

Arc Access Non-QM & Arc Elite QM Update Summary

This summary provides a side-by-side comparison of the recent Access and Elite guideline revisions, which are effective as noted below. This is intended to highlight the updates only – refer to the Arc Selling Guide and applicable product matrices for the complete Arc Access Non-QM and Arc Elite QM guidelines. **Important Note:** The most recent updates supersede any changes previously announced.

**** Effective for loans REGISTERED on or after July 17, 2023 ****

Guideline Updates – Arc Access & Arc Elite

Arc Access & Arc Elite – ALL Programs		
Topic	Previous Guideline	New Guideline – 07/17/23
Minimum Loan Amount	\$100,000	\$125,000

**** Effective July 17, 2023 for ALL loans ****

Guideline Updates – Arc Access & Arc Elite

Arc Access & Arc Elite – ALL Programs		
Topic	Previous Guideline	New Guideline – 07/17/23
Property and Title Insurance	All hazard insurance (homeowner’s insurance) and title policies must meet Fannie Mae guidelines . The Title Commitment and Closing Protection Letter must be dated within 60 days prior to Note Date.	All hazard insurance (homeowner’s insurance) and title policies must meet Fannie Mae guidelines . The Hazard Insurance , Title Commitment and Closing Protection Letter must be dated within 60 days prior to Note Date.
CEMA Transactions	Allowed on refinance transactions. A lost note affidavit is not acceptable.	Allowed on refinance transactions. Paying off a privately held CEMA is not allowed. A lost note affidavit is not acceptable.
Warrantable Condominiums	Full Review: B4-2.2-02, Full Review Process <ul style="list-style-type: none"> Condo Project Manager (CPM) may be used. Project Eligibility Review Service (PERS) may be used for eligible condominium projects as outlined in the Fannie Mae guidelines. 	Full Review: B4-2.2-02, Full Review Process <ul style="list-style-type: none"> Condo Project Manager (CPM) is required. On Non-Delegated Correspondent loans, Arc Home will perform a full review. For Delegated Correspondent loans, the Correspondent may provide a Project Eligibility Review Service (PERS) approval for eligible condominium projects as outlined in the Fannie Mae guidelines.
Appraisal Requirements	Silent regarding subsequent transactions	A new appraisal must be ordered for each origination. Using the same appraisal from a previous origination for a subsequent transaction is not allowed.

Arc Access & Arc Elite – ALL Programs

Topic	Previous Guideline	New Guideline – 07/17/23
Mortgage / Rental History	Minimum 12 months of housing payment history required for the current/primary residence and all financed properties.	Minimum full 12 months of housing payment history required for the current/primary residence. 12 months of payment history is also required for all financed properties if the loan is seasoned 12 months.
Private VOM/VOR	If a private party VOM/VOR is received, a copy of the fully executed mortgage note and proof of electronic transfer such as 12 months cancelled checks, bank statements, or pay histories (Zelle, Venmo, etc.) that clearly document the payment history for the most recent 12 months. Cash receipts for up to 2 months are allowed.	If a private party VOM/VOR is received, a copy of the fully executed mortgage note/ lease agreement and proof of electronic transfer such as 12 months cancelled checks, bank statements, or pay histories (Zelle, Venmo, etc.) that clearly document the payment history for the most recent 12 months. Cash receipts for up to 2 months are allowed.
Living Rent Free	Rental history may be waived if Borrower is living rent free. A “Rent-Free” letter from the owner or leaseholder of Borrower’s current residence, verifying Borrower is living rent-free, will be required. Evidence of obligation or copy of lease in provider’s name will be required. If Borrower is listed on the lease or note, a payment history will be required.	Rental history may be waived if Borrower is living rent free. A “Rent-Free” letter from the owner or leaseholder of Borrower’s current residence, verifying Borrower is living rent-free, will be required. Review property records to verify that the borrower is not obligated on the note.
Tax Transcripts	IRS or third-party tax transcripts must be obtained. W-2 transcripts may be used in lieu of 1040 tax transcripts for wage earners	IRS or third-party tax transcripts must be obtained for any income types that require tax returns. Transcripts are not required for wage earners.
CPA Verification	If a letter or P&L is provided by a CPA, their license must be verified	If a letter or P&L is provided by a CPA, their license must be verified. Their license can be verified with either a copy of their license or an online verification.

Guideline Updates – Arc Access ONLY

Arc Access – ALL Programs		
Topic	Previous Guideline	New Guideline – 07/17/23
Representative Credit Score	The Representative Credit Score is the credit score of the primary income earner (>50% of the qualifying income).	Each Borrower must have a minimum of two FICO scores and meet the credit score requirements in the LTV matrix individually. The Representative Credit Score is the credit score of the primary income earner (>50% of the qualifying income) and will be used for pricing. Each income source used to qualify the borrower must be documented and the income must be calculated correctly. Income may not be manipulated and/or reduced to meet eligibility or pricing requirements.
Non-Warrantable Condominiums	<u>Single Entity Ownership</u> : A single entity (same individual, investor, group, partnership, corporation, HOA rented units) can own up to 25% of the units in projects of 25 units or more. (Warrantable limit: 20% for projects with 21 or more units)	<u>Single Entity Ownership</u> : A single entity (same individual, investor, group, partnership, corporation, HOA rented units) can own up to 30% of the units in projects of 21 units or more or 4 units in projects of 20 units or less. (Warrantable limit: 20% for projects with 21 or more units)



Arc Access – ALL Programs

Topic	Previous Guideline	New Guideline – 07/17/23
	<p><u>Presale Requirement</u>: New Projects that meet a 30% presale requirement are allowed for primary or second home. (Warrantable limit: 50%)</p>	<p><u>Presale Requirement</u>: At least 30% of the total units in the project or subject legal phase must be conveyed or under contract for sale, regardless of occupancy type. (Warrantable limit: 50%)</p> <p><u>HOA Delinquencies</u>: Maximum 20% of total units are 60 days or more past due. (Warrantable limit: 15%)</p> <p><u>Mandatory Memberships/Recreational Leases</u>: A condo with mandatory memberships/recreational leases (such as golf memberships, beach clubs and dining memberships are eligible. Membership fees must be included in the DTI, must not affect the marketability, and a minimum of 2 or more similar sales comps are required.</p>
Ineligible Projects	<p>In addition to Fannie Mae’s Ineligible Projects, the following are not allowed:</p> <ul style="list-style-type: none"> • A project subject to the rules and regulations of the U.S. Securities Exchange Commission. • New Condo conversion completed less than 2 years. • Manufactured home projects • Project units sold with excessive Originator contributions that may affect the value of the subject property. • Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association 	<p>In addition to Fannie Mae’s Ineligible Projects, the following are not allowed:</p> <ul style="list-style-type: none"> • A project subject to the rules and regulations of the U.S. Securities Exchange Commission. • New Condo conversion completed less than 2 years. • Manufactured home projects • Project units sold with excessive Originator contributions that may affect the value of the subject property. • Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association • Projects with units used for ‘live-work” • Projects that restrict the owner’s ability to occupy the unit • Projects with mandatory rental pooling agreements that require unit owners to either rent their units or give a management firm control over unit occupancy • Common interest apartments without a governing HOA • Timeshare or segmented ownership projects or lockout units • Continuing Care Retirement Communities or Life Care Facilities • Multi-unit dwelling condos that permit an owner to hold title to more than one dwelling unit, with ownership of all of his or her owned units evidenced by a single deed and financed by a single mortgage



Arc Access – DSCR

Topic	Previous Guideline	New Guideline – 07/17/23
DSCR Short-Term Rental Income Documentation	For purchase transactions: <ul style="list-style-type: none"> • Short-Term Rental Income (such as AirBNB/VRBO income) is allowed with the following parameters: <ul style="list-style-type: none"> ○ Use the nightly, weekly, monthly, or seasonal market rent from the Comparable Rent Schedule Form 1007 or 1025 (as available per market) ○ Subject property must in an area that is common for short term rentals ○ 1.50 DSCR required ○ First time investor NOT allowed 	For purchase transactions: <ul style="list-style-type: none"> • Short-Term Rental Income (such as AirBNB/VRBO income) is allowed with the following parameters: <ul style="list-style-type: none"> ○ Use the nightly, weekly, monthly, or seasonal market rent from the Comparable Rent Schedule Form 1007 or 1025 (as available per market) OR an AIRDNA report provided by the Broker or Correspondent. ○ Subject property must in an area that is common for short term rentals ○ 1.50 DSCR required ○ First time investor NOT allowed

Guideline Updates – Arc Elite ONLY

Arc Elite – ALL Programs

Topic	Previous Guideline	New Guideline – 07/17/23
Representative Credit Score	Each Borrower must have a minimum of two FICO scores. The Representative Credit Score is the lowest mid score of both borrowers and is determined by DU.	Each Borrower must have a minimum of two FICO scores and meet the credit score requirements in the LTV matrix individually. The Representative Credit Score is the lowest mid score of both borrowers, is determined by DU, and will be used for pricing.

**** Effective June 12, 2023 for ALL loans ****

Guideline Updates – Arc Access & Arc Elite

Arc Access & Arc Elite – ALL Programs

Topic	Previous Guideline	New Guideline – 06/12/23
Citizenship	Eligible without guideline restrictions as it relates to citizenship. All U.S. citizens must have a valid, verifiable, legal address within the United States.	Eligible without guideline restrictions as it relates to citizenship. All U.S. citizens must have a valid, verifiable, legal primary residence address within the United States.
Power of Attorney – Cash-Out Refinance	Silent – defer to Fannie Mae	Use of a Power of Attorney is NOT allowed.
Rapid Acquisition	A single borrower must not have acquired more than five (5) properties (including the subject property) in the 12 months prior to the Note Date.	A single borrower must not have acquired and currently be financing more than five (5) properties (including the subject property) in the 12 months prior to the Note Date. Vacant land is not included in the total count.



Arc Access & Arc Elite – ALL Programs

Topic	Previous Guideline	New Guideline – 06/12/23
Marijuana Related Business (MRB) – Assets and Income	<p>Federal law restricts marijuana related activities and therefore Assets and Income from these sources are not permitted. Related activities include:</p> <ul style="list-style-type: none"> • Possession of cannabis or cannabis seeds • Processing • Growing • Harvesting/Cultivation • Testing • Packaging/Delivery • Wholesale or Retail sales 	<p>Federal law restricts marijuana related activities and therefore Assets and Income from these sources are not permitted. Related activities include:</p> <ul style="list-style-type: none"> • Possession of cannabis or cannabis seeds • Processing • Growing • Harvesting/Cultivation • Testing • Packaging/Delivery • Wholesale or Retail sales, including the sale of marijuana related paraphernalia and other herbal products (such as kratom)
Reverse 1031 Exchange	Silent	Reverse 1031 exchange is an Ineligible Asset.
Interested Third-Party Contributions (IPCs)	<p>The cost of any contributions that are in the form of personal property (such as furniture, decorator items, automobiles, club memberships, or other “giveaways”) always must be deducted from the sales price of the property. The maximum LTV ratio (or CLTV) must then be calculated based on the lesser of the reduced sales price or the appraised value.</p>	<p>The cost of any contributions that are in the form of personal property (such as furniture, decorator items, automobiles, club memberships, or other “giveaways”) always must be deducted from the sales price of the property. The maximum LTV ratio (or CLTV) must then be calculated based on the lesser of the reduced sales price or the appraised value. Any personal property mentioned in the purchase contract with no value is allowed; however, the appraiser must confirm that the appraised value is based on the property only.</p>

