, etc.), it is the Seller's responsibility to notify Arc Home within thirty (30) days of funding.

ACH Payments

- ACH payments are acceptable for Flagstar. Please see Exhibits for the ACH Draft agreement that borrower will need to complete for their monthly mortgage payments to be drafted from their bank account.

Goodbye Letters

Arc Home will require a copy of the Goodbye Letter/Notice of Transfer of Servicing to be submitted within five (5) business days of Arc purchasing your loan.

While it is best to include the Goodbye letter with initial submission package, we understand the need for you to ensure the loan is being purchased by Arc prior to generating the Goodbye letter; therefore we will purchase loans without the Goodbye letter and create a post funding condition for receipt of the Goodbye letter within 5 business days of funding.

Transfers

MERS Transfer**

The Seller must complete the following transfer:

Investor: Arc Home LLC 1003048

Servicer: Arc Home LLC 1003048

Subservicer		
Government	Flagstar	1000525
Conventional (FHLMC or FNMA)	LoanCare	1000723
Jumbo Express/Prime	LoanCare	1000723
FNMA/FHLMC 30YR Fixed Investment	Shellpoint	1007544
FNMA/FHLMC 30YR Fixed Second Home	Shellpoint	1007544
Arc Elite QM	Shellpoint	1007544
Elite Jumbo	Shellpoint	1007544
Arc Access (Non-QM)	Shellpoint	1007544
Foreign National	Shellpoint	1007544
30 YR Fixed Conventional Investment	Shellpoint	1007544

**Please be sure you are including a sub-servicer on every transfer. You must include the Investor, Servicer and Sub-Server on every transfer for it to transfer correctly. If the Steps are not accurately completed, the batch will be rejected.

Up-Front MIP Payment (Non-Delegated Government)

Up-front MIP payment will be completed by Arc Home.

VA Funding Fee Payment (Non-Delegated Government)

VA Funding fee will be completed by Arc Home.

FHA and VA Late Fees

The following FHA requirements are in addition to previously stated procedures and guidelines:

- The loan MUST be purchased eight (8) calendar days after the interest date on the CD, regardless of weekends or holidays. If it is not, there will be a 4% fee added to the UFMIP.
- Original UFMIP $\$ \$ \times 4\%$ = the late charge

Example: Up-front MIP amount of \$3,340.20 will result in a late fee of \$133.61 ($\$3,340.20 \times 4\% = \133.61)

The following VA requirements are in addition to previously stated procedures and guidelines:

- The loan must be purchased twelve (12) calendar days after the closing date, regardless of weekends or holidays. If the loan is not purchased, there will be a 4% fee added to the funding fee.
- Original VA funding fee $\$ \$ \times 4\%$ = the late charge

Example: Funding fee amount of \$4,794.50 will result in a late fee of \$191.78 ($\$4,794.50 \times 4\% = \191.78) Note: These late fees will be net funded when Arc Home purchases the loans.

Government Insuring (Delegated)

FHA and VA insuring must be completed by the delegated correspondent within 60 days of purchase by Arc Home. A repurchase demand will be issued to the correspondent if the loan is not insured with 60 days. The correspondent will have 30 days from the date of the repurchase demand to have the loan insured or the loan must be repurchased.

Government Insuring (Non-Delegated)

FHA and VA insuring will be completed by Arc Home for non-delegated correspondents. Correspondents must respond within two (2) business days of Arc's request for data or documents that are needed for insuring.

Insurance Policies

After the Purchase Date, the Seller shall deliver such insurance policies or renewals as it may receive with respect to the Mortgage Loan or the servicing to Arc Home within five (5) business days of its receipt of same.

Payment of Hazard Insurance Premiums

The Seller shall pay, prior to the Purchase Date, all hazard insurance premiums due within sixty (60) days after the Purchase Date, provided that the Seller has received bills for such insurance premiums prior to the Purchase Date. The Seller shall immediately deliver to Arc Home all bills and correspondence related to the Mortgage Loan and received by it subsequent to the Purchase Date.

Property Taxes

The Seller or its tax service provider is required to pay, prior to the Transfer Date, all tax bills (including interest, late charges, and penalties) due within sixty (60) days from the closing/settlement date that are issued by a taxing authority relating to the subject property.

The Seller, or its tax service provider, shall immediately forward to Arc Home all tax bills received by them after loan funding. Arc Home has no obligation to pay any taxes (including interest, late charges, and penalties) for which a title insurer has an obligation to pay by the terms of a mortgagee policy of title insurance.

Internal Revenue Service Forms

All Internal Revenue Service forms, including, but not limited to, forms 1099, 1099A and 1098, as appropriate, which are required to be filed with respect to the Mortgage Loan for activity occurring on or before year end of the preceding calendar year have been filed.

Final Documents – Non-Delegated and Delegated Sellers

Sellers delivering through SPARC are required to send the trailing documents as outlined **below (NOTE: Do not send any final documents until Arc Home has purchased the loan):**

Sellers delivering through SPARC will ship the final documents [Original (or a County Certified Copy) Recorded Security Instrument, Final Title Policy*, Recorded Assignment(s)] utilizing the Visionet Final Documents Shipping Manifest (see on under Exhibits or under Correspondent Non-Delegated Resource on arcomeloans.com).

Arc Home LLC c/o Visionet
Attn: Arc Final Docs
111 Technology
Drive
Pittsburgh, PA 15275

Penalty for Non-Delegated and Delegated Sellers

Arc Home will assess a \$125.00 per loan fee for missing final documents aged greater than 90 days from the expected return date (differs by county). If documents are still not returned after 120 days, additional fees may be assessed. Final Documents are Original (or a County Certified Copy) Recorded Security Instrument, Final Title Policy, and the Recorded Assignment(s)

CHAPTER 13 EXHIBITS

EXHIBIT A

US Bank Collateral Package

Below are the documents required to be shipped to Arc Home's Document Custodian, US Bank

- **Original note (along with any applicable Note riders for program)**
 - With endorsement to Arc Home LLC (either an endorsement on the original note or completed original allonge is acceptable)

*Please note name differences in some states and prepare the correct endorsement based Upon property state.

AR, FL, IL, MO, TX and WI - lender name is Arc Home Loans LLC

OR - Oregon - lender name is Arc Home LLC, a limited liability company of Maryland

Remaining states - lender name is Arc Home LLC

Sample Endorsement

Pay to the order of Arc Home LLC* without recourse_____ (Seller

Name) By _____ (Signature of Officer)

Name: _____ (Printed)

Title: _____ (Printed)

- **Mortgage/Deed of Trust** - certified true copy
- **Title commitment** - certified true copy
- **Name Affidavit for all borrowers** - copy
- **Bailee / Wiring instructions**

If applicable:

- **Power of Attorney** - Specific to transaction - certified true copy
- **Assignment chains** (if not MERS) - certified true copy
- **CEMA Documents** - original

EXHIBIT B

Correspondent Red Flags

List of common red flags that all Delegated Correspondents should be looking for prior to approval of any loan that will be sold to Arc Home. Arc Home has zero tolerance for any misrepresentation or fraud activity. If found, loan will not be purchased; if loan has been purchased and fraud is discovered, a repurchase will be issued and correspondent's approval status may be terminated.

High Level Red Flags

- Address discrepancies in the file
- Signatures on different forms and documents do not match
- Social security number discrepancies in file
- Altered documentation such as "white out", different type-set, numbers "squeezed", different handwriting, etc.
- Inconsistencies with VOE and VOD such as completion on same date it was ordered, completed on a non-business day
- Excessive submissions to LP or DU
- AUS scoring through more than one engine
- Verifications addressed to a specific party's attention

Mortgage Application (Form 1003)

- Unsigned 1003
- PO Box for Borrower(s) address or employer address
- Cash out refinances on newly acquired properties
- Purchase transaction where Borrower resides in subject property
- Same telephone number for Borrower's home and employment
- Borrower to purchase investment property but does not own a primary residence

Sales Contract

- Purchaser on Contract is not the Borrower
- Power of Attorney signed for Borrower
- Addendum to Contract indicates an additional Purchaser was removed
- Earnest money deposit is entire down payment or is made by someone other than Borrower
- Contract is dated after the date of application
- Non arms-length transactions
- No real estate agent involved for buyer or seller
- Excessive sales concession

Credit Report

- No credit history (NOTE: Arc Home has a requirement for a credit score for all Borrowers)
- Liabilities On credit report not reported on 1003
- Credit patterns are inconsistent with income
- Opening dates of tradelines are all recent or opened at same time
- Numerous inquiries
- Recently issued social security number or invalid social security number
- Missing pages of credit report
- Alerts for social security numbers, decreased Borrower, fraud alerts, credit "freezes", OFAC alert
- Significant differences between original credit report and new/supplemental credit reports

Correspondent Red Flags Continued

Employment and Income Documentation

- Borrower's residence will not be near employer
- Employer name is similar to party to transaction
- YTD and prior earnings in even dollar amounts
- Taxes do not calculate correctly based on income
- Pay periods on pay-stubs do not appear correct
- Handwritten pay-stub, VOE, W-2 forms
- Income appears out of line with position
- Real estate taxes or mortgage interest claimed, but no ownership of property disclosed
- Substantial income with no assets
- Income and dividend income do not align with assets
- Self-employed applicant does not make estimated tax payments
- Tax returns not signed
- Difference between tax returns and tax transcripts (Non-delegated customers only)
- Employer is unable to be contacted for VVOE

Verbal VO

- VVOE is not fully completed with signature and date
- Name, title and phone number of employer contact is not filled in on the form

Asset Documentation

- Down payment/reserve source is gift, sale or personal property, etc.
- High asset investments are not diversified (i.e. large balance kept in checking account)
- Dates of bank statements are unusual or out of sequence
- Recently deposited funds without support for large deposits
- Source of earnest money is not apparent; earnest money is not reflected on bank statements
- Account in name of individuals other than Borrower
- Balances verified as even dollar amounts
- VOD provided instead of bank statements

Appraisal/Property

- Occupant is tenant or unknown on owner-occupied refinance
- Occupant is tenant on second home
- Owner does not agree with Sales Contract
- Appraisal indicates transaction is a refinance, but other documentation reflects a purchase
- "for Rent" sign appears in photos
- Appraisal dated before Sales Contract
- Purchase price is significantly lower or higher than predominant market value
- Appraised value is significantly lower or higher than sales price
- Subject property is unique and no similar comps were available
- Subject property obsolescence is minimized
- Comp sales are not similar in style, size and amenity prices do not bracket subject's value; dated sales

Correspondent Red Flags Continued

Title

- Seller is not on the title or chain of title indicates a recent acquisition of subject
- Borrower has a pre-existing financial interest in property (i.e. holds second mortgage for owner)
- Date and amounts of existing liens do not make sense
- Chain of title shows an interested party in transaction (real estate agent, appraiser, etc.)
- Delinquent property taxes, Modification Agreement, judgements, tax liens, etc., may indicate financial concerns on a refinance

Occupancy - Purchases

- Borrower to lease existing primary residence
- Significant commute distance to employment
- Downgrading from larger/more expensive home
- Sales Contract is subject to existing lease
- Homeowner's insurance indicates a rental policy

Occupancy - Refinances

- Borrower owns rental properties valued more than primary residence they are refinancing
- Mailing address in file do not match subject property address (on pay-stub, W-2, bank statements etc.)
- Homeowner's insurance indicates a rental policy
- Reverse directory does not disclose Borrower at subject property

Closing Disclosure

- Borrower or Seller do not match Sales Contract and title
- Sales price inconsistent with Sales Contract
- Excessive earnest money or builder deposit
- Pay-outs to unknown parties
- Undisclosed lien pay-offs

EXHIBIT D

Flagstar Payment Authorization (ACH DEBIT) FORM

PAYMENT AUTHORIZATION (ACH DEBIT) FORM

Loan number: _____

THIS FORM MUST BE RETURNED VIA SECURED/ENCRYPTED METHOD

Use this form to authorize us, and our successors and assigns, to create automatic payments for your loan.

Bank account funding

Please print bank information in CAPITAL LETTERS (Information is available from your bank.) Submission of this payment authorization is acknowledgment that you are an authorized signer on the bank account listed for the direct payments.

Bank name: _____

Bank ABA routing number (located on the bottom of your check): _____

Bank account number: _____

Check here if this is: Checking/Money Market Account Savings Account (No business accounts)

Your bank's phone number: _____ Ext. _____

Option for additional principal payment: My servicer is hereby authorized to debit an ADDITIONAL \$ _____ each month (in addition to my regular monthly payment) to be credited to the principal balance. **Please note: The amount will be constant each month until you request a change.**

Auto debit authorization: I authorize my servicer to automatically debit my bank account monthly for the amount of (i) my monthly payment of principal, interest and escrow, which amounts are specifically set forth in my mortgage loan documents, plus (ii) any additional principal as indicated above. I understand that the payment amount for principal, interest, and escrow may vary from month to month due to changes in escrow requirements or principal and interest payments for adjustable type mortgages, if applicable. My servicer is authorized to debit my bank account until my servicer has received written or oral notification. Termination request must be received by my servicer three (3) business days prior to the next scheduled monthly debit.

I acknowledge that my servicer, as the originator of the ACH debit transactions to my account, must comply with the provisions of U.S. law. I understand that (i) I must CONTINUE MAKING PAYMENTS until the date that my automatic payments will begin, of which my servicer will notify me by mail and which may take up to 45 business days, and (ii) my account must remain current before the automatic payment will be authorized to begin.

Payment date: I understand and agree that my servicer will process my automatic payment as set forth below and in the Scheduled Payments and Late Fees section of the Electronic Funds Transfer Act Disclosure:

Home Equity Loans that closed *before* September 1, 2017. Payments are processed on the 10th of each month.

Home Equity Loans that closed on or *after* September 1, 2017. Please select a date between the 1st and 15th of each month on which the payment will be processed: _____

Mortgage Loans. Please select a date between the 1st and 15th of each month on which the payment will be processed: _____

Consumer Loans. Payments are processed on the due date set forth in the consumer loan documentation.

Borrower's legal name (printed): _____

Borrower's email address: _____

Borrower's daytime phone number: _____ Ext. _____

Borrowers Signature: _____ Date: _____

IMPORTANT INFORMATION

Fax or mail this completed form and a voided personal check. (DO NOT send deposit slip. Voided check not required for savings accounts.)

Mail to: Attention: Auto Debit Department (E-115-3) 15151 Corporate Drive | Troy, MI 48098-2639 Fax: (888) 548-0528

ELECTRONIC FUND TRANSFER ACT DISCLOSURE

Please read this disclosure carefully. This disclosure describes your rights and obligations as well as the rights and obligations of your servicer.

By requesting my servicer to automatically deduct funds from your checking/savings account in order to make your loan payment, you acknowledge that you have read and accept all of the terms and conditions of this disclosure.

Definitions

As used in this disclosure, the relevant terms are defined as follows:

- "We" or "us" refers to your servicer, its successors, and assigns
- "You" and "your" refers to the owner of the payment account and anyone else authorized by the payment account's owner to exercise control over the payment account through this service
- Payment instructions means the information provided by you to us in order to enable us to make an electronic payment, including, but not limited to, the payment account number and payment date
- Payment account means your savings, checking, or money market deposit account from which electronic payments will be made
- Scheduled payment date is the date that you have selected or your electronic loan payment to be made

Customer Responsibility

You agree that you are responsible for all authorized transactions up to the limits allowed by applicable law. If you permit other persons to access your account, you are responsible for any transactions they authorize.

Payment

By providing us with the account information of the financial institution at which you maintain your payment account, you authorize that financial institution to follow the payment instructions that it receives through the payment system from us.

- When we receive a payment instruction, you authorize us to debit your payment account and remit funds to us on your behalf for credit to your loan account
- Your payment account must be a checking, savings, or money market deposit account
- All payments you make will be deducted from the account that you designate as your payment account
- Any payments you wish to make must be payable in U.S. dollars
- Funds must be available in your payment account on the scheduled payment date
- After funds are withdrawn from your payment account via an automatic deduction, the amount of the payment will be applied to your loan account with us

We will use our best efforts to make all of your loan payments properly. However, we shall not incur liability if we are unable to complete any loan payments initiated by you through an automatic deduction because of the existence of anyone or more of the following circumstances:

1. The financial institution holding your payment account refuses or is otherwise unable to honor a debit originated by you, and returns that transaction to us unpaid, regardless of the reason for the return;
2. The financial institution that maintains your payment account mishandles or delays a payment requested by us on your behalf;
3. You have not provided us with the correct account information for the payment account; or,
4. Circumstances beyond our control (such as, but not limited to, fire, flood or interference from an outside force) prevent the proper execution of the transaction, and we have taken reasonable precautions to avoid those circumstances.

Provided that none of the foregoing four (4) exceptions apply, if we cause an incorrect amount of funds to be removed from your payment account or cause funds from your payment account to be directed to us in a manner inconsistent with your payment instructions, we shall be responsible for returning the improperly transferred funds to your payment account.

We are responsible only for exercising ordinary care in processing payments upon your authorization in accordance with this agreement. We will not be liable in any way for damages or charges you incur if you do not have sufficient funds in your payment account to make a loan payment that you have scheduled pursuant to the terms of this agreement.

Disclosure of Information to Third Parties

We will disclose information about your account or the transfers you make pursuant to the terms of this agreement to third parties only:

1. Where it is necessary for completing servicing transfers, including to allow successor payees to continue automatic payments after the servicing transfer; or
2. In order to verify the existence and condition of your account for a third party, such as a credit bureau or merchant; or
3. In order to comply with government court orders, or other reporting requirements; or
4. If you give us your written permission; or
5. To companies affiliated with us.

Scheduled Payments and Late Fees

Except as noted in this section, your electronic loan payment will be processed monthly on the date you have selected. Each payment may take up to three (3) business days before being debited from the payment account. If your electronic loan payment is ever scheduled to be processed on a weekend or federal holiday, we will process the payment on the prior day that is not a weekend or federal holiday.

Bankruptcy

The automatic payments authorized by this agreement will be cancelled if we receive notification that any borrower on the account as filed for bankruptcy after receiving this authorization. Borrowers may enroll again for automatic payments after such notification.

Please note: Late charges will be assessed if your payment is not received and applied by the expiration of your grace period.

If you properly follow the procedures described in this agreement and we fail to make a payment according to the payment instructions received, you will not be assessed a late fee.

In the Event a Service Transaction is Returned

The Bank will attempt once to draft your auto debit funds. If your payment account does not have sufficient funds to make the authorized monthly payment as of the date the transfer, or payment is attempted or scheduled to be made, the transfer or payment may be cancelled. We will notify you by U.S. mail, but we shall have no obligation or liability if we do not complete a transfer or payment because there are insufficient funds in your payment account to process the transaction. In all such cases, you are responsible for making alternate arrangements for the payment. If any draft is returned to us as non-sufficient funds, you agree to pay a returned charge which shall be equal to the NSF charge that we currently have in effect.

Cancellation/Changes to Payment Instructions

If you wish to cancel the payments that you have authorized pursuant to the terms of this agreement, you must notify us orally or in writing at least three (3) business days prior to the scheduled payment date at the following address:

Auto Debit Department 5151 Corporate Drive (E-115-3) Troy, MI 48098-2639

Or fax notification at (888) 548-0528.

Any changes to your payment instruction, including changes to the payment amount and/or the payment account must be made in writing to the above address.

Errors and Questions

In case of errors or questions about the transactions processed pursuant to this agreement, you should contact us as soon as possible.

Write us at:

Auto Debit Department 5151 Corporate Drive (E-115-3) Troy, MI 480982639

If you think that your statement is wrong or if you need more information about a transaction listed on your statement, we must hear from you no later than sixty (60) calendar days after you received the FIRST statement on which the problem or error appeared. You must:

- Tell us your name and loan account number;
- Describe the error or the transaction you are unsure about, and explain as clearly as you can why you believe it is an error or why you need additional information; and,
- Tell us the dollar amount of the suspected error.

If you notify us orally, we may require that you send your complaint in writing within ten (10) business days. We will determine whether an error occurred within ten (10) business days after we hear from you and will correct any error promptly.

However, if we need more time, we may take up to forty-five (45) calendar days, (or ninety (90) calendar days if the alleged error involves an electronic fund transfer from a payment account outside of a state, territory or possession of the United States) to investigate the complaint or question. If we decide to do so, we will credit your payment account within ten (10) business days for the amount you think is in error, so that you may have the use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and we do not receive it within ten (10) business days, we may not credit your account.

We will tell you the results within three (3) business days after completing our investigation. If we decide that there was no error, we will send you a written explanation. You may ask for copies of documents that we used in our investigation.



Amendments to Agreement

This agreement may be amended by us from time to time. In the event of an amendment, we will provide you notice at least twenty one (21) business days in advance.

Governing Law

This agreement shall be governed and construed in accordance with the laws of the state of Michigan.

Regulatory Authority

If you believe that any provision of the Electronic Funds Transfer Arc has been violated, you should notify the Consumer Financial Protection Bureau:

Consumer Financial Protection Bureau
PO Box 4503
Iowa City, Iowa 52244
(855) 411-2372



PAYMENT AUTHORIZATION (ACH DEBIT) FORM

Loan number:

(Duplicate form)

THIS FORM MUST BE RETURNED VIA SECURED/ENCRYPTED METHOD

Use this form to authorize us, and our successors and assigns, to create automatic payments for your loan.

Bank account funding

Please print bank information in CAPITAL LETTERS (Information is available from your bank.) Submission of this payment authorization is acknowledgment that you are an authorized signer on the bank account listed for the direct payments.

Bank name:

Bank ABA routing number (located on the bottom of your check):

Bank account number:

Check here if this is: Checking/Money Market Account Savings Account (No business accounts)

Your bank's phone number:

Option for additional principal payment: My servicer is hereby authorized to debit an ADDITIONAL \$ - - - - each month (in addition to my regular monthly payment) to be credited to the principal balance. Please note: The amount will be constant each month until you request a change.

Auto debit authorization: I authorize my servicer to automatically debit my bank account monthly for the amount of (i) my monthly payment of principal, interest and escrow, which amounts are specifically set forth in my mortgage loan documents, plus (ii) any additional principal as indicated above. I understand that the payment amount for principal, interest, and escrow may vary from month to month due to changes in escrow requirements or principal and interest payments for adjustable type mortgages, if applicable. My servicer is authorized to debit my bank account until my servicer has received written or oral notification. Termination request must be received by my servicer three (3) business days prior to the next scheduled monthly debit.

I acknowledge that my servicer, as the originator of the ACH debit transactions to my account, must comply with the provisions of U.S. law. I understand that (i) I must CONTINUE MAKING PAYMENTS until the date that my automatic payments will begin, of which my servicer will notify me by mail and which may take up to 45 business days, and (ii) my account must remain current before the automatic payment will be authorized to begin.

Payment date: I understand and agree that my servicer will process my automatic payment as set forth below and in the Scheduled Payments and Late Fees section of the Electronic Funds Transfer Act Disclosure:

Home Equity Loans that closed before September 1, 2017. Payments are processed on the 10th of each month.

Home Equity Loans that close on or after September 1, 2017. Please select a date between the 1st and 15th of each month on which the payment will be processed:

Mortgage Loans. Please select a date between the 1st and 15th of each month on which the payment will be processed:

Consumer Loans. Payments are processed on the due date set forth in the consumer loan documentation.

Borrower's legal name (print):

Borrower's email address:

Borrower's daytime phone number:

Borrower's Signature:

IMPORTANT INFORMATION

Fax or mail this completed form and a voided personal check. (DO NOT send deposit slip. Voided check not required for savings accounts.)

Mail to: Attention: Auto Debit Department (E-115-3) 15151 Corporate Drive | Troy, MI 48098-2639 Fax: (888) 548-0528

EXHIBIT E

Signature Requirements

Wet vs. Dry State Signings

The *transaction date* is the **Note Date**. **Note Date** is defined as the date represented on the first page of the original Note.

Non-Escrow "Wet" Funding States

For loans in Non-Escrow states the funds must be delivered to the settlement agent at or prior to the time of disbursement. Funds must then be disbursed to the appropriate parties, for a Purchase within 2 business days after the date of the transaction, or a Refinance the business day following the expiration of the rescission period.

To ensure compliance, the Closing Disclosure, the original Note and all closing documents must be signed **on the Note Date** in Wet Funding States.

The following states are considered Non-Escrow "Wet" Funding states:

Alabama - AL	Kansas - KS	Nebraska - NE	Texas - TX
Alaska - AK	Kentucky - KY	New Hampshire - NH	Vermont - VT
Arkansas - AR	Louisiana - LA	New Jersey - NJ	Virginia - VA
Colorado - CO	Maine - ME	New Mexico - NM	West Virginia - WV
Connecticut - CT	Massachusetts - MA	New York - NY	Wisconsin - WI
Delaware - DE	Michigan - MI	Ohio - OH	Wyoming - WY
District of Columbia - DC	Minnesota - MN	Oklahoma - OK	
Florida - FL	Mississippi - MI	Pennsylvania - PA	
Georgia - GA	Missouri - MO	Rhode Island - RI	
Illinois - IL	Montana - MT	South Carolina - SC	
Indiana - IN	North Carolina - NC	South Dakota - SD	
Iowa - IA	North Dakota - ND	Tennessee - TN	

Escrow "Dry" Funding States

There are no settlement rules in Escrow states. To ensure compliance, the Closing Disclosure, the original Note and all closing documents must be signed on or within 15 calendar days after the transaction date (Note date), as long as the *First Payment Date* is still accurate.

However, under **no circumstances may the signing occur prior to** the transaction date (Note date).

The following states are considered Escrow "Dry" Funding states:

Arizona - AZ	Nevada - NV
California - CA	Oregon - OR
Hawaii - HI	Utah - UT
Idaho - ID	Washington - WA

Additional Requirements

- At least one individual who signed the Sales Contract (Purchase and Sale Agreement) must also sign the Note.
- At no time may required signors execute the Closing Disclosure, original Note or any required disclosure/closing document **prior to the transaction date (Note date)**.
- The printed names and the borrower(s) signature(s) on the original Note must match the Closing Disclosure and closing documents **exactly**.

EXHIBIT F

Prepayment Penalty Options

Edge and Access Investment Property Business Purpose Loans Only

Where permitted by applicable laws and regulations on an investment property, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the Note. The following prepayment structures may be used:

- **Six months of interest** - The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance except as otherwise noted below. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period. Prepayment charge is not permitted after five (5) years following the execution date of the Note.
- **3%, 4%, or 5% fixed percentage** - The prepayment charge will be equal to a fixed percentage and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance. Prepayment charge is not permitted after five (5) years following the execution date of the Note.
- **Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years.** For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) - The prepayment charge will be equal to the percentage in effect and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance. Prepayment charge is not permitted after five (5) years following the execution date of the Note.

See rate sheet and specific Product Matrices for further details. The prepayment penalty can be disclosed within the body of the Note or in a separate rider.

States	Restrictions
AK, IL, KS, MI, MN, NM, OH, RI	Prohibited under all circumstances
DC	Within 3 years from consummation, no prepayment charge or penalty is permitted which exceeds an amount equal to 2 months advance interest on the aggregate amount of all prepayments in excess of 1/3 of the amount of the original loan or financial transaction made in any 12-month period. See DC Code § 28-3301(f)(1).
MS	Only declining prepayment penalty structures are allowed in MS. Max limits: (i) 5% of the unpaid principal balance if prepaid during the first year; (ii) 4% during the second year; (iii) 3% during the third year; (iv) 2% during the fourth year; (v) 1% during the fifth year; (vi) No penalty if prepaid more than 5 years from the date of the note creating the debt.
NC	Only permitted if loan size is => \$100,000
NJ	Only permitted on DSCR loans that vest as an entity. The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period.
PA	Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For calendar year 2022 the amount is \$278,204 and year 2023 the amount is \$301,022 subject to change annually effective January 1 st .
VA	Only permitted if loan size is => \$75,000