

VA - Standard and High Balance Fixed and ARM

Standard and High Balance Fixed Rate LTV Matrix						
Occupancy	Purpose	Maximum Loan Amount	Units	Maximum LTV/(H)CLTV ¹	Minimum FICO ^{2,3}	Maximum DTI ³
Primary Residence	Purchase	High Balance	1-4	100%	600	Per AUS
	Cash out Refinance	High Balance	1-4	90%		
LTV Matrix Footnotes						
1. Max LTV/CLTV may be exceeded when financing the Funding Fee, however max loan amount may NOT be exceeded. 2. Loan amounts equal to or greater than \$700k require minimum FICO of 660. 3. All loans with DTI > 50% require minimum FICO of 620, unless higher is required per above.						

Standard and High Balance ARM LTV Matrix						
Occupancy	Purpose	Maximum Loan Amount	Units	Maximum LTV/(H)CLTV ¹	Minimum FICO ^{2,3}	Maximum DTI ³
Primary Residence	Purchase	\$1,000,000	1-4	100%	3/1 ARM: 660 5/1 ARM: 640	55%
		\$1,000,000	1-4	90%	3/1 ARM: 640 5/1 ARM: 600	
		\$1,000,000	1-4	75%	3/1 ARM: 600 5/1 ARM: 600	
		Standard	1-4	100%	3/1 ARM: 640 5/1 ARM: 640	
		Standard	1-4	90%	3/1 ARM: 600 5/1 ARM: 600	
	Cash out Refinance	\$1,000,000	1-4	90%	3/1 ARM: 660 5/1 ARM: 640	
		Standard	1-4	90%	3/1 ARM: 600 5/1 ARM: 600	
LTV Matrix Footnotes						
1. Max LTV/CLTV may be exceeded when financing the Funding Fee, however max loan amount may NOT be exceeded. 2. Loan amounts equal to or greater than \$700k require minimum FICO of 660. 3. All loans with DTI > 50% require minimum FICO of 620, unless higher is required per above.						

Product Details	
Appraisal Requirements	• VA appraisals must include an interior and exterior inspection of the subject property and must provide photographs of the following rooms and/or property conditions: ○ Exterior photos ○ Kitchen ○ All bathrooms ○ Main living area ○ All physical deterioration, if applicable ○ Examples of recent updates, such as restoration, remodeling and renovation, if applicable • VA requires that appraisers must include Fannie Mae Form 1004MC, Market Conditions Addendum, in all VA appraisal reports. • Notice of Value (NOV) is valid for six (6) months. • NOV cannot be reused from a previous closed transaction.

VA - Standard and High Balance Fixed and ARM

	- Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period. - Staff Appraisal Reviewers (SARs) may not issue a Notice of Value (NOV) that is different from the appraiser's estimate of value. - Appraisals must be ordered through The Appraisal System (TAS). - TAS will assign a case number, an appraiser, and a completed VA Form 26-1805-1 (VA Request for Determination of Reasonable Value). - No new Appraisal can be requested on a property which already has a valid VA value determination (No duplicate appraisals) - Arc Home Loans reserves the right to require additional appraisal reviews/reports at the underwriter's discretion. Second Appraisals: - If a second appraisal is required, it must be completed by an Arc Home approved Appraisal Company. - The veteran may NOT pay for a 2nd appraisal or review appraisal unless the 2nd/review appraisal was requested by the veteran.	
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	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.
Assets	- Per VA Guidelines - Any cash-in-hand proceeds, to the Borrower, from any cash-out refinance transaction must be wired to a U.S. bank account - Principal Reductions are permitted to a maximum of 1% of the loan amount if a lender credit exceeds actual closing costs and/or prepaids as a result of lender paid closing costs. If the excess is greater than 1%, the interest rate must be reduced to lower the lender contribution. Lender contribution cannot be used for Borrower's minimum required investment.	
Assumptions	NA	
Borrower Eligibility	- A veteran who has served on active duty in the Army, Navy, Air Force, Marines, or Coast Guard, and who (except for a service member on active duty) was discharged or released from active duty under conditions other than dishonorable. - The following eligibility criteria apply: - The minimum service required during wartime periods is 90 days of active duty - The minimum service required for the peacetime periods is 181 days of continuous active duty. - The veteran must have been discharged or released from active duty under other than dishonorable conditions. Veterans who have served less than the minimum required period may be eligible if discharged because of service-connected disabilities. - Members of the Reserves or National Guard who are not eligible for loan guaranty benefits are eligible upon completion of six years of service in the Selected Reserve, or upon discharge from the Reserves or National Guard because of a service-connected disability before completing six years. - The un-remarried surviving spouse of an eligible service member who died as a result of service or service-connected injuries may also be eligible. - Must have a Certificate of Eligibility (COE) which also indicates the Veteran's entitlement - ITIN (Individual Tax Payer Identification Numbers) are not allowed (must have Social Security Numbers)	

VA - Standard and High Balance Fixed and ARM

	○ Maximum of four borrowers allowed per 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. In addition, an accurate and successful AUS submission requires the borrower currently reside in the U.S. and have a U.S. address or an APO military address within the U.S. for active deployed military, regardless of citizenship. Adequate documentation must be provided to substantiate such residency in the U.S. • For borrowers employed in a residential real estate related profession, loans on builder or developer owned properties are ineligible. • Non-occupying co-borrowers / co-signers are not allowed Eligible Veteran/Borrower Combinations: • Veteran • Veteran and non-veteran spouse • Two veterans who are married to each other where only one veteran will be using entitlement. • Two veterans who are married to each other where each veteran will be using entitlement. • Surviving spouse of an eligible veteran (if determined eligible by a VA-issued COE). • Spouse of an active-duty service person who has been listed as MIA or POW for more than 90 days (if determined eligible by a VA-issued COE). • Eligible Veteran/Borrower Combinations that require prior approval by VA: ○ Two veterans who are not married to each other where each veteran will be using entitlement (Joint Loans). ○ Veteran and non-veteran same-sex spouse (in some cases, see Same-Sex Spouse section) ○ Veteran and non-veteran who is not the veteran's spouse (VA will only issue guaranty on the veteran's portion of the loan. Loan must still include the minimum 25% coverage and can be a combination of VA provided entitlement plus cash down payment/equity). • Ineligible Veteran/Borrower Combinations - Any type of borrower not listed as eligible • Lenders may accept a Veteran's assertion of spousal status when a Veteran is applying for home loan benefits. The administrations within VA will apply the same level of scrutiny to all Veterans' marriages, regardless of whether they are same-sex or opposite-sex marriages. VA will therefore process claims and applications involving same-sex marriage in the same manner as claims and applications based on opposite-sex marriage, without any additional scrutiny or development. • To further implement this policy of equal treatment, VA will accept a claimant's or applicant's assertion that he or she is married as sufficient evidence to establish the Veteran's marriage. For the purposes of home loan benefits administered by Loan Guaranty Service, VA will accept an assertion on VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application, to establish spousal status for the purpose of this benefit. • Lenders may process loan applications involving same-sex marriage in the same manner as loan applications based on opposite-sex marriage, without any additional scrutiny or development.
Credit Requirements	• A tri-merged in file credit report from all three repositories is required. The credit report must include trended credit data. See minimum credit score requirements in the LTV Matrix • 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

VA - Standard and High Balance Fixed and ARM

	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.			
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	Taxes and Homeowners Insurance must be escrowed.			
Funding Fee	- The Funding Fee is the fee that VA charges when a Veteran uses its Home Loan Guarantee Program. - The VA funding fee may be paid in cash (including with seller credits/rebate) or financed, or a combination of the two, provided the entire loan amount including any financed Funding Fee does not exceed the maximum loan amount permitted for this product.			
	Loan Purpose	Down Payment	% for 1 st Time Use	% for Subsequent Use
	Purchase	Less than 5%	2.15%	3.30%
	Purchase	>/= 5% < 10%	1.50%	1.50%
	Purchase	10% or More	1.25%	1.25%
	Loan Purpose	% for 1 st Time Use		% for Subsequent Use
	Cash-Out Refinance	2.15%		3.3%
Guaranty/Entitlement	- For veterans with full entitlement, VA will guaranty 25% of any loan amount. - For veterans with partial entitlement, the maximum amount of guaranty is the lesser of 25% of the loan amount or the applicable years conforming loan limit for a 1-unit property, reduced by the amount of the entitlement previously used by the veteran.			
HPML/HPCT	HPML loans are eligible.			
Interest Rate Adjustment for 3/1 ARMs	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,	July1	July 1	August 1
	June July, Aug.	October 1	October 1	November 1
	Sept, Oct., Nov.	January 1	January 1	February 1
Interest Rate Adjustment for 5/1 ARMs	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,	July1	July 1	August 1
	June July, Aug.	October 1	October 1	November 1
	Sept, Oct., Nov.	January 1	January 1	February 1
Income	- Per VA Guidelines - 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 of			

VA - Standard and High Balance Fixed and ARM

	Employment is required for all borrowers using self-employed income to qualify and must be completed within 120 calendar days prior to the note date. - 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
Maximum Loan Amount	- Minimum loan amount: \$50,000 - 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. - The base loan amount may exceed the FHFA High-Cost Area limit up to a maximum of \$1,000,000 base loan amount if the borrower meets entitlement requirements.
Occupancy	Primary Residence
Prepayment Penalty	Not allowed
Principal Reduction at Closing	Permitted on VA loans to a maximum of 1% of the loan amount if a Lender Credit exceeds actual closing costs and/or prepaids as a result of Lender Paid Closing Costs. If the excess is greater than 1%, the interest rate must be reduced to lower the Lender contribution. Lender contribution cannot be used for Borrower's Minimum Required Investment.
Property Types	Eligible Property Types - Single Family Residence 1-4 Units - Modular Homes - PUDs - VA Approved Condos. Eligibility can be verified at: https://vip.vba.va.gov/portal/VBAH/Home?paf_portalId=default&paf_dm=shared# - Condos (including Site Condos) must be VA approved prior to ordering an appraisal Ineligible Property Types - Multiple Unit Condos - Manufactured Homes - Mobile homes - Condotels - Hotel Condominiums - Leasehold condos - Timeshares - Working Farms and Ranches - Unimproved Land - Property Currently in Litigation - Commercial Enterprises (i.e., Bed and Breakfast, Boarding House, Hotel) - Mixed-Use - Co-ops - Geodesic dome, Earth or Geothermal homes - Deed Restricted Properties (55+ Age Restricted Properties allowed, see below) - Properties in a flood zone that do not participate in the National Flood Insurance Program - Properties with hauled water - Properties rated in "less than average" condition

VA - Standard and High Balance Fixed and ARM

	- Indian land (leased or fee simple) - Properties with Unexpired Redemption Rights - 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. - Properties in C5 or C6 condition - Community Land Trusts																																			
Qualifying Rate	Qualify at Note Rate																																			
Ratios	- Max DTI as determined by AUS. - Loans with DTI > 50% require minimum 620 FICO.																																			
Reserves	As determined by AUS and HUD Guidelines.																																			
Residual Income	- Residual income is the amount of net earnings remaining to maintain family living expenses (i.e. food, healthcare, gasoline). - The residual income that is calculated should be greater than or equal to the residual income posted by VA. - Residual Income Calculations: - Net Effective Income is taken from Line 41 of VA Form 26-6393 - Monthly Shelter Expense is taken from Line 21 of VA Form 26-6393 - Gross Income (taxable) – Federal & State Taxes & Social Security deduction = Net Take Home Pay. - Gross Income (Non-taxable) = Net Take Home Pay. When calculating non-taxable residual income, the income may NOT be grossed up. - Net Take Home Pay – Obligations (revolving & installment debts) – new PITIA (including maintenance, utilities, dues) = RESIDUAL INCOME.																																			
	<table><tr><th colspan="5">Residual Income by Region for loan amounts <\$80,000</th></tr><tr><th>Family Size¹</th><th>North-East</th><th>Midwest</th><th>South</th><th>West</th></tr><tr><td>1</td><td>\$390</td><td>\$382</td><td>\$382</td><td>\$425</td></tr><tr><td>2</td><td>\$654</td><td>\$641</td><td>\$641</td><td>\$713</td></tr><tr><td>3</td><td>\$788</td><td>\$772</td><td>\$772</td><td>\$859</td></tr><tr><td>4</td><td>\$888</td><td>\$868</td><td>\$868</td><td>\$967</td></tr><tr><td>5</td><td>\$921</td><td>\$902</td><td>\$902</td><td>\$1004</td></tr></table>	Residual Income by Region for loan amounts <\$80,000					Family Size ¹	North-East	Midwest	South	West	1	\$390	\$382	\$382	\$425	2	\$654	\$641	\$641	\$713	3	\$788	\$772	\$772	\$859	4	\$888	\$868	\$868	\$967	5	\$921	\$902	\$902	\$1004
	Residual Income by Region for loan amounts <\$80,000																																			
	Family Size ¹	North-East	Midwest	South	West																															
	1	\$390	\$382	\$382	\$425																															
	2	\$654	\$641	\$641	\$713																															
	3	\$788	\$772	\$772	\$859																															
	4	\$888	\$868	\$868	\$967																															
	5	\$921	\$902	\$902	\$1004																															
	1 – Add \$75 for each additional member up to a family of 7.																																			
<table><tr><th colspan="5">Residual Income by Region for loan amounts >=\$80,000</th></tr><tr><th>Family Size¹</th><th>North-East</th><th>Midwest</th><th>South</th><th>West</th></tr><tr><td>1</td><td>\$450</td><td>\$441</td><td>\$441</td><td>\$491</td></tr><tr><td>2</td><td>\$755</td><td>\$738</td><td>\$738</td><td>\$823</td></tr><tr><td>3</td><td>\$909</td><td>\$889</td><td>\$889</td><td>\$990</td></tr><tr><td>4</td><td>\$1025</td><td>\$1003</td><td>\$1003</td><td>\$1117</td></tr><tr><td>5</td><td>\$1062</td><td>\$1039</td><td>\$1039</td><td>\$1158</td></tr></table>	Residual Income by Region for loan amounts >=\$80,000					Family Size ¹	North-East	Midwest	South	West	1	\$450	\$441	\$441	\$491	2	\$755	\$738	\$738	\$823	3	\$909	\$889	\$889	\$990	4	\$1025	\$1003	\$1003	\$1117	5	\$1062	\$1039	\$1039	\$1158	
Residual Income by Region for loan amounts >=\$80,000																																				
Family Size ¹	North-East	Midwest	South	West																																
1	\$450	\$441	\$441	\$491																																
2	\$755	\$738	\$738	\$823																																
3	\$909	\$889	\$889	\$990																																
4	\$1025	\$1003	\$1003	\$1117																																
5	\$1062	\$1039	\$1039	\$1158																																
1 – Add \$80 for each additional member up to a family of 7.																																				
Geographical Regions for Residual Income Guidelines: <u>Northeast</u> Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont <u>Midwest</u>																																				

VA - Standard and High Balance Fixed and ARM

	- Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin South - Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, West Virginia West - Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming
Secondary Financing	- No new secondary financing may be initiated in conjunction with a new VA first lien. - Down Payment Assistance programs are available. - Must meet VA requirements, contact the local RLC for any clarification on acceptability. - The lender must submit documentation disclosing the source, amount, and repayment terms of the second mortgage and agreement to such terms by the veteran and any co-obligors. - The second mortgage must be subordinated to the VA-guaranteed loan, that is, the second mortgage must be in a junior lien position relative to the VA loan. - Proceeds of the second mortgage may be used for a variety of purposes, including but not limited to: closing costs, or a down payment to meet secondary market requirements of the lender. But may not be used to cover any portion of a down payment required by VA to cover the excess of the purchase price over VA's reasonable value. - There can be no cash back to the veteran from the VA first mortgage. - The rate on the second mortgage may exceed the rate on the VA-guaranteed first, however, it may not exceed industry standards for second mortgages. - The second mortgage should not restrict the veteran's ability to sell the property any more than the VA first mortgage. That is, it should be assumable by creditworthy purchasers. - A copy of the subordination agreement, subordinate lien mortgage/deed of trust and note is required. - Funding fee may not be paid with funds from second mortgage.
Tax Transcripts	- 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.
Temporary Buydowns	Not allowed
Transaction Types	- Purchase - Cash Out Refinance - The guidelines in VA Circular 26-18-30 apply: https://www.benefits.va.gov/homeloans/documents/circulars/26_18_30.pdf - For Type I Refinance Loans, when a VA-guaranteed fixed rate loan is being refinanced with a new VA fixed rate loan, the new interest rate must be at least 0.5% (50 basis points) less than the existing interest rate. When a VA-guaranteed fixed rate loan is being refinanced with an adjustable rate loan, the new interest rate must be at least 2% (200 basis points) less than the existing interest rate. - If discount points exceeding 1% of the loan amount are included in the new loan total, the LTV may not exceed 90%. - For Type II Cash-Out Refinance loans meeting the Net Tangible Benefit (NTB) as defined in Section 4(3)(2)(ii) of the Circular, if the only NTB is reduction of loan term, then the term of the new loan must be shorter than the remaining term of the loan being refinanced by at least 36 months. - For all Cash-out Refinances, the funding fee is included in the LTV.

VA - Standard and High Balance Fixed and ARM

	○ <u>Seasoning Requirements:</u> The Note Date of the new loan must be 210 days after the later of: 1. The date on which the First Payment was actually made on the Note being refinanced; OR 2. The First Payment Due Date of the Note being refinanced AND The Borrower must have made the most recent six months payments on time with no late payments 30 days or greater.																		
Underwriting	• AUS – Accept/Eligible • Manual Underwriting is not permitted. • VA prior approval is required for the following (but must also be listed as an Eligible Borrower Combination in the Eligible Borrowers section above if a borrower combination): ○ Joint loans involving a veteran and non-veteran who is not the veteran's spouse. ○ Veteran and non-veteran same-sex spouse (in some cases, see Same-Sex Spouse section) ○ Joint loans involving two or more veterans who intend to use their entitlement and take title jointly. ○ Loans to veterans in receipt of VA non-service related pension (would be identified on the COE as VA Prior Approval required and would not be exempt from the VA funding fee) ○ Loans to veterans rated incompetent by VA.																		
Product Description and Terms	<table> <tr> <th>Product Name</th><th>Amortization Terms</th></tr> <tr> <td>15 Year Fixed Rate VA</td><td>10-15 Years, increments of 12 months</td></tr> <tr> <td>30 Year Fixed Rate VA</td><td>16-30 Years, increments of 12 months</td></tr> <tr> <td>15 Year Fixed Rate VA High Balance</td><td>10-15 Years, increments of 12 months</td></tr> <tr> <td>30 Year Fixed Rate VA High Balance</td><td>16-30 Years, increments of 12 months</td></tr> <tr> <td>3/1 Treasury ARM VA</td><td>30 Years</td></tr> <tr> <td>5/1 Treasury ARM VA</td><td>30 Years</td></tr> <tr> <td>3/1 Treasury ARM VA High Balance</td><td>30 Years</td></tr> <tr> <td>5/1 Treasury ARM VA High Balance</td><td>30 Years</td></tr> </table>	Product Name	Amortization Terms	15 Year Fixed Rate VA	10-15 Years, increments of 12 months	30 Year Fixed Rate VA	16-30 Years, increments of 12 months	15 Year Fixed Rate VA High Balance	10-15 Years, increments of 12 months	30 Year Fixed Rate VA High Balance	16-30 Years, increments of 12 months	3/1 Treasury ARM VA	30 Years	5/1 Treasury ARM VA	30 Years	3/1 Treasury ARM VA High Balance	30 Years	5/1 Treasury ARM VA High Balance	30 Years
Product Name	Amortization Terms																		
15 Year Fixed Rate VA	10-15 Years, increments of 12 months																		
30 Year Fixed Rate VA	16-30 Years, increments of 12 months																		
15 Year Fixed Rate VA High Balance	10-15 Years, increments of 12 months																		
30 Year Fixed Rate VA High Balance	16-30 Years, increments of 12 months																		
3/1 Treasury ARM VA	30 Years																		
5/1 Treasury ARM VA	30 Years																		
3/1 Treasury ARM VA High Balance	30 Years																		
5/1 Treasury ARM VA High Balance	30 Years																		
Reference Material	VA Handbook: http://benefits.va.gov/warms/pam26_7.asp																		
Internet Links	www.archomellc.com																		