

This document is a summary of Arc guideline overlays to Fannie Mae and Freddie Mac requirements. This document should be used as a reference tool in conjunction with Arc's guidelines and the appropriate GSE guidelines and is not intended to be used as a replacement to the guidelines. Where this document is silent or conflicts with the published guidelines, the published guidelines will prevail. Please note, layering of risk may lead to additional documentation for Approve/Accept scores.

Conforming and High Balance/Super Conforming

Topic	Overlay	Desktop Underwriter	Loan Prospector
Appraisal Submission Summary Report	All appraisals must include a successful Submission Summary Report (SSR). <ul style="list-style-type: none"> Note: The Fannie Mae Collateral Underwriter (CU) score is required on Fannie Mae standard products and Freddie Mac Loan Collateral Advisor (LCA) is required on Freddie Mac standard products. For loans with a Property Inspection Waiver (PIW), no additional valuation is required. For loans with an appraisal and a PIW noted on the AUS, no additional valuation is required. For loans with an appraisal and a PIW is NOT noted on the AUS: <ul style="list-style-type: none"> If the Collateral Underwriter (SSR) score is < 3.5, Appraised Value may be used. If the Collateral Underwriter (SSR) score is >= 3.5 OR no score, an Arc Home Loan Collateral review is required. At the discretion of Arc Home, the appraisal may be subject to additional conditions and/or an additional valuation may be required to support the value. 	X	X
Assets	Any cash-in-hand proceeds, to the Borrower, from any cash-out refinance transaction must be wired to a U.S. bank account. 1031 Reverse exchanges are not allowed.	X	X
Borrower Eligibility	A Social Security number is required for all Borrowers. All non permanent resident aliens must have an unexpired VISA and employment authorization.	X	X
Credit Report	All conventional 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)	X	X
Credit Score	Nontraditional credit is not permitted.	X	X
Escrow Holdbacks	Escrow Holdback must be complete by the time of purchase.	X	X
Future income	Fannie Mae - If a Borrower is being qualified with income from new employment or a pay increase, and the new income will not start prior to closing, the guidelines from Fannie Mae Selling Guide B3-3.1-09, Other Sources of Income; Employment Offers or Contracts; Option 2 must be followed. Freddie Mac - If a Borrower is being qualified with income from new employment or a pay increase, and the new income will not start prior to closing, the guidelines from Freddie Mac Seller/Servicer Guide Chapter 5303.2(e), Option 1 must be utilized.	X	X
Marijuana Related Business (MRB) Income and Assets	Federal law restricts marijuana related activities and therefore the income and assets from these sources are not allowed for qualifying. Related activities include: <ul style="list-style-type: none"> Possession of cannabis or cannabis seeds Processing Growing Harvesting/Cultivation Testing Packaging/Delivery Wholesale or Retail sales 	X	X
Mortgage Insurance	Minimum Mortgage Insurance with LLPAs (Reduced MI) is not permitted	X	X
Property Type	Manufactured Homes, Co-ops and community land trusts are not permitted	X	NA
Resale Deed Restrictions	Resale deed restrictions are allowed; however, resale restrictions that terminate automatically upon foreclosure <u>and</u> require the use of Fannie Mae's affordable LTV calculation are not permitted. The Affordable LTV calculation divides the loan amount by the appraised value of the property, rather than the lesser of the sales price or the appraised value.	X	NA
Tax Transcripts	<ul style="list-style-type: none"> A fully executed 4506-C is required on all loans. IRS Tax or W-2 Transcripts are required prior to closing: <ul style="list-style-type: none"> When there is a relationship between the employer and borrower; and At the underwriter's discretion if needed to address red flags and When the most recent tax returns have not been filed. Refer to Arc Home's Tax Transcript Policy 	X	X
Transaction Types	New York CEMAs (Consolidation, Extension and Modification Agreements) are permitted for fully Delegated Correspondents only on refinance transactions only. Paying off a privately held CEMA is not allowed. A lost note affidavit is not acceptable.	X	X
Rate Buydowns	Temporary Buydowns are not available	X	X

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Underwriting	All Fannie Mae and Freddie Mac loans must score Approve/Eligible or Accept/Eligible on AUS. Manual underwriting is not allowed.	X	X

HomeReady and Home Possible
(These overlays apply in addition to the above overlays)

Topic	Overlay	Desktop Underwriter	Loan Prospector
Assets	Sweat Equity and Cash on Hand are not permitted	X	X