

Arc Home
Correspondent Fixed-Rate VA IRRRL
Non-Credit Qualifying - With FICO
Standard and High Balance

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|---------------------------------------|--|---------------------|---|--|
| Product Description | Product Name | | Allowable Amortization Terms | |
| | 15 Year Fixed Rate VA IRRRL - With FICO | | 10 to 15 years, increments of 12 months | |
| | 30 Year Fixed Rate VA IRRRL - With FICO | | 16 to 30 years, increments of 12 months | |
| | 15 Year Fixed Rate VA High Balance IRRRL - With FICO | | 10 to 15 years, increments of 12 months | |
| | 30 Year Fixed Rate VA High Balance IRRRL - With FICO | | 16 to 30 years, increments of 12 months | |
| Types of Financing | <ul style="list-style-type: none"> Rate and Term Refi of existing VA Mortgage | | | |
| Funding Fee | <ul style="list-style-type: none"> .50% | | | |
| VA High Balance Loans | <ul style="list-style-type: none"> For Standard VA loan amounts, the base loan amount cannot exceed the FHFA baseline conforming limit, not to exceed a loan amount of \$1,000,000. For VA High Balance loan amounts, the minimum base loan amount exceeds the FHFA conforming limit up to a maximum of \$1,000,000 loan amount if the borrower meets entitlement requirements. Minimum loan amount is \$50,000. | | | |
| General Seasoning Requirements | <p>For ALL loan amount and FICO combinations, the following seasoning requirements apply: The Note Date of the new loan must be:</p> <ol style="list-style-type: none"> 210 days after the First Payment Due Date of the Note being refinanced <p style="text-align: center;">AND</p> <ol style="list-style-type: none"> Six consecutive payments must have been made on the loan being refinanced. | | | |
| LTV/FICO/Payment History Requirements | Loan Amount | | Maximum LTV/CLTV¹ | |
| | Credit Score/Payment History Requirement | | | |
| | < \$500K | Minimum FICO of 600 | 120% | |
| \$500K - \$1M | Minimum FICO of 620 | 100% | | |
| | <p>¹ The loan's LTV & CLTV must be based on the valuation methods described in the Appraisal Requirements section of this guide. If discount points are used, appraisal requirements listed in Net Tangible Benefit Requirements section below, apply. LTV & CLTV cannot be based on the Borrower's own estimate of the property.</p> | | | |
| Recoup Requirements | <ul style="list-style-type: none"> For an IRRRL that results in a lower monthly principal and interest (PI) payment, the recoupment period of fees, closing costs, and expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37 (e.g., VA funding fee collected under 38 U.S.C. § 3729)), incurred by the Veteran, does not exceed 36 months from the date of the loan closing. For an IRRRL that results in the same or higher monthly PI payment, the Veteran has incurred no fees, closing costs, or expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37 (e.g., VA funding fee collected under 38 U.S.C. § 3729)). | | | |
| Net Tangible Benefit Requirements | <p>A Net Tangible Benefit to the Veteran must be realized that, at minimum, satisfies the following:</p> <ul style="list-style-type: none"> For refinance of a fixed rate loan to a new fixed rate loan, the new loan must have an interest rate that is at least 50 basis points (.50 in interest rate) less than the previous loan | | | |

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| | <ul style="list-style-type: none"> • For refinance of a fixed rate loan to an adjustable rate loan, the new loan must have an interest rate that is at least 200 basis points (2.00 less in interest rate) less than the previous loan • For Fixed to ARM refinances, discount points may be added to the principal loan amount of the refinancing loan only if one of the following circumstances exist: <ul style="list-style-type: none"> ○ The lower interest rate is not produced solely from discount points. In other words, the interest rate environment is such that some portion of the lower interest rate on the refinancing loan is the result of favorable changes in the market as compared to the Veteran’s current rate. ○ The lower interest rate is produced solely from discount points (i.e., the interest rate environment is such that a lower interest rate cannot be achieved without charging discount points); discount points equal to or less than one discount point are added to the loan amount, and; the resulting loan balance after any fees and expenses maintains a loan-to-value (LTV) ratio of 100 percent or less. ○ The lower interest rate is produced solely from discount points (i.e., the interest rate environment is such that a lower interest rate cannot be achieved without charging discount points); more than one discount point is added to the loan amount, and; the resulting loan balance after any fees and expenses maintains an LTV ratio of 90 percent or less. As a reminder, while the Veteran may pay any reasonable amount of discount points in cash, no more than two discount points can be included in the loan amount of an IRRRL. <p>The LTV requirements noted above must be verified by one of the following (depending on property type):</p> <ol style="list-style-type: none"> 1. Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055) 2. Uniform Residential Appraisal Report (Fannie Mae 1004) 3. Exterior-only Inspection Individual Condominium Appraisal Report (Fannie Mae 1075) 4. Individual Condominium Unit Appraisal Report (Fannie 1073) 5. Other industry accepted appraisal reports for manufactured homes and multi-unit homes <p>The cost of the appraisal must be included in the cost to recoup.</p> |
| Geographic Locations | <ul style="list-style-type: none"> • In Hawaii and Missouri, Arc Home may only fund fully delegated loans. |
| Assumptions | <ul style="list-style-type: none"> • N/A |
| Escrow Waivers | <ul style="list-style-type: none"> • Not permitted |
| Prepayment Penalty | <ul style="list-style-type: none"> • None |
| Underwriting | <ul style="list-style-type: none"> • VA’s IRRRL Non-Credit Qualifying program with a FICO • Manually Underwritten • Loans should not be submitted to an AUS • Loan must meet Safe Harbor QM requirements as noted within VA circular 26-16-03 (see VA circular 26-16-03 for full details) |

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| | <ul style="list-style-type: none"> • Unless noted otherwise in this matrix, VA Pamphlet 26-7, Revised Chapter 6: <i>Refinancing Loans</i> applies • 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 ○ Wholesale or Retail Sales | | | | | | | | | | | | | | | | | | |
|----------------------------------|--|----------------------------------|--------------------------------------|--------------------|-------------------|------------------------|-----|--------------------|------------------------|-----|--------------------|------------------------------|-----|---------------|---|-----|--------------------|-----------------------------|-----|
| Borrower Eligibility | <ul style="list-style-type: none"> • Generally, the parties obligated on the original VA loan must be the same parties on the new loan and the veteran must still own the property. • The veteran or the spouse of an active service member must certify that he or she previously occupied the property as his or her home. • ITIN (Individual Tax Payer Identification Numbers) are not allowed • Maximum of four borrowers allowed per loan • If a borrower is being removed (when allowed by VA, usually due to death or divorce, see section below), the underwriter must certify that the lower payment and interest rate, and the minimum 25 percent guaranty compensate for no re-underwriting on the new loan. • Co-signers are not allowed, anyone who signs the Note must be on all documents and take title on the loan • Fractional title is not allowed, owners must have equal ownership • Only eligible borrowers who sign the Note may take title to the property at closing. The only exception is the veteran's legal spouse. • Life estates are not eligible for financing. A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death the right reverts to the grantor or his heirs • Registered Domestic Partners are not recognized by VA. • The borrower must permanently reside in the United States. Adequate documentation must be provided to substantiate such residency in the U.S. • Adding or removing borrowers on the loan is allowed as acceptable to VA. Underwriter discretion for the new transaction should be used when removing a borrower to ensure the remaining borrower has been able to handle the payments successfully. • VA indicates that generally, the parties obligated on the original loan must be the same on the new loan (and the veteran must still own the property). VA can advise via the local RLC regarding a proposed IRRRL involving a change in obligors unless the acceptability of the IRRRL is clear. The following scenarios addressed by VA: <table border="1" data-bbox="451 1692 1546 1877"> <thead> <tr style="background-color: #f00000; color: white;"> <th>Parties Obligated on Old VA Loan</th> <th>Parties to be Obligated on new IRRRL</th> <th>Is IRRRL Possible?</th> </tr> </thead> <tbody> <tr> <td>Unmarried veteran</td> <td>Veteran and new spouse</td> <td>Yes</td> </tr> <tr> <td>Veteran and spouse</td> <td>Divorced veteran alone</td> <td>Yes</td> </tr> <tr> <td>Veteran and spouse</td> <td>Veteran and different spouse</td> <td>Yes</td> </tr> <tr> <td>Veteran alone</td> <td>Different veteran who has substituted entitlement</td> <td>Yes</td> </tr> <tr> <td>Veteran and spouse</td> <td>Spouse alone (veteran died)</td> <td>Yes</td> </tr> </tbody> </table> | Parties Obligated on Old VA Loan | Parties to be Obligated on new IRRRL | Is IRRRL Possible? | Unmarried veteran | Veteran and new spouse | Yes | Veteran and spouse | Divorced veteran alone | Yes | Veteran and spouse | Veteran and different spouse | Yes | Veteran alone | Different veteran who has substituted entitlement | Yes | Veteran and spouse | Spouse alone (veteran died) | Yes |
| Parties Obligated on Old VA Loan | Parties to be Obligated on new IRRRL | Is IRRRL Possible? | | | | | | | | | | | | | | | | | |
| Unmarried veteran | Veteran and new spouse | Yes | | | | | | | | | | | | | | | | | |
| Veteran and spouse | Divorced veteran alone | Yes | | | | | | | | | | | | | | | | | |
| Veteran and spouse | Veteran and different spouse | Yes | | | | | | | | | | | | | | | | | |
| Veteran alone | Different veteran who has substituted entitlement | Yes | | | | | | | | | | | | | | | | | |
| Veteran and spouse | Spouse alone (veteran died) | Yes | | | | | | | | | | | | | | | | | |



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|--|---|--|-----------------------|-----|--------------------------------------|-----------------------|----|-------------------|-----------------------------|----|--------------------|---------------------------------------|----|--|------------------|----|
| Veteran and nonveteran joint loan obligors | Veteran alone | Yes | | | | | | | | | | | | | | |
| Veteran and spouse | Divorced spouse alone | No | | | | | | | | | | | | | | |
| Unmarried veteran | Spouse alone (veteran died) | No | | | | | | | | | | | | | | |
| Veteran and spouse | Different spouse alone (veteran died) | No | | | | | | | | | | | | | | |
| Veteran and nonveteran joint loan obligors | Nonveteran alone | No | | | | | | | | | | | | | | |
| Property Types | <p>Eligible Property Types</p> <ul style="list-style-type: none"> • Single Family Residence • 1-4 Units • PUDs • Condos • Manufactured Homes <p>Ineligible Property Types</p> <ul style="list-style-type: none"> • Co-Op's • Condo Hotels • Timeshares • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) unless the lien will subordinate (via a subordination agreement where the lien is no longer part of the property taxes that can take first lien priority) and meets all Agency requirements • Community Land Trust | | | | | | | | | | | | | | | |
| Co-Borrower | <ul style="list-style-type: none"> • Non-occupying co-borrowers / co-signers are not allowed | | | | | | | | | | | | | | | |
| Employment / Income | <ul style="list-style-type: none"> • No income documentation required as long as the Dodd-Frank Act conditions are met. Refer to VA Circular 26-16-03 Exhibit A. | | | | | | | | | | | | | | | |
| Credit Requirements | <ul style="list-style-type: none"> • See LTV/FICO/Payment History Requirements section above. • The monthly payment (P & I) must not increase 20 percent or more. | | | | | | | | | | | | | | | |
| Mortgage History | <ul style="list-style-type: none"> • The loan being refinanced must be current and meet any pay history requirements in the LTV/FICO/Payment History Requirements section above. • 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 | N/A | | | | | | | | | | | | | | | |
| Limitations of Other R.E. Owned | N/A | | | | | | | | | | | | | | | |
| Appraisal Requirements | <ul style="list-style-type: none"> • If Loan Amount < \$500K, an AVM is required to support value. If the loan amount exceeds 110% of the AVM, the Appraisal Requirement grid below applies. • If Loan amount ≥ \$500K, the Appraisal Requirement grid below applies. <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">Units</th> <th style="text-align: center;">Appraisal Requirement</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">conventional 2055 exterior appraisal</td> </tr> </tbody> </table> | Units | Appraisal Requirement | 1 | conventional 2055 exterior appraisal | | | | | | | | | | | |
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| | 2-4 | 1025 appraisal | |
| Escrow Waivers | <ul style="list-style-type: none"> Taxes and Homeowners Insurance must be escrowed | | |
| Cash Back | <ul style="list-style-type: none"> No cash back to the borrower is permitted. Minor adjustments at closing not to exceed \$500.00 cash back is eligible. | | |
| Internet Links | www.archomellc.com | | |