Correspondent Announcement

Transferred Appraisal Policy, Fannie Mae & Freddie Mac Updates

Transferred Appraisal Policy

The following update is effective immediately:

Transferred Appraisal Policy	
Topic	**Update**
Transferred Appraisal Policy	The Arc Home Transferred Appraisal Policy has been updated in the following areas, indicated by the bold-faced, highlighted text: **The following documents are required for UAD 2.6 and 3.6. The Appraisal Transfer Letter must be sent directly from the transferring Lender or AMC to the Arc Home Account Manager, all other required documents may be uploaded to SPARC.** • Appraisal Transfer Letter o Agency: Not required o Edge, Access, Elite, Foreign National, Conventional Investment Property and FNMA/FHLMC Second Home & Investment Property products: Appraisal must be accompanied by an Appraisal Transfer Letter releasing the appraisal to Arc Home or the Correspondent Lender ▪ The letter must be on the transferring Lender's letterhead with current date, borrower's name, and property address ▪ The letter must be signed by an officer or manager of the transferring Lender. Producing staff such as loan officers, LO assistants, producing sales managers etc. are not eligible to sign the transfer letter ▪ Transferring Lender must certify and warrant that they have adopted and complied with the Interagency Appraisal and Evaluation Guidelines which address the Appraisal Independence requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Truth-In-Lending regulations and all applicable laws and the appraisal was ordered and prepared in compliance with those requirements. (A separate Appraisal Independence Requirement Certification is acceptable). **• UAD 3.6 Appraisal must include the following in a .Zip file** **o Original color PDF of the appraisal**
Transferred Appraisal Policy	
Topic	**Update**
	o XML version of the appraisal **o Folder with all images** **• UAD 2.6 Appraisal must include the following as stand-alone documents** **o Original color PDF of the appraisal** **o XML version of the appraisal**

Fannie Mae Updates

The following updates are effective for loans registered on or after **October 19, 2026:**

Fannie Mae		
Topic	**Previous Guideline**	**New Guideline**

Verbal Verification of Employment
 	
Fannie Mae Selling Guide Section B3-3.1-.04
	Hourly, Salary & Commission Income:
	The lender must independently obtain a phone number and, if possible, an address for the borrower's employer. This can be accomplished by using a telephone book, the Internet, directory assistance, or by contacting the applicable licensing bureau.
	The lender must contact the employer verbally and confirm the borrower's current employment status within 10 business days prior to the note date.
	Note: *If the employer confirms the borrower is currently on temporary leave, the lender must consider the borrower "employed."* See B3-3.3-09, Temporary Leave Income, *for details on temporary leave.*
	• The conversation must be documented. It should include the following:
	  ○ name and title of the person who confirmed the employment for the lender,
	  ○ name and title of the person who completed the verification for the employer,
	  ○ date of the call, and
	  ○ the source of the phone number.
	Alternative Methods to Verify Employment:
	• The lender can obtain a written verification confirming the borrower's current employment status within 10 business days prior to the note date. The written documentation must include the name and title of the person who completed the verification for the employer.
	• The lender can obtain an email exchange with the borrower's employer from the employer's work email address within 10 business days prior to the note date.
	  ○ The lender must conduct additional due diligence to confirm that the email address for the employer is accurate. Examples of due diligence include, but are not limited to, searches of domain name on employer website (review for match to employer email address), employer directory on the internet, or other professional networking or business profile websites.
	  ○ The email exchange must include borrower's name and employer's name; name, title, and work email address of the individual contacted at the employer; date of contact; and borrower's current employment status.
	• Within 15 business days prior to the note date,
		Summary: Fannie Mae has removed the specific methods lenders must use to satisfy the verbal verification of employment requirement. The existing timing requirements for completing the verbal VOE remain unchanged.
		
		Borrowers Using Employment-Related Income
		For borrowers using employment-related income to qualify, the lender must verify the borrower's employment no more than 10 business days on or before the note date.
		The lender may extend the 10-business day timeline in the following cases:
		• The lender may obtain the verbal VOE up to 15 business days prior to the note date when they are relying on documentation dated within 15 business days that reflects information from the most recent pay period prior to the date of the documentation.
		• Example:
		  ○ Note date: April 25
		  ○ Asset documentation date: April 10
		  ○ Payroll deposit: April 3 (borrower is paid bi-weekly)
		Although the deposit may have occurred more than 15 business days prior to the note date, the asset documentation is dated within 15 business days of the note date and reflects compensation for the most recently completed pay period.
		• For military servicemembers, the lender may obtain an LES dated within 120 days of the note date.
		Note: if the employer confirms the borrower is currently on temporary leave, the lender must consider the borrower "employed." See B3-3.3-09, Temporary Leave Income, for details on temporary leave

Fannie Mae		
Topic	**Previous Guideline**	**New Guideline**
	the borrower can provide either ○ the most recent paystub as of that date that, meets the requirements in B3-3.2-01, Standards for Employment and Income Documentation; reflects information for the most recent expected pay period based on the date it is provided and the borrower's pay cadence; and does not include any information indicating the borrower may not be actively employed. • Bank statements dated no earlier than 15 business days prior to the note date that meet the requirements in B3-4.2-01, Verification of Deposits and Assets, reflects information for the most recent expected pay period based on the date of the statement and the borrower's pay cadence, and does not include any information indicating the borrower may not be actively employed. • If the borrower is a union member who works in an occupation that results in a series of short-term job assignments (such as a skilled construction worker, longshoreman, or stagehand), and the union facilitates the borrower's placement in each assignment, the lender may obtain the verbal VOE from the union. • If the employer uses a third-party employment verification vendor, the lender must obtain written verification from the vendor of the borrower's current employment status within the same time frame as the verbal VOE	

Fannie Mae		
Topic	**Previous Guideline**	**New Guideline**
	requirements. **Note:** Because third-party vendor databases are typically updated monthly, the verification must evidence that the information in the vendor's database was no more than 35 days old as of the note date.	
Attorney Opinion Letters & Right of First Refusal Fannie Mae Selling Guide Section B7-2-06	Lenders are authorized to use an attorney title opinion letter in lieu of a title insurance policy if all of the conditions in the following table are satisfied The attorney title opinion letter must… • be addressed to the lender and all successors in interest of the lender. • provide the following statement: *We [I] agree to indemnify you and your successors in interest in the [mortgage] [deed of trust] opined hereto, to the full extent of all losses attributable to a breach of our [my] duty to exercise reasonable care and skill in the examination of the title and giving of this opinion.* • provide the gap coverage for the period of time between the loan closing and the recordation of the mortgage. • state that the title condition of the property is acceptable and the mortgage constitutes a lien of the required priority on a fee simple estate in the property. • list other liens and state that they are subordinate. • be given by an attorney licensed to practice law in the jurisdiction where the subject property is	**Summary: Fannie Mae has expanded eligibility for Attorney Opinion Letters (AOLs) by removing the following three restrictions:** • **the requirement that AOLs be commonly accepted by private institutional investors in the local market,** • **the exclusion of Texas Section 50(a)(6) loans, and** • **the exclusion of loans executed under a power of attorney.** Lenders are authorized to use an attorney title opinion letter in lieu of a title insurance policy if all of the conditions in the following table are satisfied The attorney title opinion letter must… • be addressed to the lender and all successors in interest of the lender. • provide the following statement: *We [I] agree to indemnify you and your successors in interest in the [mortgage] [deed of trust] opined hereto, to the full extent of all losses attributable to a breach of our [my] duty to exercise reasonable care and skill in the examination of the title and giving of this opinion.* • provide the gap coverage for the period of time between the loan closing and the recordation of the mortgage.

Fannie Mae		
Topic	Previous Guideline	New Guideline
	located. The attorney must also be insured against malpractice in rendering opinions of title in an amount commonly prevailing in the jurisdiction, taking into account the volume of opinions rendered by the attorney. • be commonly acceptable in lieu of title insurance by private institutional mortgage investors in the area where the subject property is located. • include language relating to the coverage normally provided by ALTA Endorsement 8.1 (Environment Protection Lien). Section (a) of the endorsement insures that there are no environmental protection liens filed in the public records that have priority over the lien of the insured mortgage; Section (b) insures that there are no state statutes that provide that liens filed after the date of the policy would have priority over the lien of the insured mortgage. An attorney may include an exception for possible subsequent super liens that could take priority over the mortgage only if the subject property is located in a state whose state statutes provide for such a super lien. • include the following if the loan is an ARM: o The law of the state in which the property securing the mortgage is located provides that (i) the lien of the mortgage will not become invalid or unenforceable resulting from provisions in the mortgage that provide for changes in the interest rate calculated pursuant to the formula provided in the	• state that the title condition of the property is acceptable and the mortgage constitutes a lien of the required priority on a fee simple estate in the property. • list other liens and state that they are subordinate. • be given by an attorney licensed to practice law in the jurisdiction where the subject property is located. The attorney must also be insured against malpractice in rendering opinions of title in an amount commonly prevailing in the jurisdiction, taking into account the volume of opinions rendered by the attorney. ~~• be commonly acceptable in lieu of title insurance by private institutional mortgage investors in the area where the subject property is located.~~ • include language relating to the coverage normally provided by ALTA Endorsement 8.1 (Environment Protection Lien). Section (a) of the endorsement insures that there are no environmental protection liens filed in the public records that have priority over the lien of the insured mortgage; Section (b) insures that there are no state statutes that provide that liens filed after the date of the policy would have priority over the lien of the insured mortgage. An attorney may include an exception for possible subsequent super liens that could take priority over the mortgage only if the subject property is located in a state whose state statutes provide for such a super lien. • include the following if the loan is an ARM: o The law of the state in which the property securing the mortgage is located provides that (i) the lien of the mortgage will not become invalid or unenforceable resulting from provisions in the mortgage that

Fannie Mae		
Topic	Previous Guideline	New Guideline
	mortgage, and (ii) priority of the lien of the mortgage for the UPB of the loan, together with interest as changed and other sums advanced by the noteholder in accordance with the provisions of the mortgage, will not be lost as a result of changes in the rate of interest calculated pursuant to the formula provided in the mortgage. • include the following if the loan is secured by a unit in a PUD: o there is no present violation of any restrictive covenants that are in the PUD constituent documents and restrict the use of the land or the forfeiture or reversion of title, o all dues applicable to the subject property are current and not delinquent, and o no recorded right of first refusal to purchase the land was exercised or could have been exercised on or before the closing date of the loan and the undersigned is unaware of the existence or the exercise of any right of first refusal on or before the closing date of the loan. • not take exception to survey matters. In addition, the opinion must not be subject to any title exceptions other than those set forth in B7-2-05, Title Exceptions and Impediments. <u>Ineligible Transactions</u>:	provide for changes in the interest rate calculated pursuant to the formula provided in the mortgage, and (ii) priority of the lien of the mortgage for the UPB of the loan, together with interest as changed and other sums advanced by the noteholder in accordance with the provisions of the mortgage, will not be lost as a result of changes in the rate of interest calculated pursuant to the formula provided in the mortgage. • include the following if the loan is secured by a unit in a PUD: o there is no present violation of any restrictive covenants that are in the PUD constituent documents and restrict the use of the land or the forfeiture or reversion of title, o all dues applicable to the subject property are current and not delinquent, and o no recorded right of first refusal to purchase the land was exercised or could have been exercised on or before the closing date of the loan and the undersigned is unaware of the existence or the exercise of any right of first refusal on or before the closing date of the loan. • not take exception to survey matters. In addition, the opinion must not be subject to any title exceptions other than those set forth in B7-2-05, Title Exceptions and Impediments. <u>Ineligible Transactions</u>: The following transactions are not eligible for an attorney title opinion letter:

<table>
<tr><th colspan="3">Fannie Mae</th></tr>
<tr><th>Topic</th><th>Previous Guideline</th><th>New Guideline</th></tr>
<tr><td></td><td>The following transactions are not eligible for an attorney title opinion letter:
co-op share loans;
loans secured by a dwelling on a leasehold estate, including leasehold estates on property owned by a community land trust;
loans secured by a manufactured home;
HomeStyle Refresh and HomeStyle Renovation loans;
Texas Section 50(a)(6) loans; and
loans executed using a power of attorney.</td><td>co-op share loans;
loans secured by a dwelling on a leasehold estate, including leasehold estates on property owned by a community land trust;
loans secured by a manufactured home;
HomeStyle Refresh and HomeStyle Renovation loans;
~~Texas Section 50(a)(6) loans; and~~
~~loans executed using a power of attorney.~~</td></tr>
<tr><td>Income Policy Updates

Fannie Mae Selling Guide Section B3-3</td><td colspan="2">Fannie Mae Updates to Income Policy:

• Income Assessment – Fanne Mae's income continuance requirement is updated to reflect that income with a defined expiration date is expected to continue for at least three years from the application date instead of the note date.
• Employment Offers or Contracts – This requirement is updated to reflect acceptance of the fully executed and non-contingent offer or contract may be demonstrated through a signed agreement, written confirmation (e.g., email) or other verifiable means.</td></tr>
</table>

Freddie Mac Updates

The following updates are effective immediately:

<table>
<tr><th colspan="3">Access, Edge & Closed End Second Alt Income Updates</th></tr>
<tr><th>Topic</th><th>Previous Guideline</th><th>New Guideline</th></tr>
<tr><td>ACE & ACE+ PDR Eligibility

Freddie Mac Selling Guide Section 5602.3 & 5602.4</td><td>
<table>
<tr><th>Mortgage Purpose</th><th>Occupancy</th><th>Max LTV/TLTV</th></tr>
<tr><td>Purchase</td><td>Primary or 2nd Home</td><td>90%</td></tr>
<tr><td>Rate/Term Refi</td><td>Primary or 2nd Home</td><td>90%</td></tr>
<tr><td rowspan="2">Cash-Out Refi</td><td>Primary</td><td>70%</td></tr>
<tr><td>2nd Home</td><td>60%</td></tr>
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<tr><td>Investment</td><td>75%</td></tr>
<tr><td rowspan="2">Cash-Out Refi</td><td>Primary</td><td>70%</td></tr>
<tr><td>2nd Home or Investment</td><td>60%</td></tr>
</table>
</td></tr>
<tr><td>Title Requirements for Solar Panels Financed as a Fixture to Real Estate
Freddie Mac Selling Guide Section 5601.4</td><td>UCC-1 Financing Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming an interest in both the solar panels and the real estate, not just the solar panels); the Seller must either subordinate or release this lien.</td><td>UCC-1 Financing Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming an interest in both the solar panels and the real estate, not just the solar panels); the Seller must either subordinate or release this lien.

If subordination or release of the lien are not viable, then the Seller may deliver the loan with an endorsement to the loan policy of title insurance that ensures the priority of the Mortgage and against loss caused by the lien (e.g., the "California Solar Endorsement").</td></tr>
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We appreciate your business!