

Arc Home
Correspondent FHA 3/1 and 5/1 ARM Standard & High Balance

Product Description	Product Name		Allowable Amortization Terms
	3/1 Treasury ARM FHA		30 Years
	5/1 Treasury ARM FHA		30 Years
	3/1 Treasury ARM FHA High Balance		30 Years
	5/1 Treasury ARM FHA High Balance		30 Years
	ARM Parameters		
	Index	The weekly average yield on the 1-Year Constant Maturity Treasury Index	
	Margin	2.00%	
	Caps	3/1: 1/1/5 5/1: 1/1/5	
	Interest Rate Adjustment	<ul style="list-style-type: none"> The interest rate is fixed for the initial period and adjusts on an annual basis thereafter using the Index value effective 30 calendar days before the rate adjustment date. The Interest Rate at time of adjustment is calculated as the aforementioned Index value plus the Margin, and is rounded to the nearest 1/8th of one percentage point. 	
HUD Section of ACT and ADP Codes	Section	Description	ADP Code
	251	Basic Home Mortgage Insurance	729
	251	Condominium	731
Qualifying Rate & Ratios	<ul style="list-style-type: none"> Qualifying Rate: 3/1 ARM: Initial Note Rate 5/1 ARM: Initial Note Rate Max DTI as determined by AUS, not to exceed 55% When all FHA borrowers are First-Time Home Buyers the following apply: <ul style="list-style-type: none"> If the DTI >50 – 55%, minimum 660 FICO is required 		
Types of Financing	<ul style="list-style-type: none"> Purchase Money Rate and Term Refi Cash Out Refi Simple Refinance 		
Loan Limits	<ul style="list-style-type: none"> Minimum Loan Amount - \$50,000 FHA Standard Balance: Maximum loan limits vary by county. Base loan amounts cannot exceed the lesser of HUD's FHA Mortgage Limit for the area or the FHFA baseline conforming limit. FHA High Balance: High Balance loan amounts exceed the FHFA baseline conforming limit by at least \$1. The base loan amount cannot exceed HUD's FHA Mortgage Limit for the area. 		

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LTV Limitations	LTV Limitations	# of Units	LTV/CLTV	Minimum Credit Score	
	Purchase	1-4	96.50%	580*	
	Rate/Term Refinance	1-4	97.75%		
	Cash Out Refinance	1-4	80.00%		
*Loans with DTI of 50-55% require minimum 620 FICO					
Seasoning Requirement for Cash-out Refinances	In addition to requirements above, loans are eligible for cash-out refinance if and only if: <ul style="list-style-type: none">The Borrower has made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date AND <ul style="list-style-type: none">The first payment due date of the new loan will occur no earlier than 210 days after the first payment due date of the loan being refinanced				
Mortgage Insurance Premium	Upfront MIP for ALL: 1.75%				
	Annual MIP for Loan Amount Less than or equal to \$726,200				
	Greater than 15 year terms		15 year or less terms		
	LTV	Annual	LTV	Annual	
	> 95.00%	0.55%	N/A For ARMs	N/A For ARMs	
	<= 95.00%	0.50%	N/A For ARMs	N/A For ARMs	
	Annual MIP for loan amounts greater than \$726,200				
	Greater than 15 year terms		15 year or less terms		
	LTV	Annual	LTV	Annual	
	> 95.00%	0.75%	N/A For ARMs	N/A For ARMs	
	<= 95.00%	0.70%	N/A For ARMs	N/A For ARMs	
	<ul style="list-style-type: none">For all mortgages regardless of their amortization terms, any mortgage involving an original principal obligation (excluding financed Up-Front MIP (UFMIP)) less than or equal to 90 percent LTV, the annual MIP will be assessed until the end of the mortgage term or for the first 11 years of the mortgage term, whichever occurs first.For any mortgage involving an original principal obligation (excluding financed UFMIP) with an LTV greater than 90 percent, FHA will assess the annual MIP until the end of the mortgage term or for the first 30 years of the term, whichever occurs first.				
	Annual MIP is determined by multiplying the base loan amount by the appropriate Annual Premium factor				
	Since the Annual MIP is collected in monthly installments, divide the resulting number by 12 to obtain the monthly premium. This figure is included in the proposed monthly housing expense and qualifying ratios.				
	For Simple Refinance of previous Mortgage endorsed on or before May 31, 2009 UFMIP: 1(bps) (0.1%) All Mortgages				
	Annual MIP All Mortgage Terms				
	Base Loan Amount	LTV	MIP(bps)	Duration	
	All	≤ 90.00%	55	11 years	
		>90.00%	55	Mortgage Term	

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Subordinate Financing	<ul style="list-style-type: none"> • Secondary financing must meet HUD guidelines: Refer to HUD Handbook 4000.1 • Subordinate financing must not have negative amortization, no pre-payment penalties, no wrap around terms, no maturity or balloon of less than 10 years. • Payments must be fixed. • 2nd liens that have been modified may use the modified total loan amount to calculate the CLTV ratio and total loan amounts. An executed and recorded modification agreement must be supplied. • When subordinating an existing HELOC, the maximum accessible credit limit must be used for CLTV calculation. • For cash out refinances, subordinate financing may remain in place, but subordinate to the FHA insured first mortgage. The combined mortgage amount of the first mortgage and any subordinate liens cannot exceed the county limit and the maximum CLTV is 85% of the adjusted value.
Property Types	<p>Eligible Property Types</p> <ul style="list-style-type: none"> • 1-4 Unit Property (SFR) • PUDs • HUD Approved Condominiums (DELRAP and Single Unit approvals are not permitted) • Modular Homes <p>Ineligible Property Types</p> <ul style="list-style-type: none"> • Mobile Homes • Manufactured Homes • Co-op's • Condo Hotels • Timeshares • Working Farms and Ranches • Properties in C5 or C6 condition • Community Land Trust
Occupancy	<ul style="list-style-type: none"> • Primary Residences (Owner occupied)
Geographic Locations	<ul style="list-style-type: none"> • In Missouri, Arc Home may only fund fully delegated loans.
Assumptions	<ul style="list-style-type: none"> • NA
Escrow Waivers	<ul style="list-style-type: none"> • Taxes and Homeowners Insurance must be escrowed
Prepayment Penalty	<ul style="list-style-type: none"> • None
Underwriting	<ul style="list-style-type: none"> • AUS – Approve/Eligible or Accept/Eligible • Manual Underwrites are permitted per HUD guidelines • A fully executed 4506-C is required for all loans • 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

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	<ul style="list-style-type: none"> ○ Wholesale or Retail Sales • Verbal Verification of Employment is required for all Borrowers using salaried income to qualify and must be completed within 10 business days prior to the note date. Verbal Verification is required for all Borrowers using self-employed income to qualify and must be completed within 120 calendar days prior to the note date 			
Processing Styles	<ul style="list-style-type: none"> • Standard 			
Borrower Eligibility	<ul style="list-style-type: none"> • U.S. Citizens, Permanent and Non-Permanent Resident Aliens • Borrower must take title in individual names, no trusts, etc. allowed 			
Co-Borrower	<ul style="list-style-type: none"> • Non-occupying Co-Borrower is Permitted • Maximum LTV is 75% unless the non-occupying borrower is a Blood relative, then maximum financing is allowed. • Income from a non-occupant co-Borrower may not be used to qualify for a cash-out refinance. 			
Credit	<ul style="list-style-type: none"> • Tri Merged Credit Report meeting FICO requirements above and FHA requirements • Borrowers currently in a forbearance plan, or pending acceptance of a forbearance plan, are ineligible for a new transaction. This would include any refinance of the loan in forbearance, regardless of payment history, any refinance of other loans not in forbearance, and new purchase transactions. Borrowers will need to resolve the current or pending forbearance prior to completing a new transaction. This guidance is applicable to any borrower in any type of forbearance plan on a residential mortgage, regardless if the borrower has been making their payment during the forbearance. Any loan that enters forbearance or for which forbearance has been requested after closing but prior to delivery to Arc Home, is not eligible for purchase by Arc Home. 			
Assets	<ul style="list-style-type: none"> • As determined by AUS • Any cash-in-hand proceeds, to the Borrower, must be wired to a U.S. bank account 			
Limitations on Other R.E Owned	<ul style="list-style-type: none"> • Per HUD Guidelines 			
Appraiser Requirements	<ul style="list-style-type: none"> • Must be a state-licensed and HUD approved appraiser 			
Appraisal Requirements	<ul style="list-style-type: none"> • Full Residential FHA Appraisal Report required, property must meet HUD Minimum Property Requirements refer to HUD Handbook 4000.1 for required property documentation and guidelines 			
Special Requirements / Restrictions	<ul style="list-style-type: none"> • Escrow Holdbacks must be complete by loan purchase 			
Interest Adjustments for 3/1 ARM	Mortgage backed security issued on the first day of:	Shall have an initial interest adjustment at least 36 months, but no more than 42 months, after the first payment date on:	Shall have annual interest adjustments thereafter on:	Shall always have payment adjustments one month later than the interest adjustments, on:
	Dec, Jan., Feb.	April 1	April 1	May 1
	March April, May,	July 1	July 1	August 1
	June July, Aug.	October 1	October 1	November 1

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	Sept, Oct., Nov.	January 1	January 1	February 1
Interest Adjustments for 5/1 ARM	Mortgage backed security issued on the first day of:	Shall have an initial interest adjustment at least 60 months, but no more than 66 months, after the first payment date on:	Shall have annual interest adjustments thereafter on:	Shall always have payment adjustments one month later than the interest adjustments, on:
	Dec, Jan., Feb.	April 1	April 1	May 1
	March April, May,	July 1	July 1	August 1
	June July, Aug.	October 1	October 1	November 1
	Sept, Oct., Nov.	January 1	January 1	February 1
Internet Links	www.archomellc.com			