







# Portfolio Power<sup>SM</sup>

## Arch Mortgage Guaranty Company Guidelines Summary

Effective June 26, 2015



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# Super Jumbo Eligibility



OCCUPANCY	LOAN PURPOSE	PROPERTY TYPES	MAX LTV/CLTV /HCLTV	MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI
<b>Owner-Occupied</b>	<b>Purchase or Rate/Term Refinance</b>	1-Unit Single Family (detached & attached), Condominiums, Co-ops	95/95	\$850,000	700	43%
			90/90	\$1,500,000	720	41%
			85/85	\$2,000,000	740	38%
	<b>Cash-Out Refinance</b>		85/85	\$1,000,000 Max \$250,000 cash out	740	38%
<b>Second Home</b>	<b>Purchase or Rate/Term Refinance</b>	1-Unit Single Family (detached & attached), Condominiums, Co-ops	90/90	\$850,000	720	41%
	<b>Cash-Out Refinance</b>		85/85	\$650,000 Max \$200,000 cash out	740	41%
<b>Investment</b>	<b>Purchase or Rate/Term Refinance</b>	1-Unit Single Family (detached & attached), Condominiums, Co-ops	85/85	\$650,000	740	38%
	<b>Cash-Out Refinance</b>		INELIGIBLE			

Short Term ARMs < 5 years fixed period - Maximum \$1,000,000 loan amount; Second Homes and Investment ineligible

Cash Out: ARM minimum 5 year initial fixed rate

Condominiums must meet GSE or AMGC condominium requirements

Co-ops: Eligibility limited to the states of CT, NJ, NH, MA, NY

HCLTV equals CLTV in all categories

# Interest Only Product Eligibility



OCCUPANCY	LOAN PURPOSE	PROPERTY TYPES	MAX LTV/CLTV /HCLTV	MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX HOUSING/ TOTAL DTI
Owner-Occupied	Purchase or Rate/Term Refinance	1-Unit Single Family (detached & attached), Condominiums, Co-ops	90/90	\$750,000	720	40/43
			85/85	\$1,000,000	720	40/43
		2-Units	85/85	\$750,000	720	40/43

Ineligible: Short Term ARMs < 5 years fixed period, properties in NY state  
 Condominiums must meet GSE or AMGC condominium requirements  
 Co-ops: Eligibility limited to the states of CT, NJ, NH, MA  
 HCLTV equals CLTV in all categories

# Portfolio Program Eligibility



OCCUPANCY	LOAN PURPOSE	PROPERTY TYPE	MAX LTV/CLTV /HCLTV	MAX LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI
Owner-Occupied	Purchase, Rate/Term Refinance, or Construction-to-Permanent (1-unit Single Family or 2-units only)	1-Unit Single Family (detached & attached), Co-ops, Condominiums	97/97	\$417,000	700	50
		1-Unit Single Family (detached & attached), Co-ops, Condominiums, Manufactured Homes	95/95	\$625,500 Maximum to FHFA High Balance Loan Limits	720	50
		2-units	90/90	\$533,850	700	50
		3-units	85/85	\$645,300	720	50
		4-units	85/85	\$801,950	740	50
	Cash Out Max \$250,000	1-Unit Single Family (detached & attached), Co-ops, Condominiums	90/90	\$417,000	740	50
		2-units	90/90	\$533,850	740	50
Second Home	Purchase, Rate/Term Refinance, or Construction-to-Permanent (1-unit Single Family only)	1-Unit Single Family (detached & attached), Co-ops, Condominiums	90/90	\$650,000	700	50
	Cash Out Max \$50,000		85/85	\$417,000	740	50
Investment	Purchase or Rate/Term Refinance	1-Unit Single Family (detached & attached), Co-ops, Condominiums	90/90	\$417,000	740	50

AK and HI: The maximum loan amount is the applicable FHFA Conforming loan amount  
 Maximum 40 year amortization term  
 Fully Amortizing Short Term ARMs  $\geq$  1 year initial fixed period  
 Cash Out: ARM minimum 5 year initial fixed rate; Manufactured Homes ineligible  
 MI coverage on Construction-to-Permanent loans may be activated upon property completion  
 Condominiums must meet GSE or AMGC condominium requirements  
 Co-ops: Eligibility limited to the states of CT, NJ, NH, MA, NY  
 HCLTV equals CLTV in all categories

# Arch Mortgage Guaranty Company Program Guidelines



## AMGC PROGRAM SUMMARY

Under AMGC's Programs, lenders can obtain mortgage insurance on loans which may be ineligible under GSE requirements or may fall outside of QM standards.

## ELIGIBLE PROPERTY CRITERIA AND TYPES

- 1-unit single family attached and detached
- 2-4 units
- Condominiums
  - Condominium units located in projects verified as GSE warrantable or meeting AMGC's non-warrantable requirements
- Cooperative Housing Units (Co-ops)
  - Eligible in Connecticut, New Jersey, New Hampshire, Massachusetts and New York
  - Must meet Fannie/Freddie's eligibility criteria
- Manufactured and Modular homes
  - Single-wide manufactured homes are not eligible
  - Modular homes are treated as 1-unit single family properties for documentation and qualification
- Properties in all 50 states and the District of Columbia
- Properties with greater than 10 acres will require review by the Arch MI Appraisal Department

## LOAN PURPOSE

- Purchase
  - For LTV calculation on properties in NY state, use the appraised value; for co-ops use the purchase price
  - Relocation - Copy of relocation agreement or detail of company's standard relocation package
- Rate/Term Refinance
  - Pay off an existing first lien including reasonable and customary closing costs
  - Pay off a subordinate lien provided
    - used in the original purchase of the property OR
    - seasoned > 12 months OR
    - Subordination of a junior lien. The total transaction must meet AMGC LTV/CLTV/HCLTV eligibility
  - Pay off an interim construction loan which may include the payoff of an existing lot loan.
    - LTV based on the current appraised value
  - Maximum cash back may not exceed the lesser of 2% of the loan amount or \$2,000

- Cash-Out Refinance
  - The proceeds exceed the outstanding principal balance of the existing liens plus reasonable and customary closing costs
  - All debt consolidation is considered a cash out transaction
  - Ineligible for cash out transactions:
    - Interest Only loans
    - Short-Term ARMs (1 to 3 years fixed period)
    - Property purchased within the last 6 months
    - Property listed for sale within the last 6 months
    - Existing first lien refinanced within the last 12 months as cash out

## ELIGIBLE LOAN TYPE

- Fixed-rate, fixed-payment, fully amortized over term
  - Maximum 40-year amortization term
- Adjustable Rate Mortgage (ARM)
  - Positively Amortizing Hybrid ARMs (i.e. 7/1, 10/1)
    - Qualify using the greater of the fully indexed rate or the note rate
  - Positively Amortizing Short-Term ARMs (1 to 5 years fixed period)
    - Purchase and Rate/Term Refinance only
    - Super Jumbo - Owner-Occupied only
    - Qualify using the greater of the fully indexed rate or the note rate + 2.0%
- Temporary buydowns on fixed rate owner-occupied loans qualify at note rate
- Interest Only
  - Loan resets to fully amortizing after the interest only period
  - Maximum 10 year I/O term
  - Qualify using either the fixed rate payment or the correct ARM payment as noted above
- Balloon Payment Mortgages
  - Minimum 5 year term to balloon payment

## ELIGIBLE BORROWERS

- U.S. Citizens
- Permanent and Non-Permanent Resident Aliens
  - Loan file must contain acceptable documentation to verify the legal US residence status
- Inter Vivos Revocable Trusts
- Non-occupant co-borrowers
  - Borrower must be owner-occupant
  - Owner-occupant borrower(s) must qualify individually

## EMPLOYMENT AND INCOME REQUIREMENTS

Employment and income documentation and verification must cover a minimum two full years. Required documentation includes:

### Wage Earner

- One month's paystubs, which contains at least 30 days of year-to-date earnings AND
- Two years' W-2s AND
- A verbal Verification of Employment (completed  $\leq$  10 days prior to closing); or
- A fully completed Verification of Employment

### Self-Employed (owns $\geq$ 25% of the business)

- Two years' personal and business tax returns and a year-to-date P&L for the business

### Non-Employment Income

- Refer to the AMGC UW Manual for the specific income source

## VALID CREDIT SCORE

For a credit score to be valid, each borrower's credit history must indicate

- a minimum of three tradelines each evaluated for a minimum of 12 months or
- a minimum of two tradelines each evaluated for a minimum of 24 months
- Non-traditional credit is not permitted

## CREDIT HISTORY

- The credit report must be < 120 days old on the date the Mortgage Note is signed
- A minimum of two credit scores are required for each borrower
- The loan representative score is determined by identifying the middle of three scores or the lower of two scores for each borrower. The score used for qualifying will be the lower of the resulting scores among the borrower(s).
- Judgments or liens which may impact clear title to the property and federal and state tax liens must all be paid in full at the time of loan closing.
- Collection accounts and charged-off accounts do not have to be paid off prior to closing if the balance of an individual account is less than \$250 or the total balance of all accounts is \$1,000 or less
- Minimum 4 years re-established traditional credit after discharge of a bankruptcy; 2 years with documented extenuating circumstances

# Arch Mortgage Guaranty Company

## Program Guidelines



### MINIMUM DOWN PAYMENT

- Super Jumbo Program
  - Borrower's own funds; gifts/grants not permitted
- Interest Only Program
  - <= \$417,000
    - Initial 5% from borrower's own funds
    - Gifts permitted for additional funds needed must be from an immediate family member, or future spouse/ domestic partner who will reside in the property
  - > \$417,000
    - Borrower's own funds; gifts/grants not permitted
- Portfolio Program
  - Owner-Occupied - initial 3% from borrower's own funds
  - Second Home - Minimum 5% from borrower's own funds
  - Owner-Occupied and Second Homes
    - After the initial down payment requirement, additional funds for down payment, closing costs, reserves, and prepaid escrow may be from any of the following sources:
      - Gift, from a family member defined as related by blood, marriage, adoption or legal guardianship, domestic partner or fiancé/fiancée not related to the transaction, or borrower's employer. Funds to be documented with a gift letter and evidence of transfer of funds.
      - Gifts of Equity are acceptable from an immediate family member (parent, grandparent, and sibling). The terms of the equity gift must be documented.
  - Investment
    - Minimum 10% borrower funds
    - No gift or grant funds can be applied towards borrower funds
- **Ineligible:**
  - The gift/grant provider may not be an interested party to the transaction
  - "Sweat Equity" as defined by Fannie Mae/ Freddie Mac

### CASH RESERVES

- Super Jumbo Program
  - <= \$850,000 - 6 months
  - > \$850,000 - \$1.5mm: 12 months
  - > \$1.5mm - \$2.0mm: 24 months
- Interest Only Program
  - <=\$417,000 - 2 months
  - > \$417,000-\$750,000 - 6 months
  - > \$750,000-\$1mm - 12 months
- Portfolio Program
  - Owner-Occupied or 2nd Home - 2 months
  - Investment - 6 months

### MULTIPLE LOANS TO SINGLE BORROWER

- AMGC will insure a maximum of 3 loans to any borrower. The maximum risk exposure to any borrower is \$500,000 (maximum risk exposure defined as aggregate of original loan amounts x percent of MI coverage).
- Within the multiple loans to a borrower limit, only the maximum amount on the following will be accepted (limit includes loans currently insured):
  - Primary home – 1 loan maximum
  - Second home – 1 second home and 1 investment property; OR
  - Investment property – 2 loans maximum (no Second Home)

### APPRAISAL

- A full interior/exterior appraisal with photos
- Appraisal requirements:
  - Loans ≤ \$1,000,000
    - 1 independent interior/exterior appraisal with photos
  - Loans > \$1,000,000
    - 2 independent interior/exterior appraisal reports with photos OR
    - 1 independent interior/exterior appraisal with photos and a complete field review supporting value
- Appraisals must be ≤ 120 days old on the date the mortgage note is signed
- Appraisals > 120 days old up to 12 months old must be recertified
- Appraisals > 12 months old are not acceptable
- Appraisals originally ordered for an FHA loan are acceptable

### SEASONED LOANS

Seasoned Loans are funded without mortgage insurance. At least one mortgage payment must be received and the loan closing date must be within the prior 12 months. Seasoned loans are subject to current AMGC program guidelines and premium rates.

The following documentation is required:

- Complete Mortgage Insurance application signed and dated noting "SEASONED LOAN"
- The loan closing date. This can be verified by writing on the MI application or with a copy of the final HUD.
- Copy of the completed, final 1003 loan application from the original loan package
- Copy of the completed final 1008 from the original loan package (if applicable)
- Copy of the **Current** credit report (dated within 120 days of the MI application)
- **Current** mortgage payment history of the loan (if not indicated on the credit report). If the loan shows a 30-day delinquency, it cannot have occurred in the most recent six months.
- Appraisal from the original loan package
- Current property valuation (appraisal, AVM, exterior appraisal, or recertification of value)
- **Current** Verbal Verification(s) of Employment or independent verification of self-employment

### INELIGIBLE FOR MORTGAGE INSURANCE

- Short-Term ARMs less than 1 year fixed period
- Limited documentation loans
- Negative amortization mortgages, including option payment mortgages
- Single-wide manufactured homes
- Properties located in Guam, Puerto Rico, and the Virgin Islands
- Non-Resident Aliens, Partnerships, Corporations, Syndications, Non-Revocable Trusts and Foreign Nationals
- Interest Only loans in NY state

# Condominium Project Criteria



## GENERAL ELIGIBILITY

AMGC will review individual condominium units for mortgage insurance subject to the general eligibility requirements outlined below.

## PROJECT ELIGIBILITY

Condominiums are eligible for insurance from AMGC if the condominium project meets:

- All Fannie Mae or Freddie Mac eligibility requirements (e.g. "warrantable condo"); or
- AMGC's eligibility requirements (e.g. "non-warrantable condo")

## MAXIMUM ARCH MI PROJECT EXPOSURE

- No more than 33% of the project can be insured by Arch MI
- For 2- to 4-Unit Project Arch MI will insure a maximum of 1 unit

## DETACHED UNIT SITE CONDOS

- Follow single family residence guidelines; the lender is not required to determine condominium project eligibility

## CONDOMINIUM PROJECT DOCUMENTATION REQUIREMENTS

### Warrantable Condominium Requirements

- The loan file must indicate the type of GSE review completed to determine condominium project eligibility and include documentation supporting the determination

### Sample Documentation to Support Condominium Project Eligibility

- Fannie Mae Condo Project Manager (CPM) or Project Eligibility Review Service (PERS) determination
- Appraisal – used to determine project characteristics, ownership, pre-sale levels, marketability, and completion levels (required)
- HOA Questionnaire - can be used to determine investor concentration, commercial usage, and single entity ownership and project delinquency levels

- Budget/Balance Sheet – utilized to verify the financial resources of the HOA. This determines the ability to provide maintenance and upkeep for the project grounds, fund necessary project improvements, and maintain adequate insurance
- Other documentation used to validate eligibility of the condominium project under the applicable review type completed

### Non-Warrantable Condominium

Documentation in the file should indicate that the lender has not completed a GSE review type and is requesting AMGC approval. The file should include one or more of the following documents:

- Appraisal - used to determine project characteristics, ownership, pre-sale levels, marketability, and completion levels (required)
- HOA Questionnaire – can be used to determine investor concentration, commercial usage, and single entity ownership and project delinquency levels
- Budget/Balance Sheet – utilized to verify the financial resources of the HOA. This determines the ability to provide maintenance and upkeep for the project grounds, fund necessary project improvements, and maintain adequate insurance
- Other documents deemed necessary to validate the marketability and solvency of the condominium project

## NON-WARRANTABLE CONDOMINIUM ELIGIBILITY

### Project Types

- Established Project
  - An established project is defined as:
    - The project is fully complete, including all units and common elements and not subject to any additional phasing or annexation
    - At least 90% of the total units have been conveyed to unit purchasers
    - Control of the HOA has been turned over to the HOA or unit purchasers

### New Project

- A new project is defined as:
  - The project is not fully completed, such as proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condominium
  - The project is newly converted; or
  - The project is subject to additional phasing or annexation
  - Fewer than 90% of the project's total units have been conveyed to the unit purchasers
- 2-4 Unit Project
  - A 2-4 unit project is defined as:
    - A project comprised of two, but no more than four, 1-unit dwellings that are separately owned with separate legal descriptions

### Established Project Requirements

- No single entity (the same individual, investor group, partnership, or corporation) may own more than 10% of the units within the project. For 5-20 unit projects an investor may own up to 2 units. This does not include units still held by the builder/developer.
- If the subject property is investor owned, then a minimum 50% of the units in the project must be owner-occupied or second homes
- No more than 15% of the total units in the project can be 60 or more days past due on the payment of condo/association fee payments
- No more than 25% of the project area can be for commercial usage

### New Project Requirements

- The project must be substantially complete (i.e. all the units in the subject property's phase are complete and available for occupancy)
- At least 50% of the units in the complex/legal phase must be conveyed or under contract as owner-occupied or second homes

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# Condominium Project Criteria



- No single entity (the same individual, investor group, partnership, or corporation) may own more than 10% of the units within the project. For 5-20 unit projects an investor may own up to 2 units. This does not include units still held by the builder/developer.
- No more than 15% of the total units in the project can be 60 or more days past due on the payment of condominium/association fee payments
- No more than 25% of the project area can be for commercial usage

## 2- to 4-Unit Project Requirements

- The project must be 100% complete
- All but one unit must be sold and conveyed

- Investor ownership of any units is not permitted
- No one person or entity may own multiple units
- No portion of the project can include commercial usage

## INELIGIBLE CONDOMINIUM TYPES

AMGC will not insure any of the following types of condominium projects:

- Projects with pending lawsuits that impact the safety, structural soundness, habitability or functional use of the project
- Projects with outstanding environmental issues

- Any project or building that is owned by several owners as tenants-in-common
- Condotels
- Timeshare, fractional or incremental ownership
- Manufactured housing site condominiums
- Multi-dwelling unit condominiums
- New projects where the seller is offering excessive sale/financing concessions
- Kiddie condos (condominium purchased for student occupancy)
- Houseboat projects
- Condo projects that represent legal but non-conforming use of the land

# Construction-to-Permanent Guidelines



## DEFINITION

- A construction-to-permanent loan is residential financing an individual borrower(s) obtains to finance both their home's construction and long-term permanent mortgage. This can be completed as either a single transaction in which the construction financing becomes the permanent mortgage or a "two time" transaction in which the construction financing is re-written into a new financing mortgage on the completed property.

AMGC's program offers mortgage insurance coverage upon completion of the property.

## CONSTRUCTION PHASE

- The Commitment will be issued for a period of 12 months. Extension/Reinstatement after 12 months is not permitted. A new MI application with current borrower information will be required and will be subject to current published program guidelines and rates at the time of the new application
- The Commitment is subject to credit documentation update (see Underwriting Requirements section for details)
- Mortgage insurance coverage may be activated upon conversion to permanent financing when the property is completed

## LOAN PURPOSE AND LTV

- Construction-Purchase – a transaction where the borrower is not currently the owner of record of the land and/or is acquiring the lot at the time the construction loan is obtained
  - If the borrower does not own the land, the initial draw disbursement may assist in purchasing the land. However, the borrower's down payment must be used towards the purchase of the land before any mortgage proceeds are used
  - The LTV will be based on the lot purchase price plus the documented costs of improvements or the current appraised value upon completion, whichever is less
    - If the land is acquired by gift or inheritance, use the appraised value of the land, and document the acquisition and transfer of the land
    - Cost of improvements is defined as the documented costs to build the home, the costs to obtain the construction and/or the permanent financing and the cost of the land, or value of the lot depending on when the lot was acquired

- Construction costs may include, but are not limited to, building permits and architectural drawings, survey, and loan fees, in addition to the cost of labor and materials required to complete the improvements
- Construction-Refinance – a transaction where the borrower holds title to the lot and is named as the borrower for the construction loan
  - The LTV may be based on the current as completed appraised value
  - Maximum cash out not to exceed 2% of the loan amount or \$2,000, whichever is LESS
  - Reimbursement of borrower expenses in excess of the construction loan is considered cash out and is not permitted
- **Ineligible:**
  - Owner/Builder Transactions
  - Condominiums, Co-Ops, and Manufactured Homes

## UNDERWRITING REQUIREMENTS

- The Premium Rate and DTI will be determined using the interest rate and value established for the permanent financing
- If the current residence is under a contingent sales contract and will be sold upon completion, the PITIA for both the current residence and the newly completed residence must be considered in the DTI calculation. The underwriter may exclude the current residence PITIA if they can ascertain there is a ready market for the current residence. The following market conditions should be present:
  - A ready market is apparent with marketing times no greater than 6 months
  - Property values are stable or increasing
  - The equity in the current residence is sufficient to cover all liens and sales and closing costs
- Activation of coverage greater than 120 days from the original commitment date requires:
  - Recertification of the property value
  - Verbal verification of employment
- The following additional documents should be included in the final loan file:
  - Contract between the builder and borrower showing materials and construction cost, time to complete and draw schedule
  - A proposed dwelling survey (Plot Plan)

## CONVERSION TO PERMANENT

- When the lender receives the final inspections, final title update, and Certificate of Occupancy (if applicable), conversion to a fully amortized loan will occur. The loan will become fully amortized over the remaining term
- The lender must notify appraiser of any material changes made to the plans and specifications, and certify no impact on final value

## MORTGAGE INSURANCE ACTIVATION

- Mortgage insurance coverage may be placed in-force as determined by the lender upon property completion. The lender can choose the effective date based on local practices:
  1. Date of the certificate of occupancy
  2. Date the property is accepted as complete by the borrower
- Loan cannot be in default as of the date lender activates the mortgage insurance
- Contact Arch MI Policy Servicing at (800) 909-4264 to activate coverage
- Premium payment to be remitted within 45 days of the effective date selected to secure coverage after construction is completed
  - If the initial premium payment is received past 45 days, the date the premium payment is received will be the effective date for coverage

**NOTE:** In order for a claim to be paid for a construction-to-permanent loan, the insurance must be in-force with the premiums paid and the construction must be completed according to the construction plans and specifications on which the appraisal was based

Default caused by the borrower's inability to secure permanent financing or the lender's unwillingness to convert the loan to a permanent loan is NOT a covered event of default for mortgage insurance purposes



# Arch MI Underwriting Network

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