

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
Conflicts of Interest	Conflicts of interest are not permitted. Borrowers with one or more conflicts of interest are NOT permitted. A conflict of interest exists and is prohibited when the borrower has multiple roles in the transaction. These include, but are not limited to, situations where the borrower is also: <ul style="list-style-type: none"> The builder; The loan officer on the transaction; Borrower representing themselves as the agent in the real estate transaction: <ul style="list-style-type: none"> The commission earned cannot be used for down payment or reserve requirements. The listing and selling agent (borrower can be the listing agent but not both); The owner/principal of a mortgage brokerage or correspondent lender may not originate their personal mortgage with their own company. Employees of mortgage brokerages or correspondent lenders originating through their employer are acceptable borrowers only under the following circumstances: <ul style="list-style-type: none"> They do not act as a processor, underwriter or in any capacity in originating their loan; And <ul style="list-style-type: none"> The subject property is their primary residence or second home; investment properties are not permitted. 	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 Report	Nontraditional credit is not permitted. A tri-merged in file credit report from all three repositories is required for all loans. The credit report must include trended credit data.	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/Service 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

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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"> oWhen there is a relationship between the employer and borrower; and oAt the underwriter's discretion if needed to address red flags oRefer to Arc Home's Tax Transcript Policy 	X	X
Temporary Buydowns	Temporary Buydowns are not available	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
Underwriting	All Fannie Mae and Freddie Mac loans must score Approve/Eligible or Accept/Eligible on AUS. Manual underwriting is not allowed.	X	X
Written VOE	When the borrower is using a written VOE, that is not from a 3rd party, to verify income, the file must also provide proof of income received prior to the application that supports the income from the VOE.	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
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"> oWhen there is a relationship between the employer and borrower; and oAt the underwriter's discretion if needed to address red flags oWhen the borrower is using a written VOE, that is not from a 3rd party, to verify income oRefer to Arc Home's Tax Transcript Policy 	X	X