



# Delegated Correspondent Announcement

## Delegated Pre-Payment Penalty Restrictions Update

Arc Home has updated the state-specific pre-payment penalty restrictions for **Access** loans in the **Delegated** Correspondent channel registered on or after **May 27, 2026**.

Access		
Topic	Previous Guideline	New Guideline
<u>Prepayment Penalties</u>	<p>For Correspondent loans:</p> <ul style="list-style-type: none"> <li>Arc Home does not allow a prepayment penalty to be charged: Alaska, Illinois, Kansas, Michigan, Minnesota, New Mexico, Ohio, and Rhode Island. North Dakota is not allowed on the Foreign National or Edge products.</li> </ul>	<p>For Correspondent <b>Non-Delegated</b> loans:</p> <ul style="list-style-type: none"> <li>Arc Home does not allow a prepayment penalty to be charged: Alaska, Illinois, Kansas, Michigan, Minnesota, New Mexico, Ohio, and Rhode Island. North Dakota is not allowed on the Foreign National or Edge products.</li> </ul> <p>For Delegated loans</p> <ul style="list-style-type: none"> <li>Arc Home does not allow a prepayment penalty in Alaska and New Mexico. In Illinois, Kansas, Michigan, Minnesota, North Dakota, Ohio and Rhode Island, prepayment penalties are not allowed on Foreign National or Edge products.</li> </ul>

These changes can be found in Exhibit F of the [Correspondent Seller's Guide](#) and are also highlighted in the [Arc Home Underwriting Guide](#).

### Correspondent Seller's Guide

Refer to Exhibit F (pages 221-222) of the [Correspondent Seller's Guide](#) for the updated Delegated Correspondent pre-payment penalty (PPP) state restrictions outlined below.

States	Delegated Correspondent Restrictions	Product Eligibility
AK, NM	Prohibited under all circumstances	n/a
DC	Within 3 years from consummation, no prepayment charge or penalty is permitted which exceeds an amount equal to 2 months advance interest on the aggregate amount of all prepayments in excess of 1/3 of the amount of the original loan or financial transaction made in any 12-month period. See DC Code § 28- 3301(f)(1).	Edge Access
IL	Permitted if the interest rate is 8% or less. If the interest rate on the loans exceeds 8% per year, prepayment penalty is prohibited.	Access
KS	Business-purpose loans may only contain a prepayment penalty where prepayment is made six (6) months or less after the execution of the promissory note. No prepayment penalty may be charged where prepayment is made more than six (6) months after execution of the promissory note. The foregoing restrictions do not apply if (i) the loan is made subject to the uniform consumer credit code, or (ii) the loan is a high loan-to-value first mortgage loan subject to any provisions of the uniform consumer credit code.	Access
MI	1% of the amount of any prepayment made within 3 years of the date of the loan.	Access
MN	Within 3.5 years (42 months of loan), or upon sale of property, prepayment permissible at lesser of 2% of unpaid principal balance at time of prepayment, or 60 days' interest, on unpaid principal balance, at rate in effect on mortgage at time of prepayment. May not be assessed/collected on partial prepayments.	Access
MS	Only declining prepayment penalty structures are allowed in MS. Max limits: (i) 5% of the unpaid principal balance if prepaid during the first year; (ii) 4% during the second year; (iii) 3% during the third year; (iv) 2% during the fourth year; (v) 1% during the fifth year; (vi) No penalty if prepaid more than 5 years from the date of the note creating the debt.	Edge Access
NC	Only permitted if loan size is => \$100,000	Edge Access
ND	5 Year Maximum (1,2,3, 4 or 5 year PPP term are all eligible for DSCR)	Access
NJ	Only permitted on DSCR loans when closing in the name of a Corporation or S-Corp, subject to the applicable entity vesting requirements. The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period.	Edge Access
OH	Within 5 years from the execution date of the mortgage, a prepayment penalty of not more than 1% of the original principal amount of the mortgage may be charged on first-lien loans greater than \$116,356 (2026) (amount effective as of January 1, and subject to adjustment every year). Historical: \$112,957 (2025); \$110,223 (2024). No prepayment penalty may be charged after 5 years from the execution date of the mortgage.	Access
PA	Prepayment penalties for business purpose loans secured by one and two-unit properties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For calendar year 2022 the amount is \$301,022, calendar year 2024 \$312,159 and calendar year 2025 \$319,777 subject to change annually effective January 1 <sup>st</sup> . For business purpose loans secured by three and four-unit properties, a prepayment penalty is permitted regardless of loan amount.	Edge Access
RI	For purchase money loans, during the first year after consummation, the lender may charge a prepayment penalty that does not exceed 2% of the balance due on the date of payoff; no prepayment penalty may be charged after the first year from the date of consummation for purchase money loans. For non-purchase money loans, a lender may charge a prepayment penalty of any amount (i.e., not subject to the 2% limitation for purchase money loans) if: (i) the terms, conditions, and amount of the prepayment penalty or other similar charges are prominently and conspicuously disclosed in writing to the borrower; (ii) the borrower agrees and consents to be bound by these terms and conditions; (iii) there is no prepayment penalty imposed for any payment occurring more than 60 months after the date of the loan; and (iv) the lender offers another mortgage product that complies with the limitations set forth in § 34-23-5(a) and all applicable federal regulations.	Access
VA	Only permitted if loan size is => \$75,000	Edge Access

## [Arc Underwriting Guide](#)

The updated Delegated PPP state restrictions are also highlighted in section 2.3 of the [Arc Home Underwriting Guide](#) and are summarized below:

**For Correspondent loans:** Refer to [Exhibit F in the Correspondent's Seller's Guide](#) for prepayment structures that are acceptable.

- For Non-Delegated loans, Arc Home does not allow a prepayment penalty to be charged in Alaska, Illinois, Kansas, Michigan, Minnesota, New Mexico, Ohio, and Rhode Island. North Dakota is not allowed on the Foreign National or Edge products.
- For Delegated loans, Arc Home does not allow a prepayment penalty in Alaska and New Mexico. In Illinois, Kansas, Michigan, Minnesota, North Dakota, Ohio and Rhode Island, prepayment penalties are not allowed on Foreign National or Edge products.

### **Please Note:**

These PPP restriction updates apply **only** to the Delegated Correspondent channel and do **not** apply to the Non-Delegated or Wholesale channels at this time.

**We appreciate your business!**