Fannie Mae HomeReady
Conforming & High Balance Fixed Rate and ARM

LTV Matrix
Fixed Rate and ARM

Occupancy	Purpose	Maximum Loan Amount	Units	Maximum LTV/(H)CLTV	Minimum FICO	Maximum DTI
Primary Residence	Purchase and Rate/Term	High Balance	1	95%/105%[1]	Per DU	Max 45%
			2	85%/105%[1]		
			3-4	75%/105%[1]		
		Conforming	1	Fixed: 97%[2]/105%[1] ARM: 95%//105%[1]		
			2-4	95%/105%[1]		

LTV Matrix Footnotes

1. CLTV up to 105% with eligible Community Second (refer to Fannie Mae Lending Guide Section B5-6-01 and FNMA Eligibility Matrix for details)
2. For Transactions above 95% LTV:
   - Not permitted for High Balance or ARM loans
   - Refinances – Fannie Mae must own the existing mortgage

Product Details

Appraisal Requirements	• As determined by DU, including: Full Appraisal, Value Acceptance + PDR and Value Acceptance • Appraisals must be UAD Compliant • For SSR and appraisal review requirements, refer to Arc Home's Appraisal Valuation Requirements. • Transferred appraisals are allowed. Refer to Arc Home's Transferred Appraisal Policy.
Appraiser Requirements	• Valid state license • Cannot be on the Freddie Mac Exclusionary List
ARM Parameters	**Index:** 30-day average of the Secured Overnight Financing Rate (SOFR) Index as published by the Federal Reserve Bank of New York **Margin:** 2.75% **Caps:** 5 yr/6 mos – 2/1/5 7 yr/6 mos – 5/1/5 **Interest Rate Adjustment:** The interest rate is fixed for the initial period and adjusts on a semi-annual basis thereafter using the Index value effective 45 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. **Assumability:** May be assumable after the initial fixed rate period
Assets	• As determined by DU • 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. • Refer to Fannie Mae Section B5-6-02, HomeReady Mortgage Underwriting Methods and Requirements • Sweat Equity and Cash on Hand are not permitted
Borrower Eligibility	• A Social Security number is required for all Borrowers. • All non permanent resident aliens must have an unexpired VISA and employment authorization. • For all other requirements, refer to Fannie Mae Guide section B5-6-01, HomeReady Mortgage Loan and Borrower Eligibility

Credit	• A tri-merged in file credit report from all three repositories is required. The credit report must include trended credit data. • Min FICO as determined by DU • All borrowers must have a FICO • Non-Traditional Credit not permitted • Acceptable credit determined by DU
Escrow Holdbacks	• In Wholesale, approval is required for all repair escrows and eligibility is subject to Arc Home discretion. • In Correspondent, escrow holdbacks must be closed prior to purchase.
Escrow Waivers	• Not permitted on loans with LTV's over 80% • In California, not permitted with LTV's over 90%
Homeownership Education	Homeownership education is required for Purchase Transactions; refer to Fannie Mae Guide Section B2-2-06 Homeownership Education and Housing Counseling
HPML/HPCT	• HPML loans are eligible. • Loans must be originated to meet definition of a Safe Harbor or Rebuttable Presumption Mortgage Loan under the Qualified Mortgage Rule.

Income	• As determined by DU
	• Borrower(s) must meet area median income (AMI) requirements on Fannie Mae's website
	• Refer to Fannie Mae Guide Section B5-6-02, HomeReady Mortgage Underwriting Methods and Requirements
	• 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.
	• 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.
	• Federal law restricts marijuana related activities and therefore the income and assets from these sources are not allowed for qualifying. Related activities include:
	  ○ Possession of cannabis or cannabis seeds
	  ○ Processing
	  ○ Growing
	  ○ Harvesting/Cultivation
	  ○ Testing
	  ○ Packaging/Delivery
	  ○ Wholesale or Retail sales

Limitations on Other R.E Owned	Follow Fannie Mae Selling Guide Chapter B2-2-03
Maximum Loan Amount	Maximum loan limits vary by county. The base loan amount cannot exceed the FHFA baseline county loan limit.
Mortgage Insurance	• Standard mortgage insurance coverage is required, follow Desktop Underwriter recommendation. • In New York, for purposes of determining terms of mortgage insurance, Lenders are required to rely solely on the appraised value of the property. • Borrower Paid MI permitted • Lender Paid MI permitted • MI Providers – Refer to Arc Home website for approved providers • Minimum Mortgage Insurance with LLPAs (Reduced MI) is not allowed.
Occupancy	Primary Residence
Prepayment Penalty	Not allowed

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<table>
<tr><td>Property Types</td><td>Eligible Property Types
1-4 Unit Single Family Residences (SFR)
PUDs
Fannie Mae warrantable condominiums
Ineligible Property Types
Manufactured Homes
Co-op’s
Condo Hotels
Timeshares
Community Land Trusts
Properties in C5 or C6 condition</td></tr>
<tr><td>Qualifying Rate</td><td>Fixed Rate & 7/6 mos ARM - Qualify at Note Rate
5/6 mos ARM – Greater of Note Rate + 2.00% or the fully indexed rate</td></tr>
<tr><td>Ratios</td><td>Max DTI as determined by DU and MI Partner’s overlay, not to exceed 45%</td></tr>
<tr><td>Reserves</td><td>As determined by DU</td></tr>
<tr><td>Special Feature Codes</td><td>Special Feature Code 900 must be delivered for all HomeReady mortgage loans.
In addition, one or more of the following special feature codes may also be required for HomeReady mortgages:
loans with a Community Seconds —118,
loans with financed mortgage insurance — 281 and
loans where at least one Borrower completed pre-purchase housing counseling and homeownership education - 184</td></tr>
<tr><td>Tax Transcripts</td><td>A fully executed 4506-C is required on all loans.
IRS Tax or W-2 Transcripts are required prior to closing:
When there is a relationship between the employer and borrower; and
At the underwriter’s discretion if needed to address red flags and
When the most recent tax returns have not been filed.
Refer to Arc Home’s Tax Transcript Policy</td></tr>
<tr><td>Temporary Buydowns</td><td>Not allowed</td></tr>
<tr><td>Transaction Types</td><td>Purchase
Rate and Term Refi
NY Consolidation, Extension & Modification Agreement (CEMA) loans are permitted for Fully Delegated Lenders and Wholesale originators only</td></tr>
<tr><td>Underwriting</td><td>Desktop Underwriter (DU) with risk classification of Approve/Eligible is required. DU must confirm loan is being scored as HomeReady.
Manual Underwrites are not permitted</td></tr>
<tr><td>Product Description and Terms</td><td><table>
<tr><th>Product Name</th><th>Amortization Terms</th></tr>
<tr><td>30 Year Fixed Rate FNMA HomeReady</td><td>21-30 Years</td></tr>
<tr><td>20 Year Fixed Rate FNMA HomeReady</td><td>16-20 Years</td></tr>
<tr><td>15 Year Fixed Rate FNMA HomeReady</td><td>11-15 Years</td></tr>
<tr><td>10 Year Fixed Rate FNMA HomeReady</td><td>10 Years</td></tr>
<tr><td>30 Year Fixed Rate FNMA HomeReady High Balance</td><td>16-30 Years</td></tr>
<tr><td>15 Year Fixed Rate FNMA HomeReady High Balance</td><td>10-15 Years</td></tr>
<tr><td>5yr/6mos SOFR ARM FNMA HomeReady</td><td>30 Years</td></tr>
<tr><td>7yr/6mos SOFR ARM FNMA HomeReady</td><td>30 Years</td></tr>
<tr><td>5yr/6mos SOFR ARM FNMA HomeReady High Balance</td><td>30 Years</td></tr>
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	7yr/6mos SOFR ARM FNMA HomeReady High Balance	30 Years
Internet Links	www.archomellc.com	