ARCH MI

Underwriting Manual

June 28, 2024

Summary of Underwriting Manual Updates

Arch MI's Underwriting Manual (the Manual) has been updated to reflect the expansions to manufactured home eligibility announced in Customer Announcement CA 2024-02. The section of the manual that was updated is shown below.

Section 2.01, LTV/Loan Amount/Credit Score/DTI Requirements

- This section was updated to include eligibility for manufactured homes meeting Fannie Mae MH Advantage® and Freddie Mac CHOICEHome® eligibility requirements. In addition, updates were made to the maximum LTV/CLTV and loan amount for other eligible manufactured homes.

Table of Contents

1. Introduction and General Information

Thank you for choosing Arch MI as your mortgage insurance provider. By providing mortgage insurance and sharing the risk of default for mortgage lending, Arch MI helps lenders and investors expand their lending opportunities. Arch MI promotes the expansion of viable home ownership opportunities through the use of fair and reasonable underwriting requirements that support our objective of making home ownership affordable and sustainable.

Within this Manual, “Arch MI” includes Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company.

1.01 Risk and Underwriting Philosophy (January 4, 2018)

Arch MI’s goal is to ensure that sound underwriting decisions are made on mortgage insurance applications. Specifically, (1) the loan transaction must represent an insurable risk, (2) the loan transaction and collateral must be accurately represented, (3) reasonable judgment must be used and reasonable due diligence applied and (4) the risk associated with the loan transaction can be adequately priced.

Our underwriting requirements are designed to facilitate the assessment of mortgage default and foreclosure risk. The requirements in this Manual establish the boundaries of acceptable risk. The Manual provides a set of comprehensive underwriting requirements to ensure the likelihood that the borrower will be able to repay the loan. These requirements consider the following:

- Credit: The borrower’s willingness and ability to repay obligations (credit history).
- Capacity (Income): The stability and amount of the borrower’s income in relationship to the borrower’s obligations.
- Capital (Assets and Equity): The borrower’s total assets, savings history, reserves and investment into the property.
- Collateral (Property): The condition, marketability and value of the property.
- Economic and housing conditions present in the property’s market area.
- Loan transaction: Term, amortization type, adjustable versus fixed, documentation type, etc.

Arch MI is committed to insuring quality loans that make sense for everyone involved. When underwriting a loan, the overall risk of the loan should be considered. An individual risk factor within a loan file may not necessarily create an uninsurable risk, especially when compensating factors are present. However, a layering of risk factors within the loan file without offsetting compensating factors will generally increase the likelihood of foreclosure and create an uninsurable risk. We recognize that certain loans may fall outside Arch MI’s underwriting requirements but still represent an insurable risk. When this happens, the lender should submit the loan as a non-delegated submission. Arch MI will review the loan carefully to identify any compensating factors that may warrant an exception.

The lender is responsible for ensuring that the loan information provided within the MI submission is true and accurate. Misrepresentation or fraud presents a serious risk to the likelihood of loan repayment. The lender should have robust procedures in place to prevent misrepresentation and fraud from any party involved with the loan transaction.

Arch MI reserves the right to request additional information concerning the loan transaction.

1.02 Fair Housing and Equal Credit Opportunity Acts (March 1, 2017)

Arch MI believes in the fair treatment of all borrowers in accordance with applicable law. We operate in accordance with the provisions of the Fair Housing Act as well as the Equal Credit Opportunity Act (though this law is not directly applicable to Arch MI). The Fair Housing Act makes it unlawful to discriminate in housing-related activities against any person because of race, color, religion, national origin, sex, handicap or familial status. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided the applicant has the capacity to enter into a binding contract), receipt of public assistance or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

Arch MI fully supports the letter and the spirit of both of these laws and will not condone discrimination in any mortgage guaranty insurance transaction. It is our objective to help make home ownership affordable and attainable.

Our commitment to you and the housing finance industry is a responsibility we take seriously, as we work to encourage fair lending, open new markets, and expand our insurance services.

1.03 Compliance with Laws and Predatory Lending (January 24, 2024)

Each Covered Loan must comply with all applicable federal, state and local laws, regulations and ordinances regarding the origination, servicing, sale or purchase of residential mortgage loans, including, but not limited to, any applicable “fair lending” laws and including a duly diligent review to ensure that the borrower is not at the date of Commitment a “specially designated national” or “blocked person” as designated by the Department of Treasury’s Office of Foreign Assets Control.

1.03.01 Predatory Lending (March 1, 2020)

Each Covered Loan is not a “High-Cost Mortgage” under the Federal Truth in Lending Act and Regulation Z (15 USC §1601 et seq.; 12 CFR Part 1026), as the same may be amended from time to time, or subject to the Home Ownership and Equity Protection Act of 1994 (HOEPA) or any implementing regulations.

1.03.02 Contractual Interest Rate (March 1, 2020)

Each Covered Loan has a contractual rate of interest which does not exceed legal or regulatory maximums.

1.03.03 State-Sponsored Address Confidentiality Programs (January 24, 2024)

Arch MI supports participants in state-sponsored Address Confidentiality Programs (called “Safe at Home” in some states) and can accept applications from your borrowers who have a state-provided legal address to use as a substitute address for receiving mail.

These programs assist survivors of domestic violence, sexual assault, stalking or other crimes by providing them substitute addresses for their accounts to keep their actual physical addresses undisclosed.

If you have a new mortgage applicant and need to submit a request for insurance or an existing borrower who has notified you of their participation in a state-sponsored program, contact us at 1-877-642-4642.

Alternatively, you may submit notification and evidence of program participation (i.e., a state-provided program ID card or similar document) to us via email at uwcustomerservice@archmi.com.

If you need to notify us of a borrower’s “cancellation of” or “expiration of” their participation in an Address Confidentiality Program, use the contact number or email address provided above.

1.04 Submission Methods (January 20, 2023)

Arch MI has two submission methods for mortgage insurance applications: non-delegated submissions and delegated data submissions (delegated). Most of the underwriting requirements in this Manual apply to both delegated and non-delegated submissions. When the requirements are different for each submission method they will be clearly identified within the Manual.

Regardless of the submission method used, the lender is responsible for ensuring that the information provided is true and accurate. The lender is also responsible for notifying Arch MI of any data changes pertaining to the loan (including, but not limited to, loan terms, credit information, income, debts, appraisal, property value or loan amount).

Please see the details for each submission method below.

1.04.01 Non-Delegated Submissions (November 15, 2018)

For a non-delegated submission, the lender sends a copy of the entire loan underwriting file to Arch MI. With a non-delegated submission, certain underwriting requirements are more expansive than our delegated underwriting requirements (for example, loan amount and credit score requirements). Underwriting requirements that are more expansive for non-delegated submissions are clearly identified within the Manual.

If you have a loan you believe is an acceptable risk, but is outside our underwriting requirements, we encourage you to submit the loan non-delegated. Our experienced underwriting staff will evaluate the overall risk of the loan to determine its eligibility for insurance (items listed as ineligible within section 2 and those listed in the Ineligibility Matrix in section 3 are generally not available for exceptions).

With a non-delegated submission, our skilled underwriting team can weigh all of the individual risk characteristics and compensating factors. Therefore, you will have peace of mind knowing your loan received a comprehensive MI risk review and that the correct decision was made for both the lender and Arch MI.

If Arch MI conducts a non-delegated underwriting review and issues a conditional commitment or suspends or declines the loan for mortgage insurance, a delegated lender may not exercise its delegated authority to resubmit the loan.

1.04.02 Delegated Submissions (January 20, 2023)

Delegated is available to approved lenders. Our delegated option allows reporting of loan data only to Arch MI for mortgage insurance applications. With delegated, Arch MI issues an MI commitment and certificate based on the lender's representation that the loan meets Arch MI's underwriting requirements. As part of this option, the lender is responsible for errors and omissions that could otherwise be discovered with a non-delegated submission.

When submitting a loan via a delegated submission, no exceptions are allowed to the delegated underwriting requirements. Loans that do not meet the delegated underwriting requirements may meet the non-delegated underwriting requirements (see non-delegated submissions above).

If Arch MI conducts a non-delegated underwriting review and issues a conditional commitment or suspends or declines the loan for mortgage insurance, a delegated lender may not exercise its delegated authority to resubmit the loan.

The sections for which the underwriting requirements differ for delegated versus non-delegated submissions include:

- Section 1.05.02, Conditional Commitments — Requirements.
- Section 2.01, LTV/Loan Amount/Credit Score/DTI Requirements.
- Section 3.03.01, LTV/Loan Amount/Credit Score/DTI Requirements.
- Section 3.03.01.01, Jumbo Loans ($1,149,826 to $2,000,000).
- Section 3.06.02, Medical and Dental Professionals Program.
- Section 3.12.02.01, Non-Traditional Credit.
- Section 3.12.04.03, Prior Arch MI Claim.
- Section 3.14.03, Condominiums and Cooperatives (Co-ops).

Delegated submissions may be submitted to Arch MI via **CONNECT**, electronic data interchange (EDI) or a loan origination system (LOS).

Customers who use delegated may also elect to send non-delegated submissions to Arch MI.

If you are interested in applying for delegated, please contact your Arch MI Account Manager.

1.04.03 Origination Channel Definitions (October 7, 2019)

The following are Arch MI's origination channel definitions to be used when requesting a rate quote or submitting the MI application.

- **Retail:** Lenders that make loans to consumers directly and order the MI in their own names. The lender taking the mortgage loan application also orders the MI.
- **Correspondent:** Lender originates, processes and closes the loan. However, the MI is ordered by the lender/investor purchasing the loan, for example a non-delegated correspondent loan.
- **Wholesale:** A loan that involves a broker acting as intermediary between the consumer and wholesale lender. The broker takes the mortgage loan application, however, generally does not underwrite, fund or service the loan. MI is generally ordered by the lender/investor purchasing the loan; it is not ordered in the broker's name.

1.05 Commitment/Certificates (June 7, 2021)

1.05.01 Final Commitments (June 7, 2021)

1.05.01.01 Requirements (March 1, 2017)

To issue a final commitment, Arch MI requires that all pertinent information necessary to underwrite the mortgage loan be documented and verified (see section 3.05.01 for age of documentation requirements):

- Property address.
- Sales agreement.
- Appraisal or alternative as permitted within this Manual.
- Employment.
- Income.
- Assets.
- Credit.

1.05.01.02 Terms (August 17, 2019)

- The standard commitment term is 4 months.
- A 12-month commitment term will be issued for construction-to-permanent loans.

1.05.01.03 Extensions (June 7, 2021)

- Extensions to commitments are considered on a case-by-case basis. Please contact Servicing at ServicingReinstatements@archmi.com, or call 877-642-4642 (Option 3). Generally, if the mortgage loan does not close within the term of the commitment, a new application for mortgage insurance will be required. All current underwriting requirements and pricing in effect at the time of new application will apply.

1.05.01.04 Changes to Commitment (March 1, 2017)

- Any change to the loan information must be submitted to Arch MI. The new information will be evaluated based on the underwriting requirements in effect at the time of the change. The MI pricing will be updated based on the new loan information when applicable.

1.05.02 Conditional Commitments (November 15, 2018)

1.05.02.01 Requirements (January 4, 2018)

- Conditional commitments will not be issued for mortgage insurance applications submitted via delegated. All pertinent data must be transmitted in order for a commitment to be issued.
- For non-delegated submissions, conditional commitments may be issued for various reasons when material information or documentation is missing. Conditional commitments are most

commonly issued because of missing information or documentation relating to the collateral, sales agreement or appraisal.

- For files containing conditional commitments issued for a sales agreement or appraisal, the terms for continued eligibility for mortgage insurance depend on the property acceptability.
- If any condition received is materially different from the information presented on the original application, continued eligibility for mortgage insurance will be based on the underwriting requirements in effect at the time the condition is received.

1.05.02.02 Terms (January 4, 2018)

- 90 days, regardless of the construction status of the property.

1.05.02.03 Extensions (March 1, 2017)

- Extensions to conditional commitments are not allowed.

1.05.03 Pre-Qualification Underwriting Program[1] (November 15, 2018)

1.05.03.01 Requirements (November 15, 2018)

Arch MI's Pre-Qualification Underwriting program is designed to help both lenders and their borrowers determine creditworthiness and the maximum eligible mortgage amount. The MI application typically occurs prior to an offer to purchase a property. A file submitted for pre-qualification review should include all required credit documents. All Arch MI underwriting requirements apply, and a Pre-Qualification Notice is generated.

1.05.03.02 Terms (November 15, 2018)

- The Pre-Qualification Notice is effective for 120 days, is conditional and is not a commitment of insurance.

1.05.03.03 Extensions (November 15, 2018)

- Extensions to the Pre-Qualification Notice are not allowed. If additional information is not provided to Arch MI within the original term, a new application is required.

[1] *Available for loans submitted under an Arch MI Master Policy only.*

2. EZ Decisioning — Underwriting Requirements for Loans Underwritten with Desktop Underwriter (DU) or Loan Product Advisor (LPA)

The underwriting requirements in this section apply to our **EZ Decisioning**SM program.

Loans receiving one of the valid Desktop Underwriter® (DU®) or Loan Product Advisor® (LPASM) recommendations listed below are eligible for mortgage insurance when they meet the underwriting requirements outlined in this section. **Loans that meet all the requirements of this section may be submitted either delegated or non-delegated** (see section 1.04 for details) unless otherwise noted in section 2.01 below.

- DU Approve/Eligible or LPA Accept/Eligible.
- DU Approve/Ineligible with a minimum 620 credit score, or LPA Accept/Ineligible where the ineligibility is due to the following reasons **only**:
  - LTV for a 1-unit primary residence with an LTV 95.01% to 97%.
  - ARM plan/type. The ARM must have an initial fixed-rate period ≥ 5 years and all ARM requirements in 3.07.02, Adjustable-Rate Mortgages, of the Manual must be met.
  - None of the borrowers are first-time homebuyers.

  Note: Loans with an Approve/Ineligible or Accept/Ineligible recommendation are not allowed for loans with non-traditional credit or for which the subject property is a manufactured home.

Arch MI does not approve loans for mortgage insurance based **solely** on the Agency automated underwriting system (AUS) decision. When underwriting to the DU or LPA recommendation, the lender should perform prudent underwriting and risk assessment on each loan, reviewing all loan documentation to detect any potential red flags or inconsistent information which must be addressed. When the loan is submitted non-delegated, Arch MI's underwriters will also underwrite the loan file in this manner.

Loans that **do not** have one of the recommendations listed above or **do not** meet the requirements detailed in this section must meet all Standard Underwriting Requirements in section 3.

2.01 LTV/Loan Amount/Credit Score/DTI Requirements (June 28, 2024)

The following underwriting requirements represent general eligibility limits, used in combination with Arch MI's automated risk evaluation to determine MI eligibility for each loan. Layering of risk attributes may affect the eligibility of loans meeting the general requirements below; this layering will be evaluated when you request your MI rate quote and/or when you submit your loan for MI.

Eligible Loan Types	Fixed-Rate/Fixed-Payment, ARMs and Buydowns						
Occupancy	Transaction Type[1]	Property Type	Maximum LTV	Maximum CLTV	Maximum Loan Amount	Minimum Credit Score[2]	Maximum DTI
Primary Residence	Purchase and Rate/Term Refinance	1-Unit, SFD/SFA, Condos, Co-op, MH Advantage®/ CHOICEHome®[3]	97%	105%[4]	$766,550[5]	620[6]	50%
			95%	105%[4]	$766,551–$1,149,825		
		Manufactured Homes[3]	95%	105%[4]	$766,550[5]		
			95%	95%	$1,149,825		
		2-Unit	95%	100%[4]	$1,472,250		
		3-Unit	95%	95%	$1,186,350	660	
		4-Unit	95%	95%	$1,474,400		
Second Home		1-Unit, SFD/SFA, Condos, Co-ops	90%	90%	$1,149,825	620[6]	
		Manufactured Homes[3]	90%	90%	$1,149,825	620[6]	
Investment Property		1-Unit, SFD/SFA, Condos, Co-ops	85%	85%	$1,149,825	680	

[1] *Includes construction-to-permanent and renovation loans (renovation loans not allowed for manufactured homes).*

[2] *Non-traditional credit (a loan for which no borrower has a credit score) is allowed with a DU Approve/Eligible or LPA Accept/Eligible recommendation when the loan meets all Fannie Mae DU or Freddie Mac LPA requirements. The loan* ***must be submitted non-delegated****. Borrowers using non-traditional credit are ineligible when the lender submitting the MI application is located in WA.*

[3] *Manufactured homes with LTVs > 95% must meet Fannie Mae MH Advantage or Freddie Mac CHOICEHome eligibility requirements. All manufactured homes including MH Advantage and CHOICEHome must be submitted to Arch MI as a Manufactured Home. The following are ineligible for manufactured homes:*

- *Approve/Ineligible or Accept/Ineligible recommendations.*
- *Single-wide properties.*
- *Renovation loans.*
- *Investment properties.*

[4] *When the CLTV is greater than the maximum LTV, the subordinate financing must meet Fannie Mae's Community Seconds® or Freddie Mac's Affordable Seconds® requirements. The loan must be identified as an Affordable Housing loan within the MI submission.*

[5] *$1,149,825 for properties located in AK or HI.*

[6] *A credit score below 620 is permitted with a DU Approve/Eligible recommendation.*

2.02 Additional Underwriting Requirements (January 24, 2024)

<table>
<tr><th>Category</th><th>Underwriting Requirement (January 24, 2024)</th></tr>
<tr><td>DU and LPA Response</td><td>The final, valid DU Findings or LPA Feedback must be included in the loan file.
The loan must close according to the terms and conditions of the DU Findings or LPA Feedback.
The DU or LPA recommendation must be based on accurate data from the lender. The Agency’s resubmission tolerances are permitted for determining whether DU or LPA must be rerun; however, all data supplied to Arch MI must be the final, accurate data.
The DU or LPA recommendation must be based on the Agency’s published requirements.[2] Agency variances or waivers issued to a lender are ineligible without prior approval by Arch MI.
DU and LPA are not capable of evaluating certain aspects of the loan file. For those aspects unable to be evaluated by DU or LPA, the lender is responsible to ensure the Agency’s standard requirements, as listed in its Selling Guide, are met. Some examples of items not able to be evaluated by DU or LPA are listed below (not all inclusive):
Appraisal, property, occupancy intent, employment, income stability and continuance, large asset deposits and reserves for specific scenarios.</td></tr>
<tr><td>Appraisal</td><td>Lenders exercising their delegated authority are responsible for assessing the validity and accuracy of the appraisal report and ensuring the value is supported prior to delegation, including, but not limited to, adequacy of the comparables, property condition, market value and appraised value. This is regardless of any AUS response on the transaction. Numerous tools are available to lenders in the marketplace to assist in this assessment and Arch MI encourages their use. This is particularly important during times of market volatility or fluctuations, especially if there are any indications the subject property and/or comparable properties are located in an area of soft and/or declining property values.
A full Uniform Residential Appraisal Report (URAR), with interior and exterior inspections, is required, unless:
A desktop appraisal (Fannie Mae Form 1004 Desktop/Freddie Mac Form 70D) is offered by DU or LPA and the loan meets all the Agency eligibility requirements for the desktop appraisal offering.
If a URAR is obtained by the lender, the property value and all other information from the appraisal must be used, regardless of whether a desktop appraisal is offered and exercised.
An appraisal waiver or an appraisal waiver with a property data report (PDR) is offered by DU or LPA and exercised by the lender for a rate/term refinance transaction, 1-unit primary residence or second home, with a maximum 90%/90% LTV/CLTV.
When an appraisal waiver or appraisal waiver with PDR is exercised by the lender, the property value entered in DU or LPA will be used. All Fannie Mae value acceptance plus property data or Freddie Mac automated collateral evaluation plus PDR (ACE + PDR) requirements must be met. In addition, when an appraisal waiver with a PDR is exercised by the lender, the PDR must be retained in the file and submitted to Arch MI for all non-delegated submissions.
When the PDR is required to be upgraded to an appraisal per Fannie Mae or Freddie Mac requirements, Arch MI will accept an interior and exterior inspection hybrid appraisal reported on Form 1004 Hybrid/70H. All Fannie Mae or Freddie Mac hybrid appraisal requirements must be met.
If an appraisal is obtained by the lender, the property value and all other information from the appraisal must be used, regardless of whether an Appraisal Waiver is offered and exercised.
Fannie Mae’s Rural High-Needs Appraisal Waiver is ineligible.
Arch MI does not provide relief from representation of the property value based on the Agencies’ automated collateral evaluation tools. The lender must underwrite the appraisal to determine value is adequately supported.</td></tr>
</table>

[2] *Fannie Mae and Freddie Mac published guidelines are defined as guidelines outlined in the Agency Selling Guides available to all lenders without the need for a lender variance or amendment to lender’s Master Agreement.*

<table>
<tr><th>Category</th><th>Underwriting Requirement (January 24, 2024)</th></tr>
<tr><td>Ineligible</td><td>Assets:
Sweat equity is not allowed when:
The LTV is greater than 95%.
The loan is not a HomeReady®, Home Possible® or HeritageOne℠ loan.
The borrower does not contribute a minimum of 3% of their own funds towards the down payment (gifts/grants may not satisfy this amount).
Sweat equity exceeds 2% of the purchase price.
Borrower:
All borrowers without a Social Security number (SSN) are ineligible.
Borrowers who already have the maximum number of loans insured with Arch MI (see section 3.09.01.03) are ineligible.
Corporations, partnerships, syndications and irrevocable trusts are ineligible borrowers.
Loan Type:
Balloon mortgages.
Interest-only loans.
Loans with potential or scheduled negative amortization.
Loan-to-Value (LTV):
LTV ratios less than or equal to 80% for Borrower-Paid Mortgage Insurance (BPMI).
Property:
Single-wide manufactured homes.
Any property type ineligible for sale to the Agencies.
Property located outside the 50 United States and the District of Columbia (including Puerto Rico, Guam and the Virgin Islands).
Transaction:
Renovation Mortgages when the property is a manufactured home.
Cash-out refinance.
Fannie Mae High Loan-to-Value Refinance Option loans and Freddie Mac Enhanced Relief Refinance Mortgage® loans.
Loans with a prepayment penalty feature.</td></tr>
<tr><td>Other</td><td>Commitment/Certificate — See section 1.05 for requirements.
Financed MI — See section 3.03.02 for financed MI requirements.
Age of Documentation — See section 3.05.01 for requirements.
Affordable Housing — See section 3.06.01 for definition and identification requirements.
Construction-to-Permanent loans and Renovation Mortgages — See section 3.08.02.01 and section 3.08.03.01 for insurance activation options.
Corporate Relocation Loans — See section 3.08.04 for the definition and documentation requirements.
Closed Loans without a previous Arch MI commitment — See section 3.08.05 for eligibility and documentation requirements.
Prior Arch MI Claim — See section 3.12.04.02 for eligibility requirements.</td></tr>
</table>

2.03 Fannie Mae's RefiNow and Freddie Mac's Refi Possible (January 24, 2024)

Loans underwritten to Fannie Mae's RefiNow™ and Freddie Mac's Refi Possible℠ program requirements are eligible for insurance when:

- All Fannie Mae or Freddie Mac underwriting requirements for their programs are met.
- The loan being refinanced is insured by Arch MI.

No other Arch MI EZ Decisioning underwriting requirements apply.

- When submitting a loan for MI or requesting a rate quote you must enter the applicable program name, **RefiNow** or **Refi Possible,** in Arch MI's systems.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3. Standard Underwriting Requirements

The underwriting requirements in this section apply to all manually underwritten loans **and** any loan underwritten with DU or LPA that does not meet the underwriting requirements detailed in section 2. **The requirements in this section apply to both non-delegated and delegated submissions.** Most of the requirements for non-delegated and delegated are the same; however, when they differ it will be clearly identified. When a loan does not meet the requirements of this section, but you believe it is an acceptable risk, submit the loan non-delegated and we will evaluate the overall risk of the loan to determine its eligibility for insurance (unless the requirement not met is listed in the Ineligibility Matrix).

3.01 General Underwriting Requirements (January 4, 2018)

Arch MI uses a combination of its own specific underwriting requirements and the underwriting requirements of Fannie Mae and Freddie Mac (the Agencies). The information below describes how Arch MI's underwriting requirements work in combination with the Agencies' requirements.

- All Arch MI underwriting requirements listed in section 3 apply, regardless of the Agency requirements for manually or DU/LPA underwritten loans.
- When Arch MI's requirement in section 3 is more liberal than an Agency's requirement, the lender may choose to use the Agency's requirement in lieu of Arch MI's.
- When an item is not specifically addressed within section 3, it means that Arch MI aligns with the Agencies' published[3] underwriting requirements for that item as follows (see Fannie Mae Selling Guide and/or Freddie Mac Seller/Servicing Guide):
  - Arch MI aligns with the Agencies' AUS underwriting requirements when the loan is underwritten by DU or LPA.
  - Arch MI aligns with the Agencies' manual underwriting requirements when the loan is a manual underwrite (not underwritten by DU or LPA).
  - If the loan is a manual underwrite and is not being sold to Fannie Mae or Freddie Mac, either of the Agency underwriting requirements may be used.
  - When we align with the Agencies' requirements, a loan may use a combination of Fannie Mae and Freddie Mac requirements, regardless of whether the loan was underwritten with DU or LPA, or manually.
  - If the loan does not meet Arch MI requirements or the Agency requirements we align with, or includes items not addressed by either Arch MI or the Agencies, a non-delegated submission to Arch MI is required for consideration.
  - Lender programs containing underwriting requirements that do not meet Arch MI's requirements or the Agency requirements we align with require approval by Arch MI prior to submitting loans for mortgage insurance. This includes underwriting requirements received through an Agency variance.

[3] *Fannie Mae and Freddie Mac published guidelines are defined as guidelines outlined in the Agency Selling Guide available to all lenders without the need for a lender variance or amendment to lender's Master Agreement.*

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.02 Agency AUS Additional Underwriting Requirements (January 20, 2023)

3.02.01 DU and LPA Recommendations Other Than Approve/Eligible or Accept/Eligible (January 20, 2023)

Loans receiving one of the following DU or LPA recommendations are eligible for insurance when meeting all our Standard underwriting requirements.

- DU Approve/Ineligible.
- LPA Accept/Ineligible.
- DU Refer with Caution.
- LPA Caution.

3.02.02 DU and LPA Tolerances (March 1, 2017)

DU and LPAallow specific data tolerances for debt-to-income (DTI) ratios, assets, reserves, etc. For requirements within section 3 of this Manual that are dependent on the DU/LPA decision (such as documentation requirements and reserves), the Agencies' resubmission tolerances are permitted for determining whether DU or LPAmust be rerun; however, all data supplied to Arch MI must be the final accurate data.

3.03 LTV/Loan Amount/Credit Score/DTI Requirements (January 24, 2024)

Please see the applicable sections in the Manual for additional information.

The following LTV/Loan Amount/Credit Score/DTI underwriting requirements represent general eligibility limits, used in combination with Arch MI's automated risk evaluation to determine MI eligibility for each loan. Layering of risk attributes may affect the eligibility of loans meeting the general requirements below; this layering will be evaluated when you request your MI rate quote and/or when you submit your loan for MI.

Loans will be given consideration by Arch MI when the DTI ratio and/or credit score requirements indicated in the Manual are not met, provided:

- The DTI does not exceed the maximum DTI by more than 5 percentage points.
- The representative credit score for the loan is no more than 10 points below the required credit score and is not lower than 620.
- All other Arch MI underwriting requirements and the Agency requirements we align with are met.
- In some cases, a non-delegated submission may be required.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.03.01 Non-Delegated and Delegated Submissions (January 24, 2024)

<table>
<tr><th rowspan="2">Occupancy</th><th rowspan="2">Transaction Type</th><th rowspan="2">Property Type</th><th colspan="2">Maximum</th><th rowspan="2">Maximum Loan Amount</th><th rowspan="2">Minimum Credit Score</th><th rowspan="2">Maximum DTI</th></tr>
<tr><th>LTV</th><th>CLTV[1]</th></tr>
<tr><td rowspan="8">Primary Residence</td><td rowspan="7">Purchase and Rate/Term Refinance</td><td rowspan="3">1-Unit, SFD/SFA, Condos, Co-ops</td><td>97%[2]</td><td>105%[3]</td><td>$766,550[4]</td><td>620</td><td rowspan="11">45%</td></tr>
<tr><td>95.01%–97%[2]</td><td>97%[5]</td><td>$766,551–$1,149,825</td><td>620</td></tr>
<tr><td>95%</td><td>100%[3]</td><td>$766,551–$1,149,825</td><td>620</td></tr>
<tr><td>Manufactured Homes[6]</td><td>90%</td><td>90%</td><td>$766,550[4]</td><td>680</td></tr>
<tr><td>2-Unit</td><td>95%</td><td>100%[3]</td><td>$1,472,250</td><td>660</td></tr>
<tr><td>3-Unit</td><td>90%</td><td>90%[5]</td><td>$1,186,350</td><td>660</td></tr>
<tr><td>4-Unit</td><td>90%</td><td>90%[5]</td><td>$1,474,400</td><td>660</td></tr>
<tr><td>Cash-Out Refinance</td><td>1-Unit, SFD/SFA, Condos, Co-ops</td><td>95%</td><td>95%[5]</td><td>$1,149,825</td><td>660</td></tr>
<tr><td rowspan="2">Second Home</td><td rowspan="2">Purchase and Rate/Term Refinance</td><td>1-Unit, SFD/SFA, Condos, Co-ops</td><td>90%</td><td>90%[5]</td><td>$1,149,825</td><td>660</td></tr>
<tr><td>Manufactured Homes[6]</td><td>90%</td><td>90%[5]</td><td>$766,550[4]</td><td>700</td></tr>
<tr><td>Investment</td><td>Purchase and Rate/Term Refinance</td><td>1-Unit, SFD/SFA, Condos, Co-ops</td><td>85%</td><td>85%[5]</td><td>$1,149,825</td><td>680</td></tr>
<tr><td colspan="8">Construction-to-Permanent Loans</td></tr>
<tr><td rowspan="2">Primary Residence</td><td rowspan="4">Purchase and Rate/Term Refinance</td><td>1-Unit, SFD/SFA, Detached Condos</td><td>95%</td><td>95%[5]</td><td>$1,149,825</td><td>620</td><td rowspan="4">45%</td></tr>
<tr><td>Manufactured Homes[6]</td><td>90%</td><td>90%[5]</td><td>$766,550[4]</td><td>680</td></tr>
<tr><td rowspan="2">Second Home</td><td>1-Unit, SFD/SFA, Detached Condos</td><td>90%</td><td>90%[5]</td><td>$1,149,825</td><td>660</td></tr>
<tr><td>Manufactured Homes[6]</td><td>90%</td><td>90%[5]</td><td>$766,550[4]</td><td>700</td></tr>
<tr><td colspan="8">Renovation Loans</td></tr>
<tr><td rowspan="3">Primary Residence</td><td rowspan="3">Purchase and Rate/Term Refinance</td><td rowspan="2">1-Unit, SFD/SFA, Condos, Co-ops</td><td>95%</td><td>105%[3]</td><td>$766,550[4]</td><td rowspan="2">620</td><td rowspan="4">45%</td></tr>
<tr><td>95%</td><td>100%[3]</td><td>$766,551–$1,149,825</td></tr>
<tr><td>2-Unit</td><td>95%</td><td>100%[3]</td><td>$1,472,250</td><td>660</td></tr>
<tr><td>Second Home</td><td>Purchase and Rate/Term Refinance</td><td>1-Unit, SFD/SFA, Condos, Co-ops</td><td>90%</td><td>90%[5]</td><td>$1,149,825</td><td>660</td></tr>
<tr><td colspan="8">Continued on Next Page</td></tr>
</table>

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

Occupancy	Transaction Type	Property Type	Maximum LTV	Maximum CLTV[1]	Maximum Loan Amount	Minimum Credit Score	Maximum DTI
Loan Amounts $1,149,826–$2,000,000 for 1-Unit Properties[7]							
Primary Residence (Delegated)	Purchase and Rate/Term Refinance	1-Unit, SFD/SFA, Condos	85%	85%[5]	**$1,149,826–** $1,500,000[8]	740[9]	41%[9]
Primary Residence (Non-Delegated)	Purchase and Rate/Term Refinance	1-Unit, SFD/SFA, Condos	90%	90%[5]	**$1,149,826–** $1,500,000[8]	720[9]	43%[9]
			85%	85%[5]	$1,500,001– $2,000,000[8]	740[9]	43%[9]

[1] Subordinate financing requirements in section 3.03.03 must be met.
[2] Balloon mortgages are ineligible for LTVs > 95%.
[3] When the CLTV is greater than the maximum LTV, the subordinate financing must meet Fannie Mae's Community Seconds or Freddie Mac's Affordable Seconds requirements. The loan must be identified as an Affordable Housing loan within the MI submission.
*[4] **$1,149,825** for properties located in AK or HI.*
*[5] New subordinate financing is **ineligible**.*
[6] The following are ineligible for manufactured homes:

- *Single-wide properties.*
- *Renovation loans.*
- *Investment properties.*

See section 3.14.04 for specific requirements for manufactured home eligibility.
*[7] ARMs < 5 years, temporary buydowns, balloon mortgages, construction-to-permanent loans and renovation loans are **ineligible** for these loan amounts.*
[8] See section 3.03.01.01 for additional underwriting requirements for these loan amounts.
[9] The credit score and DTI variances described in section 3.03 above do not apply.

3.03.01.01 Loan Amounts $1,149,826–$2,000,000 for 1-Unit Properties — Additional Underwriting Requirements (January 24, 2024)

In addition to the underwriting requirements outlined elsewhere in this Manual, the following requirements apply to loan amounts of $1,149,826 to $2,000,000 for 1-unit properties.

- **Loan Type:**
  - **Ineligible**: ARMs with initial fixed-rate periods < 5 years, buydowns and balloon mortgages.
- **Documentation:**
  - For loan amounts > $1,250,000, a full Uniform Residential Appraisal Report (URAR), with interior and exterior inspections **and** either a third-party field review appraisal or a second full URAR with interior and exterior inspections are required.
  - The Agencies' manual underwriting documentation requirements for income and assets must be followed. In addition:
    - If a VOE is used to document income, it must be accompanied with a current paystub.
    - If a VOD is used to document assets, it must be accompanied with one month's bank statement.
- **Credit:**
  - All borrowers must have a credit score.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- If the borrower has a previous housing history (mortgage or rent), the most recent 12-months' history must be documented with no late payments. If the history is shorter than 12 months, the entire history must be documented.
- Foreclosures, deeds-in-lieu of foreclosure, pre-foreclosure sales (short sales), mortgage debt discharged through bankruptcy and charged-off mortgages require 7 years' seasoning from the completion date, and satisfactory re-established credit must be verified.
- Bankruptcies require 7 years' seasoning from the discharge or dismissal date, and satisfactory re-established credit must be verified.
- 4 years' seasoning required from the completion date of credit counseling due to derogatory credit.
- Open judgments, garnishments and all outstanding liens (including tax liens) must be paid off at or prior to closing.
- Borrowers with collections and charge-offs of non-mortgage accounts are considered on a case-by-case basis.

- **Assets:**
  - All funds must come from the borrower's own funds. Gifts/grants are **ineligible**.
  - Employer assistance programs and trade equity may not be used as a source of assets.
  - Maximum interested-party contribution: 3%.
- **Property:**
  - Maximum condominium investor concentration: 30% (for both established and new projects).
  - **Ineligible:**
    - Co-ops.
    - Manufactured homes.
    - Modular, panelized and prefabricated homes.
    - Geodesic homes.
    - Group homes.
    - Log homes.
    - Properties with resale (deed) restrictions.
- **Borrower:**
  - **Ineligible:**
    - Non-occupant co-borrower/co-signer.
    - Non-permanent residents.
- **Transaction Type:**
  - **Ineligible:**
    - Cash-out refinance.
    - Construction-to-permanent loans.
    - Renovation mortgages.
    - Installment land contracts.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.03.02 Financed MI (March 1, 2022)

The underwriting requirements for a loan with financed MI are determined using the base LTV and base loan amount (the LTV and loan amount before the financed MI is added to the loan amount).

- The base LTV (before financed MI) cannot exceed the applicable maximum LTV for the transaction.
- The gross LTV, which includes the base loan amount and the financed MI, cannot exceed 103%.
- The base loan amount (before financed MI) cannot exceed the applicable maximum loan amount for the transaction.

3.03.03 Subordinate Financing and CLTV (January 24, 2024)

3.03.03.01 New Subordinate Financing (January 24, 2024)

Transactions with new subordinate financing are eligible for insurance when meeting all of the following requirements. Other than DTI ratio, no exceptions to these requirements are allowed, including the credit score. The DTI ratio variance of 5 percentage points addressed in **section 3.03** may be considered.

- **LTV/Loan Amount/Credit Score/DTI Requirements:**

Occupancy	Transaction Type	Property Type	Maximum		Maximum Loan Amount	Minimum Credit Score	Maximum DTI
			LTV	CLTV[1]			
Primary Residence (only)	Purchase and Rate/Term Refinance	1-Unit, SFD/SFA, Condos, Co-ops	97%	105%	**$766,550[2]**	620	45%
			95%	100%	**$766,551–$1,149,825**	620	
		Manufactured Homes	90%	90%	**$766,550[2]**	680	
		2-Unit	95%	100%	**$1,472,250**	660	

[1] *When the CLTV is greater than the maximum LTV, the subordinate financing must meet Fannie Mae's Community Seconds or Freddie Mac's Affordable Seconds requirements. The loan must be identified as an Affordable Housing loan within the MI submission.*
[2] ***$1,149,825** for properties located in AK or HI.*

- **Ineligible:**
  - 3–4-unit properties.
  - Second homes.
  - Investment properties.
  - Cash-out refinance loans.
  - Balloon mortgages.
  - Construction-to-permanent loans.

3.03.03.02 Existing Subordinate Financing (January 24, 2024)

3.03.03.02.01 Rate/Term Refinance (January 24, 2024)

For a rate/term refinance transaction, the existing subordinate financing may be re-subordinated when the following requirements are met.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

CLTV does not exceed the Maximum LTV for the Transaction Type:

When the CLTV does not exceed the maximum LTV per the transaction type (see the grid in **section 3.03.01)**, all occupancy types, property types and loan amounts are eligible.

CLTV exceeds the Maximum LTV for the Transaction Type:

The following requirements apply when the CLTV exceeds the maximum LTV per the transaction type (see the grid in **section 3.03.01**). Other than DTI ratio, no exceptions to these requirements are allowed, including the credit score. The DTI ratio variance of 5 percentage points addressed in **section 3.03** may be considered.

- The subordinate financing must meet Fannie Mae's Community Seconds or Freddie Mac's Affordable Seconds requirements. The loan must be identified as an Affordable Housing Loan within the MI submission.
- **LTV/Loan Amount/Credit Score/DTI Requirements:**

Occupancy	Transaction Type	Property Type	Maximum LTV	Maximum CLTV	Maximum Loan Amount	Minimum Credit Score	Maximum DTI
Primary Residence (only)	Rate/Term Refinance (only)	1-Unit, SFD/SFA, Condos, Co-ops	97%	105%	**$766,550**[1]	620	45%
			95%	100%	**$766,551–$1,149,825**	620	
		2-Unit	95%	100%	**$1,472,250**	660	

[1] ***$1,149,825*** *for properties located in AK or HI.*

- The loan must be identified as an Affordable Housing loan within the MI submission.
- **Ineligible:**
  - 3–4-unit properties.
  - Second homes.
  - Investment properties.
  - Cash-out refinance loans.
  - Balloon mortgages.
  - Construction-to-permanent loans.
  - Manufactured homes.

3.03.03.02.02 Cash-Out Refinance (March 1, 2017)

For cash-out refinance transactions, the existing subordinate financing may be re-subordinated. The CLTV may never exceed the maximum LTV per the transaction type (see section 3.03.01).

3.03.04.03 CLTV — Definition (March 1, 2017)

The following is Arch MI's definition of CLTV:

- CLTV is the equivalent of all other acronyms (i.e., HCLTV, TLTV, etc.) used to describe the ratio of the combined loan amounts for the first-lien and subordinate lien(s) secured by the subject property, whether drawn or not, to the lesser of the sales price or appraised value.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- Example: A property is being refinanced with an appraised value of $140,000. The borrower obtains a first-lien mortgage of $120,000, and an existing Home Equity Line of Credit with an available line of $10,000 and a balance of $5,000 is re-subordinated.

Determining the CLTV:	
First lien	$120,000
Plus total available line from Home Equity Line of Credit	+ $10,000
Total liens secured by the subject property	$130,000
CLTV = ($130,000 ÷ $140,000)	92.86%

3.04 Ineligibility Matrix (January 20, 2023)

The following are **ineligible** for insurance with Arch MI. Please see the individual sections of the Manual for additional information:

Category	Ineligible Item (January 20, 2023)
Amortization	▪ Interest-only loans. ▪ Loans featuring negative amortization (potential or scheduled).
Appraisal/Property	▪ Single-wide manufactured homes. ▪ Any property type **ineligible** for sale to the Agencies. ▪ Properties located outside the 50 states and the District of Columbia (including Puerto Rico, Guam and the Virgin Islands). ▪ Property with a Condition Rating of C5, C6, Fair or Poor; when the appraisal is not made subject to the repairs which would improve the property to an acceptable rating. ▪ Property with a Quality Rating of Q6 indicated on the appraisal.
Assets	▪ 3–4-unit or investment properties for which funds for the transaction are coming from a source other than the borrower's own funds. ▪ Cash on hand. ▪ Sweat equity.
Borrower	▪ Borrowers without a Social Security number (SSN). ▪ Borrowers with an individual tax identification number (ITIN). ▪ Borrowers that are corporations, partnerships, syndications or irrevocable trusts.
Credit	▪ Credit scores lower than 620. ▪ A loan in which all borrowers are unable to document established credit (via traditional or non-traditional credit requirements).
Credit Report	▪ Foreign credit reports.
Debt-to-Income Ratio	▪ Debt-to-income ratios greater than 50%.
Documentation	▪ Limited documentation loans (loans in which income, employment and/or assets are not verified). ▪ Streamlined refinance or purchase transactions.
Income	▪ Rental income from the subject second home.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

Category	Ineligible Item (January 20, 2023)
Interested-Party Contribution – Payment Abatements	▪ Loans with payment abatements of any type are **ineligible** for insurance. ▪ **Note:** The payment of up to 12 months of HOA fees is not considered an abatement and is an acceptable financing concession.
Loan Amount	▪ Loan amounts higher than $2,000,000.
Loan-to-Value (LTV)	▪ LTV ratios higher than 97%. ▪ LTV ratios less than or equal to 80% for Borrower-Paid Mortgage Insurance (BPMI).
Pre-Payment Penalty	▪ Loans with a prepayment penalty feature.
Transaction	▪ Construction-only loans.

3.05 Documentation Requirements (January 20, 2023)

3.05.01 Age of Documentation (January 20, 2023)

- **Appraisal:**
  - At the time of submission to Arch MI for underwriting, the appraisal must be dated within 120 days; otherwise, a recertification of value is required. However, if the property is appraised “subject to completion,” the lender will be responsible for obtaining the recertification of value prior to the Note Date and the document must be retained in the loan file.
  - The appraisal must be dated within 120 days of the Note Date. Appraisals older than 120 days up to 12 months require a recertification of value.
    - The recertification of value must be no more than 120 days old on the Note Date.
    - If the recertification of value indicates a decline in value, a new, full URAR with interior/exterior inspection is required.
- The appraisal cannot be more than 12 months old on the Note Date. Recertification of value is not acceptable for appraisals older than 12 months; a new, full URAR with interior/exterior inspection is required.
- **Credit Documents:**
  - Credit documents include credit reports and employment, income and asset documentation. For all mortgage loans (existing and new construction), the credit documents must be no more than 120 days old on the Note Date.
  - When consecutive credit documents are in the loan file, the most recent document is used to determine whether it meets the age requirement. For example, when two consecutive monthly bank statements are used to verify a depository asset, the date of the most recent statement must be no more than 120 days old on the Note Date.
  - If the credit documents are older than allowed, the lender must update them.
- **Single-Close Construction-to-Permanent Loans:**
  - For this transaction type there is only one Note Date, therefore the conversion/modification date is not applicable to the age of documentation. If the lender updates documentation prior to activating the mortgage insurance (for example, to satisfy Agency requirements), any material differences discovered must be reported to Arch MI per the Master Policy requirements.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- **Properties Located in FEMA-Declared Disaster Areas:**
  - When the subject property is located in a FEMA-declared disaster area, all age of documentation requirements listed as "no more than 120 days old on the Note Date" will be expanded to "no more than 180 days old on the Note Date."

3.05.02 Required Documentation **(March 1, 2017)**

Arch MI requires documentation to verify the following:

- The loan transaction.
- The AUS findings/feedback report.
- The borrower's credit history.
- The value of the property.
- The terms of the sale (purchase transaction only).
- The borrower's employment and income.
- The borrower's assets and equity.

3.05.03 Documentation Requirements for All Loans (Manually or Agency AUS Underwritten) **(January 24, 2024)**

(Also see Additional Requirements for AUS Agency Underwritten Loans below.)

- **Appraisal:**
  - A full Uniform Residential Appraisal Report (URAR), with interior and exterior inspections, is required, unless:
    - A desktop appraisal is offered by DU or LPA and exercised by the lender for a purchase transaction of a 1-unit primary residence.
      - When a desktop appraisal is exercised by the lender, all Fannie Mae or Freddie Mac desktop appraisal requirements must be met.
      - If a URAR is obtained by the lender, the property value and all other information from the appraisal must be used, regardless of whether a desktop appraisal is offered and exercised.
    - An appraisal waiver or an appraisal waiver with a property data report (PDR) if offered by DU or LPA and exercised by the lender for a rate/term refinance transaction, 1-unit primary residence or second home, with a maximum 90%/90% LTV/CLTV.
      - When an appraisal waiver or appraisal waiver with PDR is exercised by the lender, the property value entered in DU or LPA will be used. All Fannie Mae value acceptance plus property data or Freddie Mac automated collateral evaluation plus PDR (ACE + PDR) requirements must be met. In addition, when an appraisal waiver with PDR is exercised by the lender, the PDR must be retained in the file and submitted to Arch MI for all non-delegated submissions.
      - When the PDR is required to be upgraded per Fannie Mae or Freddie Mac requirements, Arch MI will accept an interior and exterior inspection hybrid appraisal on Form 1004 Hybrid/70H. All Fannie Mae or Freddie Mac hybrid appraisal requirements must be met.
      - If an appraisal is obtained by the lender, the property value and all other information from the appraisal must be used, regardless of whether an appraisal waiver is offered and exercised.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

    - All other valuation methods are **ineligible**, including Fannie Mae's Rural High-Needs Appraisal Waiver.
  - For 1-unit properties with loan amounts greater than $1,250,000, a third-party field review appraisal or a second full URAR with interior and exterior inspections is also required.
  - Arch MI does not provide relief from representation of the property value based on the Agencies' automated collateral evaluation tools. The lender must underwrite the appraisal to determine value is adequately supported.
  - Appraisals originally prepared for FHA financing will be accepted subject to the following:
    - The appraisal must be completed on a standard Fannie Mae or Freddie Mac appraisal form.
    - When the appraisal is completed subject to repairs and/or alterations, Arch MI will require that all repairs and alterations are completed.
- **Verification of Employment/Income:**
  - For 1-unit properties with loan amounts greater than $1,149,825, the Agencies' manual documentation requirements for income must be followed, and, when a VOE is used to document income, it must be accompanied with a current paystub.
  - Executed employment contracts, confirmation letters and offer letters:
    - Executed employment contracts, confirmation letters or offer letters may be used as verification of employment and income when the requirements below are met. Confirmation or offer letters are generally used when the employer does not use a contract when hiring a new employee; they provide confirmation of the terms of employment and acceptance by the borrower.
      - The contract, confirmation letter or offer letter must provide the employment and income information required when using the standard forms of employment/income verification (e.g., start date, position or salary).
      - The contract, confirmation letter or offer letter must be accepted by the borrower.
      - The lender must obtain a Verbal VOE verifying the authenticity of the contract or confirmation letter.
      - For borrowers scheduled to start their new employment prior to closing, the lender must verify with the employer that the borrower has started.
      - For borrowers starting their new employment post-closing, the loan must meet one of the following:
        - Freddie Mac's post-close employment requirements in section 5303.2(e) of its Seller/Servicing Guide.
        - Fannie Mae's Employment Offers and Contracts requirement in section B3-3.1-09 of its Selling Guide.
        - Arch MI's Medical and Dental Professionals program requirements (see section 3.06.02).
  - IRS transcripts:
    - IRS transcripts are generally not required but may be requested by Arch MI based on our review of the income documentation presented in the application.
      - When a lender has acquired the IRS transcripts prior to the application for mortgage insurance, a copy of the transcripts must be provided.

- Additionally, transcripts must be provided if acquired by the lender when Arch MI requests a copy of the loan file for quality assurance purposes.
- Any discrepancy between the loan file income documentation and the transcript information must be appropriately explained and documented. If the transcripts do not support the income documentation provided, and the discrepancies cannot be adequately explained and documented, the loan is **ineligible** for mortgage insurance. The IRS transcript(s) and any subsequent explanation or documentation of discrepancies must be permanently retained in the lender's loan file.

- **Verification of Assets:**
  - For 1-unit properties with loan amounts greater than $1,149,825, the Agencies' manual documentation requirements for assets must be followed, and, when a VOD is used to document assets, it must be accompanied with one month's bank statement.
- **Sales Contract/Offer to Purchase and Addenda:**
  - Final, signed copies of the contract/offer and addenda are required.

3.05.04 Additional Documentation Requirements for Agency AUS Underwritten Loans (October 7, 2019)

In addition to the documentation requirements above, the following requirements apply when DU/LPA underwriting is used for the final underwriting decision.

- **All Agency AUS–Underwritten Loans:**
  - Documentation efficiencies granted by DU or LPA for loans receiving an "Ineligible" purchase decision:
    - Allowed when the only reason for the ineligible purchase decision is the absence of first-time home buyers on the loan.
    - Are not accepted when the loan receives an ineligible purchase decision for any other reason. Documentation requirements for a manual underwrite apply.
  - A minimum one month's bank statement is required when Arch MI requires reserves and reserves are not being required by DU or LPA.
- Fannie Mae High Loan-to-Value Refinance Option loans and Freddie Mac Enhanced Relief Refinance^{SM} Mortgage loans submitted for new insurance as a rate/term refinance must follow the manual underwriting documentation requirements. (When Arch MI insures the existing loan, it is recommended these loans be submitted as a modification to the existing certificate to Arch MI's Servicing department.)

3.06 Products and Programs (January 20, 2023)

3.06.01 Affordable Housing — Including Housing Finance Agency (HFA) Loans (March 1, 2017)

Affordable housing loans must meet all Arch MI underwriting requirements. We allow a higher combined loan-to-value ratio for 1–2 unit primary residences when the subordinate financing meets Fannie Mae's Community Seconds or Freddie Mac's Affordable Seconds requirements. See section 3.03.03, Subordinate Financing, for complete requirements.

The following are considered affordable housing loans **and must be identified as such within the MI submission:**

- Fannie Mae HomeReady loans.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- Freddie Mac Home Possible Mortgage loans.
- HFA loans (first-lien mortgages originated under a state or local housing finance agency program).
  The loan must be identified as an HFA loan within the MI submission.
- Other loan programs that include community assistance (grants, gifts, Community Seconds, Affordable Seconds, etc.) for first-time home buyers or low- to moderate-income borrowers.
- Loans originated under a lender's Community Reinvestment Act (CRA) program.

3.06.02 Medical and Dental Professionals Program (January 24, 2024)

Arch MI offers expanded underwriting requirements for medical and dental professionals with high debt-to-income (DTI) ratios due to student loans and/or employment beginning post-closing when the following requirements are met. A 100% LTV option is available.

If an eligible borrower for the Medical and Dental Professionals program qualifies under our EZ Decisioning or Standard Underwriting Requirements, the requirements in this section do not apply.

3.06.02.01 Reduced Coverage Medical and Dental Professionals Program (January 24, 2024)

- **MI Pricing and Coverages Available**
  - RateStar® pricing, Lender-Paid MI (LPMI) Singles only.
    - Available Coverage:
      - 97.01%–100% LTV — 12%.
      - 95.01%–97% LTV — 8%.
      - 90.01%–95% LTV — 6%.
    - MI coverage will be terminated by Arch MI upon the earlier of the scheduled or actual amortization of the loan amount down to an LTV less than 90%.
      - Prior to participation in the program, the lender must execute an acknowledgement form directing Arch MI to cancel coverage at the designated LTV level. Please contact your Account Manager to obtain the form.
  - This program is not available for lenders with home offices in the following states: AK, HI, NY, OH and WA.
  - This program is designed for portfolio lenders only as the reduced coverage and early cancellation of coverage does not meet Agency MI requirements.
- **General Information**
  - When submitting a loan for MI or requesting a rate you **must** enter the program name: **Reduced Coverage Medical/Dental Program.**
  - Other than the DTI ratio or credit score variances indicated in the grid below, **no exceptions** to the following requirements are allowed.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- **Reduced Coverage Medical and Dental Professionals Program LTV/Loan Amount/Credit Score/DTI Requirements:**

Reduced Coverage Medical and Dental Professionals Program LTV/Loan Amount/Credit Score/DTI Requirements							
RateStar Pricing Only							
Occupancy	**Transaction Type[1]**	**Property Type**	**LTV**	**Maximum Loan Amount**	**Minimum Credit Score[2]**	**Maximum DTI[2]**	**PITIA Reserves[3]**
Primary Residence (only)	Purchase and Rate/Term Refinance	1-Unit, SFD/SFA, Condos, Co-ops	97.01%–100%[4] **Non-Delegated Only**	$650,000	720	43%	2 Months
				$650,001–$850,000	740		
			90.01%–97%	**$850,000**	620	45%	2 Months
				$850,001–$1,000,000	680		
			90.01%–95%	**$1,000,001–$1,250,000[4]**	700	45%	6 Months

[1] Construction-to-permanent and renovation loans are also included.
*[2] The 5% DTI variance and 10-point credit score variance as addressed in section 3.03 of the Underwriting Manual are allowed for LTVs ≤ 97% and loan amounts ≤ $**1,149,825** only.*
[3] See Additional Reserves below.
*[4] Construction-to-permanent loans and renovation loans are ineligible for LTVs > 97% and loans amounts > **$1,149,825**.*

- **Additional Underwriting Requirements:**
  - The additional underwriting requirements in section 3.06.02.03 apply.

3.06.02.02 Standard Medical and Dental Professionals Program (January 24, 2024)

- **General Information**
  - Both RateStar and Rate Card pricing are available for this program including:
    - Borrower-Paid MI (BPMI) and LPMI.
    - All coverage levels offered by Arch MI.
    - All plans offered by Arch MI, for example — monthly, annual, singles.
    - Available in all 50 states and the District of Columbia.
  - When submitting a loan for MI or requesting a rate you **must** enter the program name: **Standard Medical/Dental Program.**
  - Other than the DTI ratio or credit score variances indicated in the grid below, **no exceptions** to the following requirements are allowed.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- **Standard Medical and Dental Professionals Program LTV/Loan Amount/Credit Score/DTI Requirements:**

<table>
<tr><th colspan="8">Standard Medical and Dental Professionals Program
LTV/Loan Amount/Credit Score/DTI Requirements</th></tr>
<tr><th colspan="8">RateStar and Rate Card Pricing</th></tr>
<tr><th>Occupancy</th><th>Transaction Type[1]</th><th>Property Type</th><th>Maximum LTV</th><th>Maximum Loan Amount</th><th>Minimum Credit Score[2]</th><th>Maximum DTI[2]</th><th>PITIA Reserves[3]</th></tr>
<tr><td rowspan="6">Primary Residence (only)</td><td rowspan="6">Purchase and Rate/Term Refinance</td><td rowspan="6">1-Unit, SFD/SFA, Condos, Co-ops</td><td>97%</td><td>$850,000</td><td>620</td><td rowspan="3">45%</td><td rowspan="3">2 Months</td></tr>
<tr><td>90.01%–97%</td><td>$850,001–
$1,000,000</td><td>680</td></tr>
<tr><td>80.01%–90%</td><td>$850,001–
$1,000,000</td><td>620</td></tr>
<tr><td>95%</td><td>$1,000,001–
$1,250,000[4]</td><td>700</td><td>45%</td><td>6 Months</td></tr>
<tr><td>90%
Non-Delegated Only</td><td>$1,250,001–
$1,650,000[4]</td><td>720</td><td>43%</td><td>9 Months</td></tr>
<tr><td>85%
Non-Delegated Only</td><td>$1,650,001–
$2,000,000[4]</td><td>740</td><td>43%</td><td>12 Months</td></tr>
</table>

[1] Construction-to-permanent and renovation loans are also included.

*[2] The 5% DTI variance and 10-point credit score variance as addressed in section 3.03 of the Underwriting Manual are allowed for loan amounts ≤ **$1,149,825** only.*

[3] See Additional Reserves below.

*[4] Construction-to-permanent loans and renovation loans are ineligible for loan amounts > **$1,149,825**.*

- **Additional Underwriting Requirements:**
  - The additional underwriting requirements in section 3.06.02.03 apply.

3.06.02.03 Additional Underwriting Requirements (January 24, 2024)

- **Eligible Professions:**

  Borrowers who are currently practicing (or who will begin practicing within 90 days of closing) one of the eligible professions below and meet all program requirements are eligible for the exclusion of deferred student loan payments from the DTI ratio calculation and/or employment to begin post-closing.

  - Medical resident.
  - Medical fellow.
  - Medical doctor (MD).
  - Doctor of Dental Surgery (DDS).
  - Doctor of Dental Medicine (DMD).
  - Doctor of Optometry (OD).
  - Doctor of Ophthalmology (MD).

        - Doctor of Podiatric Medicine (DPM).
        - Doctor of Osteopathy (DO).
        - Pharmacist (RPH).
        - Chiropractor (DC).
        - Doctor of Veterinary Medicine (DVM).
    - **Student Loan Debt:**

      Student loan debt belonging to the borrower with the eligible profession may be excluded from the DTI calculation with documentation to evidence deferment or forbearance for at least 12 months after the MI application date.

        - **Medical resident only:** Medical residents with a minimum of 6-months' residency remaining may use the alternative documentation listed below as evidence the student loan will be in deferment for at least 12 months:
            - Letter from employer verifying the medical resident's start date, or
            - Letter from the employer verifying at least 6-months' residency remaining.
    - **Post-Closing Employment Start Date:**

      Employment for the borrower with the eligible profession may begin up to 90 days after loan closing when:

        - A non-contingent, fully executed (accepted) employment contract or offer letter is documented in the loan file.
        - A verbal VOE has been conducted to confirm authenticity of the employment documentation prior to closing.
    - **Minimum Borrower Contribution:**
        - 97%–100% LTV — No minimum contribution required.
        - 3% for loan amounts up to $850,000.
            - Gifts/grants may be used to satisfy the minimum borrower contribution when all of the following are met:
                - Maximum $850,000 loan amount.
                - Minimum 740 credit score.
                - Maximum 41% DTI.
                - Fixed-rate/fixed-payment or ARMs greater than 5 years only.
        - 5% for loan amounts greater than $850,000.
    - **Additional Reserves**:
        - When employment **begins post-closing**, the following additional reserve requirement applies:
            - Reserves are required for each month after the Note date until employment begins.
    - **Other Requirements:**
        - All borrowers must have a credit score.
        - Construction-to-permanent loans and renovation loans:
            - Maximum 97% LTV.
            - Maximum $1,149,825 loan amount.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- All other Arch MI Standard Underwriting Requirements in section 3 of the Manual apply.
- **Ineligible**:
  - DU and LPA documentation efficiencies. Manual documentation required.
  - Non-occupant borrowers.
  - Subordinate financing.
  - EZ Decisioning requirements.
  - Manufactured homes.

3.07 Loan Types (January 24, 2024)

3.07.01 Fixed-Rate/Fixed-Payment Mortgages (January 20, 2023)

Fixed-rate/fixed-payment loans are fully amortizing and do not contain any provisions for rate or payment adjustments.

3.07.02 Adjustable-Rate Mortgages (ARMs) (January 24, 2024)

3.07.02.01 Amortization Type (March 1, 2017)

- Only positively amortizing ARMs are eligible.
- Loans that allow for interest-only payments or negative amortization are **ineligible**.

3.07.02.02 Maximum Loan Amount (January 24, 2024)

- ARM with an initial fixed-rate period of 5 years or longer: $2,000,000.
- ARM with an initial fixed-rate period of less than 5 years: $1,149,825.

3.07.02.03 Minimum Qualifying Rate (March 1, 2017)

- ARM with an initial fixed-rate period of 5 years or shorter: Note Rate plus 2%.
- ARM with an initial fixed-rate period greater than 5 years: Note Rate.

3.07.02.04 Maximum Caps (March 1, 2017)

An ARM cap is defined as the amount the interest rate may change in a specified period of time.

- Initial cap:
  - Maximum 1% for an ARM with initial fixed-rate period < 1 year.
  - Maximum 2% for an ARM with initial fixed-rate period from 1 year to < 3 years.
  - Maximum 3% for an ARM with initial fixed-rate period from 3 years to < 5 years.
  - Maximum 6% for an ARM with initial fixed-rate period 5 years or greater.
- Periodic cap:
  - Maximum 1% when the time period is < 1 year.
  - Maximum 2% when the time period is from 1 year to < 3 years.
  - Maximum 3% when the time period is from 3 years to < 5 years.
  - Maximum 6% when the time period is for 5 years or greater.
- Lifetime cap:
  - Maximum 6%.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.07.02.05 Interest Rate Adjustment Periods (March 1, 2017)

- The minimum initial fixed-rate period or any subsequent interest rate adjustment period is 6 months. There are no maximum interest rate adjustment periods.

3.07.02.06 Maximum Basis Point Spread (March 1, 2017)

Difference between the initial interest rate of an ARM and the FIAR (Fully Indexed Accrual Rate) at time of closing:

- 300 basis points.

3.07.03 Temporary Interest-Rate Buydowns (January 24, 2024)

3.07.03.01 Maximum Loan Amount (January 24, 2024)

- Non-delegated and delegated submissions: $1,149,825.

3.07.03.02 Minimum Qualifying Rate (November 15, 2018)

- Fixed-rate loans: Note Rate.
- ARM with an initial fixed-rate period of 5 years or shorter: Note Rate plus 2%.
- ARM with an initial fixed-rate period greater than 5 years: Note Rate.

3.07.03.03 Additional Restrictions (March 1, 2017)

- Maximum 2–1 buydown for ARMs with an initial fixed-rate period of less than 5 years.

3.07.04 Balloon Mortgages (January 24, 2024)

3.07.04.01 Amortization (January 20, 2023)

- Balloon payment loans have periodic, level installments of principal and interest that do not fully amortize the loan over the loan term. The balance of the mortgage is due in lump sum at the end of the term.

3.07.04.02 Loan Type (March 1, 2017)

- Fixed-rate/fixed-payment only.

3.07.04.03 Maximum LTV (March 1, 2017)

- 95% LTV.

3.07.04.04 Maximum Loan Amount (January 24, 2024)

- Non-delegated and delegated submissions: $1,149,825.

3.07.04.05 Minimum Balloon Term (March 1, 2017)

- 5 years.

3.07.04.06 Additional Restrictions (March 1, 2017)

- New subordinate financing is **ineligible**.

3.07.05 Biweekly Mortgages (June 7, 2021)

A biweekly mortgage is a mortgage for which a biweekly payment is mandatory per the Note or Rider **and** will continue throughout the life of the loan. Biweekly mortgages are eligible for insurance with Arch MI.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.07.05.01 Term (March 1, 2017)

- The term used should be the term as defined in the Note and/or Rider incorporating the biweekly payment.

3.07.05.02 Monthly Principal and Interest Payment (P&I) (March 1, 2017)

- The monthly P&I payment used to calculate the DTI should be the biweekly P&I converted to a monthly P&I (Monthly P&I = Biweekly P&I x 26/12).

3.07.06 Maximum Term (March 1, 2017)

- Fixed-rate/fixed-payment and ARMs with initial fixed-rate period 5 years or longer: 40 years.
- ARMs with initial fixed-rate period less than 5 years, temporary interest-rate buydowns and balloon mortgages: 30 years.

3.08 Transaction Type (January 20, 2023)

3.08.01 Refinance Transactions (June 7, 2021)

3.08.01.01 Rate/Term Refinance[4] (June 7, 2021)

Arch MI aligns with the Agencies' requirements for rate/term refinances except for the following:

- Cash back to the borrower may not exceed the lesser of 2% of the new refinance loan amount or $2,000. If the borrower receives cash back in excess of this amount, the loan will be considered a cash-out refinance.
- Refinance transactions paying off a first-lien mortgage and a non-purchase money subordinate lien seasoned for a minimum of 12 months will be considered a rate/term refinance.
  - The 12-months' seasoning will be measured from the Note date of the existing subordinate lien to application date of the new loan.
  - If the subordinate lien is a Home Equity Line of Credit (HELOC), total draws within the last 12 months may not exceed $2,000. A loan history is required for the last 12 months to document the total draws.
- Payoff of an unseasoned, non-purchase money subordinate lien documented to be used entirely for home improvements. The applicable requirements for a renovation rate/term refinance loan in section 3.03.01 and section 3.08.02 must be met.
  - All improvement costs must be documented.
  - The appraisal must confirm that the improvements documented by the borrower have been completed.
- **Ineligible:**
  - Properties currently listed for sale.

3.08.01.02 Cash-Out Refinance (March 1, 2017)

- 1-unit primary residence only.

[4] Loans not meeting rate/term refinance eligibility may be considered under Arch MI's Refinance-To-Modification (RTM) program.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- Maximum cash-out:

Maximum LTV/CLTV	Maximum Cash-Out
90.01%–95%	$50,000
85.01%–90%	$100,000
≤ 85%	$150,000

- The following are **ineligible** for a cash-out refinance transaction:
  - Construction-to-permanent loans.
  - Renovation mortgages.
  - New subordinate financing.
  - Properties purchased or listed for sale in the last 6 months.
  - Manufactured homes.
  - Second homes.
  - Investment properties.
  - 2–4-unit properties.
  - Non-traditional credit.

3.08.01.03 Fannie Mae's High Loan-to-Value Refinance Option and Freddie Mac's Enhanced Relief Refinance Mortgage (October 7, 2019)

Fannie Mae's High Loan-to-Value Refinance Option loans and Freddie Mac's Enhanced Relief Refinance Mortgage loans may be submitted as a modification to the existing certificate to Arch MI's Servicing department when Arch MI insures the existing loan.

If a Fannie Mae High Loan-to-Value Refinance Option loan or a Freddie Mac Enhanced Relief Refinance Mortgage loan is submitted as a new insurance application, the following apply:

- All rate/term refinance underwriting requirements.
- All manual underwriting documentation requirements for a rate/term refinance transaction.

3.08.01.04 Fannie Mae's RefiNow and Freddie Mac's Refi Possible (January 24, 2024)

Loans underwritten to Fannie Mae's RefiNow and Freddie Mac's Refi Possible program requirements are eligible for insurance when:

- All Fannie Mae or Freddie Mac underwriting requirements for their programs are met.
- The loan being refinanced is insured by Arch MI.

No other Arch MI Standard underwriting requirements apply.

When submitting a loan for MI or requesting a rate quote you must enter the applicable program name, RefiNow or Refi Possible, in Arch MI's systems.

3.08.02 Renovation Loans (October 7, 2019)

Items not addressed in this section will follow the underwriting requirements for the applicable transaction type (purchase or rate/term refinance).

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.08.02.01 General Requirements (March 1, 2017)

- Insurance activation:
  - Loans for which all funds are disbursed at closing and placed into an escrow account:
    - The insurance must be activated upon closing.
  - Loans for which funds are disbursed in increments and only interest is charged during the renovation phase:
    - The lender may choose to activate at the initial closing or upon modification/conversion to the permanent loan. Once activated, premiums will become due and payable.
- Mortgage insurance coverage is **ineligible** if the borrower had any delinquencies (greater than 30 days) during the renovation phase (unless the insurance had already been activated).

3.08.02.02 Additional Requirements (October 7, 2019)

- A copy of the contract for cost of improvements must be provided.
- **Ineligible:**
  - Manufactured homes.
  - 3–4-unit properties.
  - Investment properties.
  - Cash-out refinance.
  - Non-traditional credit.

3.08.02.03 Age of Documentation Requirements (March 1, 2017)

- See section 3.05.01 for age of documentation requirements.

3.08.03 Construction-to-Permanent Loans (October 7, 2019)

Arch MI will provide mortgage insurance for construction-to-permanent transactions under the following terms.

3.08.03.01 General Requirements (March 1, 2017)

- Insurance activation (coverage during the construction phase):
  - Single-closing transactions:
    - The lender may choose to activate at the initial closing or upon modification/conversion to the permanent loan. Once activated, premiums will become due and payable.
  - Two-closing transactions:
    - Insurance is not allowed for the interim construction-only loan.
- Mortgage insurance coverage is ineligible if the borrower had any delinquencies (greater than 30 days) during the construction phase (unless the insurance had already been activated).

3.08.03.02 Additional Requirements (October 7, 2019)

- **Ineligible:**
  - 2–4-unit properties.
  - Attached condominiums.
  - Cooperatives.

- Investment properties.
- Cash-out refinance.
- New subordinate financing.
- Non-traditional credit.

3.08.03.03 Age of Documentation Requirements (March 1, 2017)

- See section 3.05.01 for age of documentation requirements.

3.08.03.04 Determining the Lot Value (March 1, 2017)

- If the lot was received through gift or inheritance, use the value of the lot from the appraisal to determine acquisition costs.

3.08.04 Corporate Relocation Loans (March 1, 2017)

A loan qualifies as a corporate relocation loan when it meets the following requirements:

- Made to a transferred employee (new or existing) to purchase a primary residence at a new location.
- Made pursuant to a relocation program administered by the corporate employer or its agent.
- Involves an employer contribution of at least 3% of the loan amount.

Employer contributions must consist of one or more of the following:

- Payment of the borrower's closing costs on the new primary residence and/or the previous residence.
- Payment of expenses related to the borrower's move (for example, relocation allowances, movement of household goods and automobiles, temporary housing expenses, etc.).
- Payment of the difference between the property tax and/or mortgage interest rate obligation on the employee's previous primary residence and the employee's new primary residence.
- A buydown or subsidy of the mortgage interest rate.
- Funding of a below-market-rate or no-interest bridge loan.

A copy of the relocation agreement or other documentation must be provided to show the detail of the employer's contribution toward the borrower's loan transaction.

3.08.05 Closed Loans Without a Previous Arch MI Commitment (January 20, 2023)

Closed loans that did not previously have an Arch MI Commitment issued are eligible for insurance with Arch MI if no payments have been made and the first payment is not 30 days past due. The Age of Documentation requirements in section 3.05.01 must be met.

Closed loans that did not previously have an Arch MI Commitment issued and where at least one mortgage payment has been made are considered on a case-by-case basis. Please contact Servicing at:

servicingreinstatements@archmi.com, or call 877-642-4642 (Option 3).

For loans that have an expired Arch MI Commitment and a payment has been made, see section 1.05.03, Extensions.

This section does not apply to single-closing construction-to-permanent loans with an unexpired Arch MI Commitment that are modifying to the permanent financing for which interest-only payments have been made during the construction period **and** for which the mortgage insurance was not activated at the initial closing.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.09 Borrower (January 24, 2024)

3.09.01 Underwriting the Borrower (January 24, 2024)

3.09.01.01 Social Security Number (January 4, 2018)

- All borrowers on a loan are required to have a valid Social Security number (SSN).

3.09.01.02 Individual Tax Identification Number (ITIN) (January 20, 2023)

- Loans to borrowers who have been issued an ITIN in lieu of a Social Security number are **ineligible**.
- An ITIN is set up in the same format as a Social Security number, with nine digits. The first digit is always a 9, and the second group of digits (fourth digit) will always start with a 7 or 8 (i.e., 9xx-7x-xxxx).
- An ITIN is not proof of legal residency in the United States and is not valid proof of identification outside the tax system. An ITIN is a tax identification number issued by the IRS to individuals who are not eligible for a Social Security number and who have an obligation to file a tax return to the IRS.

3.09.01.03 Maximum Number of Insured Loans per Borrower (January 4, 2018)

- Arch MI and its affiliates may collectively insure up to a maximum of three loans per borrower as follows:
- Primary residence: one loan maximum.
- Second home: Maximum of one second home and one investment property or two second homes (with no investment properties). When two second homes are insured, they must not be in the same general location.
- Investment property: two loans maximum. When two investment properties are insured, then no second homes are allowed.
- Arch MI will be responsible for determining the number of loans already insured for a borrower and will notify the lender when the number is exceeded.

3.09.01.04 Loans to Corporations, Partnerships, Syndications or Irrevocable Trusts (March 1, 2017)

- **Ineligible.**

3.09.02 Non-Occupant Borrower/Co-Signer (January 24, 2024)

- For non-occupant borrower transactions, the loan is qualified using the income, liabilities and assets of all borrowers.
- 1–2-unit primary residence only.
- Maximum LTV: 95% LTV.
- Maximum Loan Amount:
  - 1-unit primary residences: $1,149,825.
  - 2-unit primary residences: $1,472,250.
- **Ineligible:**
  - Manufactured homes.
  - 3–4-unit properties.
  - Second homes.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

- Cash-out refinance.

3.10 Income and Employment (March 1, 2017)

3.10.01 Income (March 1, 2017)

The Agency requirements for income must be followed.

3.10.02 Employment (March 1, 2017)

The Agency requirements for employment must be followed.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.11 Equity and Assets (January 24, 2024)

3.11.01 Equity (January 24, 2024)

3.11.01.01 Minimum Contribution from Borrower's Own Funds (January 24, 2024)

The following are Arch MI's requirements for a minimum contribution from the borrower's own funds for a purchase transaction:

Occupancy	Property Type	Maximum LTV	Maximum Loan Amount	Gift/Grant Funds, Community and Affordable Seconds, and Employer Assistance	Minimum Borrower Contribution
Primary Residence (only)	1-Unit, SFD/SFA, Condos, Co-ops	97%	**$766,550**[1]	May be used to satisfy minimum borrower contribution	3%
		95.01%–97%	**$766,551–$1,149,825**	Allowed after minimum contribution is met	
		95%	**$1,149,825**	May be used to satisfy minimum borrower contribution	
	1-Unit, SFD/SFA, Condos	90%	**$1,149,826–$1,500,000**	All contributions (with the exception of allowable seller/interested-party contributions) must come from the borrower's own funds.	
		85%	**$1,500,001–$2,000,000**		
	Manufactured Home	90%	**$766,550**[1]	Allowed after minimum contribution is met (for trade equity eligibility, see section 3.14.04)	3%
	1-Unit, SFD/SFA, Condos, Co-ops using Non-Traditional Credit	95%	**$766,550**[1]	Allowed after minimum contribution is met	3%
	2-Unit	85%	**$1,472,250**	Allowed after minimum contribution is met	3%
		85.01%–95%	**$1,472,250**	Allowed after minimum contribution is met	5%
	3-Unit	90%	**$1,186,350**	All contributions (with the exception of allowable seller/interested-party contributions) must come from the borrower's own funds.	
	4-Unit	90%	**$1,474,400**		
Second Home	1-Unit, SFD/SFA, Condos, Co-ops	90%	**$1,149,825**	Allowed after minimum contribution is met	5%
Investment Property	1-Unit, SFD/SFA, Condos, Co-ops	85%	**$1,149,825**	All contributions (with the exception of allowable seller/interested-party contributions) must come from the borrower's own funds.	

[1] ***$1,149,825** for properties located in AK or HI.*

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.11.02 Reserves (January 24, 2024)

Arch MI's reserve requirements are listed below.

3.11.02.01 Reserves — General (January 24, 2024)

Monthly reserves are calculated by using a specific number of total monthly housing expense payments for the subject property. The monthly housing expense payment (PITIA) includes principal, interest, taxes, insurance, ground rents, cooperative fees, homeowner's association dues and special assessments. When calculating reserves, the Note rate PITIA should be used for all product types. The following are the minimum reserve requirements.

Occupancy	Property Type[1]	Loan Amount[1]	PITIA Reserve Requirement
Primary Residence	1-Unit, SFD/SFA, Condos, Co-ops, Manufactured Homes	**≤ $1,149,825**	None
		$1,149,826 –$1,650,000	9 Months
		$1,650,001–$2,000,000	12 Months
	2–4-Unit	All Eligible Loan Amounts	6 Months
Second Home	1-Unit, SFD/SFA, Condos, Co-ops	**≤ $1,149,825**	6 Months
Investment	1-Unit, SFD/SFA, Condos, Co-ops	**≤ $1,149,825**	6 Months

[1] See section 3.03.01 for eligible Loan Amount/LTV/Credit Score/DTI Requirements.

3.11.02.02 Additional Reserve Requirements (January 20, 2023)

Loans with a DU Approve/Eligible or LPA Accept/Eligible recommendation may align with the Agency reserve requirements with the following exception:

- A loan for a 3–4-unit property must have a minimum 6 months of PITIA reserves.

3.11.03 Asset Types (January 24, 2024)

3.11.03.01 Seller/Interested-Party Contributions (March 1, 2017)

- Loans that allow interested-party contributions to be used as down payment assistance are **ineligible**.
- Unplanned buydowns (buydowns paid by the builder/seller usually negotiated just before closing on new construction to allow the borrower to receive the interest rate stated on the sales contract when interest rates have risen) must be included as an interested-party contribution.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.11.03.02 Gifts (Including Gifts of Equity and Grants) (January 24, 2024)

- A gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, **is considered the borrower's own funds** and may be used to satisfy the minimum borrower contribution requirement, as long as both individuals will use the home being purchased as their primary residence (the requirements listed below for other gift/grants do not apply).
- For all other gifts/grants:
  - The borrower's minimum contribution must be met (see section 3.11.01.01 for when gifts/grants may be used to satisfy the minimum borrower contribution).
  - Gift/grants are **ineligible** as a source of funds for:
    - 1-unit properties with loan amounts higher than $1,149,825.
    - 3–4-unit primary residences.
    - Investment properties.

3.11.03.03 Uniform Gift to Minor Accounts (March 1, 2017)

- Acceptable, provided one of the following criteria is met:
- The borrower is the custodian of the account, or
- The borrower is the owner of the account (the minor for whom the account was opened, and who is now of age).

3.11.03.04 Business Assets (March 1, 2017)

Funds from a borrower's business may be used when the following requirements are met:

- Documentation to show that the borrower has access to the funds.
- A letter from an accountant stating that the withdrawal of the funds will not have a detrimental effect on the business; or
- The lender must document a cash flow analysis for the borrower's business to show there will be no detrimental effect on the business due to the withdrawal of the funds.

3.11.03.05 Lot Equity (March 1, 2017)

See the Construction-to-Permanent section for lot equity requirements.

3.11.03.06 Ineligible Asset Types (January 24, 2024)

The following asset types are **ineligible**:

- Cash-on-hand.
- Sweat equity.
- Gift/grant funds for 3–4-unit primary residences and investment properties.
- The following are **ineligible** asset types for 1-unit properties with loan amounts higher than $1,149,825 (see section 3.03.01.01 for additional restrictions for loan amounts higher than $1,149,825):
  - Gifts/grants.
  - Employer assistance.
  - Trade equity.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.12 Credit and Liabilities (January 24, 2024)

3.12.01 Credit Score Requirements (May 7, 2019)

3.12.01.01 Valid Credit Scores (May 7, 2019)

- For a borrower's credit score to be considered valid, the information on the credit report must be accurate. If any information on the credit report is inaccurate or disputed, see section 3.12.03.03. Wherever "credit score" is referred to within this Manual, the reference is to a "valid credit score."
- If no borrowers on the loan have a credit score, the loan must meet the non-traditional credit requirements.

3.12.01.02 Minimum Number of Scores Required (March 1, 2017)

- Arch MI requires a minimum of two credit scores per borrower.
- A borrower with one credit score is acceptable when the lender has requested credit scores from all three credit repositories and only one credit score is available.

3.12.01.03 Borrower Representative Credit Score (March 1, 2017)

Each borrower's representative credit score is used in the determination of the loan representative credit score. A borrower's representative credit score is determined as follows:

- When only one credit score is obtained (and meets the requirements above in section 3.12.01.02), use that score.
- When two credit scores are obtained for the borrower, use the lower score.
- When three credit scores are obtained for the borrower, use the middle score.
- When three scores are obtained for the borrower and two are identical, one of the identical scores is considered the middle score.

3.12.01.04 Loan Representative Credit Score (March 1, 2017)

- For loans with only one borrower, the borrower's representative score is the loan's representative credit score.
- For loans with multiple borrowers, when every borrower has a credit score, the lowest of all borrower representative scores is the loan's representative score.
- For loans with multiple borrowers, when at least one borrower has a credit score and at least one borrower does not, the lowest borrower representative score of those borrowers with scores is the loan's representative score. Borrowers with no score are not considered in the determination of the loan representative score.
  - If the borrower without a credit score is the primary wage earner (contributes > 50% of the qualifying income), then non-traditional credit references must be documented for this borrower (see Non-Traditional Credit References section). Because at least one borrower has a credit score, no other non-traditional credit requirements apply.
- If no borrowers on the loan have a credit score, the loan must meet the non-traditional credit requirements.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.12.02 Types of Credit (January 24, 2024)

3.12.02.01 Non-Traditional Credit[5] (January 24, 2024)

A transaction is considered non-traditional credit when NO borrower has a credit score (see section 3.12.01.04 when at least one borrower has a credit score and at least one borrower does not have a credit score).

The following are the underwriting requirements for non-traditional credit.

- **LTV/Loan Amount/DTI Requirements — Non-Delegated:**

Eligible Loan Types	**Fixed-Rate/Fixed-Payment, ARMs, Temporary Buydowns and Balloons**				
Occupancy	**Transaction Type**	**Property Type**	**Maximum LTV**	**Maximum Loan Amount**	**Maximum DTI**
Primary Residence (Non-Delegated)	Purchase and Rate/Term Refinance	1-Unit, SFD/SFA, Condos, Co-ops	95%	**$766,550**[1]	45%[2]
*[1] **$1,149,825** for properties located in AK or HI.*					
[2] The 5% DTI variances addressed in section 3.03 are not allowed.					

- **Ineligible:**
  - Borrowers who do not contribute 3% of their own funds. Gift/grant funds may not satisfy this requirement.
  - 2–4-unit properties.
  - Manufactured homes.
  - Cash-out refinance.
  - Construction-to-permanent or renovation loans.
  - Second homes.
  - Investment properties.
  - Delegated submissions.
- **Credit References:**

  Each borrower on an MI application must establish an acceptable credit history through tradelines reported on the credit report or through non-traditional credit references.

  Non-traditional credit references are only acceptable when the traditional credit report does not produce a credit score. Non-traditional credit references may not be used to offset traditional tradelines with derogatory information.

  A minimum of four sources of non-traditional credit with at least 12-months' history must be provided (one housing related, one utility and two from other sources).

  Credit references must have at least one quarterly repayment requirement.

[5] *Borrowers using non-traditional credit are ineligible when the lender submitting the MI application is located in WA.*

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

The credit profile must indicate:

- No housing delinquency in the past 24 months.
- No more than 1x30 or 0x60 installment or revolving late payments in the past 12 months.
- No collections or charge-offs (except medical).
- No judgments (they must be satisfied).
- No bankruptcy/foreclosure/deed-in-lieu/short sale.

- **Acceptable Sources of Non-Traditional Credit:**
  - Housing-related: Lenders must obtain at least one housing-related source for a non-traditional credit history. The credit agency must specify in the report whether verification was obtained from a professional management company or from an individual landlord.
  - Utilities (when not included in the rental housing payment): Utilities include electricity, gas, water, cable and telephone service.
  - Other payments:
    - Payments for medical insurance coverage, automobile insurance, life insurance policies, and rental insurance payments. Payroll deductions for these items are excluded from use as an acceptable tradeline.
    - Payments to local department, furniture, appliance or specialty stores; rental payments related to durable goods (including automobiles); medical; school tuition; child care; loans obtained by an individual (if there is written agreement and the borrower can provide copies of canceled checks to indicate payments are consistent with the terms of the agreement); and authorized user accounts (if there is written documentation to support the borrower has been solely responsible for payments during the most recent 12 months).
- **Documentation Requirements:**

  Acceptable documentation for all credit references include:

  - 12 months of consecutive account statements.
  - A current account statement with 12 months of canceled checks and/or paid receipts.
  - Lender direct written verification which must include all of the information required on a non-traditional credit report and a current statement provided by the creditor; or
  - A non-traditional credit report.
  - If the lender obtained a non-traditional credit report, the consumer reporting agency should provide the lender all documentation received for each credit reference listed on the credit report.

3.12.02.02 No Credit History (March 1, 2017)

Transactions in which all borrowers are unable to document established credit (via traditional or non-traditional credit requirements) are **ineligible**.

3.12.03 Credit Report (March 1, 2017)

3.12.03.01 Ineligible Credit Reports (March 1, 2017)

Foreign credit reports are **ineligible**.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.12.03.02 Fraud Alert Messages on Credit Reports (March 1, 2017)

Credit repositories have developed messages to identify potential fraudulent activities perpetrated by individuals misusing others' identity information. The messages may pertain to the borrower's Social Security number, address, telephone number, etc. All fraud alert messages appearing on the credit report need to be satisfactorily addressed to ensure the information presented on the loan application is true and correct.

3.12.03.03 Accuracy of Credit Report (March 1, 2017)

It is possible for a credit report to include disputed items or erroneous information. The following requirements apply based on the individual circumstances:

- When the correction or removal of the disputed/erroneous item will improve the borrower's credit history, **and** the credit score as reflected on the credit report meets Arch MI's minimum credit score requirement for the transaction:
  - A corrected credit report and credit score may be provided for use; **or**
  - Documentation must be provided to substantiate the borrower's claim for the disputed or erroneous item(s), and the original credit report and credit score must be used.
- When the correction or removal of the disputed or erroneous item will improve the borrower's credit history, but the credit score as reflected on the credit report does not meet Arch MI's minimum credit score requirement for the transaction:
  - A corrected credit report and credit score **must** be provided for use. No attempt should be made to adjust the credit score or assume the correction will increase the score enough to meet Arch MI's minimum credit score requirement.
- When the correction or removal of the disputed or erroneous item will worsen the borrower's credit history:
  - A corrected credit report and credit score **must** be provided for use. No attempt should be made to adjust the credit score.

3.12.04 Derogatory Credit (January 20, 2023)

3.12.04.01 Restructured Mortgage Loans (November 15, 2018)

A restructured mortgage loan is defined as follows:

Any restructured loan for which the original transaction has been changed, resulting in absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in any of the following:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage;
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness;
- Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage; or
- Conversion of any portion of the original mortgage debt from secured to unsecured.

The following mortgage loans are eligible for insurance when meeting all other Arch MI underwriting requirements:

- A refinance transaction that allows for the restructure of the existing debt as defined above.
- The subsequent refinance of a restructured mortgage loan.
- A purchase transaction with a borrower who had previously restructured a mortgage loan.

If a restructured mortgage loan is modified instead of refinanced, it may not be submitted as a new insurance application. The loan should be submitted as a modification.

3.12.04.02 Deed for Lease (March 1, 2017)

Borrowers may have the opportunity to lease a property for which they have given a deed in lieu of foreclosure. When the borrower's loan file references a deed for lease, the underwriter must determine the completion date of the deed in lieu of foreclosure to ensure the requirements are met.

3.12.04.03 Prior Arch MI Claim (January 20, 2023)

A borrower who was a debtor on a loan for which Arch MI paid a claim will be considered for insurance on an exception basis upon review of a non-delegated submission.

3.12.04.04 Credit Counseling (March 1, 2017)

Borrowers who have received credit counseling as a result of derogatory credit should have satisfactory re-established credit from the conclusion of the counseling.

See section 3.03.01.01 for additional restrictions for loan amounts higher than $1,149,825.

3.12.04.05 Past-Due Accounts (March 1, 2017)

All open past-due accounts must be brought current with the following exceptions:

- Collections.
- Charge-offs.
- Garnishments.

Arch MI aligns with the Agencies' requirements to determine whether the above items must be paid off.

3.12.05 Liabilities (March 1, 2017)

3.12.05.01 Student Loans (March 1, 2017)

When the required monthly payment for a student loan is not listed on the credit report, the monthly payment may be determined by:

- Requiring copies of the loan documentation; **or**
- Using 1% of the outstanding balance of the student loan.

3.12.05.02 Debts Paid by Business (March 1, 2017)

A debt paid by a business the borrower owns does not have to be counted as part of the borrower's recurring monthly obligations when the following requirements are met:

- The account in question does not have **any** history of delinquency.
- The borrower supplies proof that the business has paid the obligation for the last 6 months (preferably canceled business checks).
- The payment of the obligation is reflected in the business cash flow analysis (e.g., reflected as an expense on the Schedule C).

3.13 Geographic Requirements (March 1, 2017)

3.13.01 Eligible Geographic Areas (March 1, 2017)

Loans secured by properties located in the following geographic areas are eligible for insurance:

- Eligible: All 50 states located in the United States and the District of Columbia.

- **Ineligible**: All other countries and U.S. territories (including Puerto Rico, Guam and the Virgin Islands).

3.14 Property (January 24, 2024)

3.14.01 Ineligible Property Types (January 20, 2023)

The following property types are **ineligible**:

- Single-wide manufactured homes.
- Any property type that is **ineligible** for sale to the Agencies.
- See section 3.03.01.01 for additional restrictions for loan amounts higher than $1,149,825.

3.14.02 Two- to Four-Unit Properties (March 1, 2017)

- Primary residence, purchase and rate/term refinance transactions only.
- Non-traditional credit is **ineligible**.
- Gift/grant funds are **ineligible** for 3–4 unit properties.

3.14.03 Condominiums and Cooperatives (Co-ops) (January 20, 2023)

For a condominium or co-op to be eligible for insurance, it must be eligible for sale to either one of the Agencies.

Arch MI aligns with the Agencies' published requirements for condominium and co-op eligibility with the following restrictions:

- Projects which include manufactured housing are **ineligible**.
- Non-realty limited common elements (e.g., boat dock slips, cabanas) may not be financed with the property. Assigned parking spaces may be financed as a cost of the property.

See section 3.03.01.01 for additional restrictions for loan amounts higher than $1,149,825.The following condominiums and co-ops are **ineligible** for delegated submissions. They will be considered on a loan-by-loan basis when submitted non-delegated:

- A condominium which receives a single-loan project eligibility waiver from an Agency because the project does not meet its published requirements.
- A condominium located in a project that received a Project Eligibility Review Service (PERS) approval which allows exceptions to the Agency's published requirements.
- A co-op that received an exception from an Agency to their published requirements.

3.14.04 Manufactured Homes (October 7, 2019)

Arch MI defines a manufactured home as a factory-built, multi-sectioned home built on a permanent frame (chassis) with a removable transportation system. The manufactured home is delivered and permanently attached to a site-built foundation. A manufactured home is built under the Federal Home Construction and Safety Standards established by HUD on/after June 1976. The label that confirms this is located on the manufactured home. The HUD Data Plate and HUD Certificate Label are required to confirm compliance with these standards.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

The following are the underwriting requirements for manufactured homes.

3.14.04.01 Property Eligibility (November 15, 2018)

For mortgage insurance eligibility, manufactured homes must meet the following conditions:

- Manufactured homes must be a minimum of 18 feet wide or a minimum of 600 square feet in floor area. Single-wide homes are ineligible.
- The land and improvements are included under one mortgage or deed of trust.
- The property (land and structure) is legally classified as real property by the local jurisdiction, taxing authority and title company.
- All loans must have an ALTA 7 Title Endorsement.
- The home is permanently affixed to a foundation that adheres to local building codes, and wheel axles and trailer hitches have been removed. Homes on piers must satisfy the manufacturer's recommendation. Anchors must be provided where required by state law.
- The land must be owned in fee simple by the borrower.
- A minimum of two manufactured home comparable sales must be used by the appraiser to demonstrate conformity within the market and to establish market appeal.

3.14.04.02 Purchase Transactions (November 15, 2018)

Purchase transactions are those in which the mortgage proceeds are used to finance the purchase of the manufactured home or the manufactured home and the land. The land may be previously owned by the borrower, either free of any mortgage or subject to a mortgage that will be paid off with the proceeds of the new purchase money mortgage.

- **Sales Price of the Manufactured Home:**

  In addition to the cost of the manufactured home and land, the sales price may include the cost of bona fide and documented transportation to the site, site preparation costs and dwelling installation costs.

  Any personal property items (non-realty items) purchased in conjunction with the manufactured home must be deducted from the sales price and cannot be financed as part of the mortgage.

- **LTV Calculation:**

  For a purchase transaction when the loan is secured by a **newly built** manufactured home that is being attached to a permanent foundation in connection with the transaction, the LTV will be determined using the lower of:

  - The "as completed" appraised value; or
  - The sales price of the manufactured home (as evidenced by the dealer's invoice) plus the land:
    - If the land was purchased less than 12 months prior to the loan application date, use the lowest sales price at which the land was sold during that 12-month period, or
    - If the land was purchased 12 or more months prior to the loan application date, use the current appraised value of the land.
    - If the land was acquired through a gift or inheritance, use the appraised value of the land. Document the acquisition and transfer of the land.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

For a purchase transaction when the loan is secured by a manufactured home that **already exists** on its foundation, the LTV will be based on the lowest of:

- The sales price of the manufactured home and the land, or
- The current appraised value of the manufactured home and the land, or
- If the manufactured home was attached to the foundation less than 12 months prior to the loan application date, the lowest price the home was previously sold for during that 12-month period and the lower of the:
  - Current appraised value of the land, or
  - Lowest price the land was sold for during that 12-month period.

- **Trade Equity:**

  Trade equity will be considered only if:

  - The borrower has contributed the minimum cash down payment prior to consideration of the trade equity; and
  - The maximum permitted equity is calculated based on the length of ownership. If the unit has been owned for 12 or more months, use 90% of the retail value as listed in N.A.D.A.[6] (a copy of the valuation report must be provided). If the unit has been owned for less than 12 months, use the lesser of 90% of the retail value as listed in N.A.D.A. or the lowest sale price within the last 12 months.

3.14.04.03 Refinance Transactions (November 15, 2018)

- **LTV Calculation:**

  For a rate/term refinance of an existing unit already permanently affixed to the land, the LTV will be based on the lowest of the following:

  - The current appraised value of the manufactured home and land; or
  - If the manufactured home was owned by the borrower for less than 12 months on the loan application date; and
    - The home and land are secured by separate liens, use the lowest price at which the home was previously sold during that 12-month period plus the lower of the current appraisal value of the land, or the lowest sales price at which the land was sold during that 12-month period (if there was such a sale).
    - The home and land are secured by a single lien, use the lowest price at which the home and land were previously sold during that 12-month period.
    - The land was acquired through gift or inheritance, use the appraised value of the land. Document the acquisition and transfer of the land.

3.14.04.04 Ineligible for Manufactured Homes (July 29, 2019)

The following are **ineligible** when the subject property is a manufactured home:

- Medical and Dental Professionals program.
- Cash-out refinances.

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[6] *N.A.D.A. – National Automobile Dealers Association, a resource for auto retail professionals, which includes manufactured homes. The website is www.nadaguides.com, where the value for manufactured homes can be determined for a fee.*

- Renovation mortgages.
- Non-occupant borrowers.
- Non-traditional credit.
- Investment properties.
- Condominiums and co-ops.

3.14.05 Modular, Panel/Pre-Fab and Pre-Cut Homes (November 15, 2018)

Modular, panel/pre-fab and pre-cut homes qualify using the same criteria as single-family detached homes.

- **Modular Housing (Modular Home):**
  A home constructed in sections in a factory assembly line. Fully constructed modules are transported to the permanent site and anchored to the foundation. Modular homes are not subject to HUD codes but are built in accordance with the Uniform Building Code administered by the state agencies in which the modular home is installed and must adhere to local and regional building codes. In some cases, modular homes are built on a permanent chassis (on-frame modular) similar to a manufactured home. These on-frame modular homes are built in accordance with the Uniform Building Codes of the state and not to the HUD codes, therefore, they are treated as modular homes.
- **Panel/Pre-Fab Housing (Panelized Home):**
  Factory assembly-line homes constructed with walls, floors and (often) roof in small panel form, then assembled at the site and attached to the foundation. Panelized homes are not subject to federal standards but must adhere to local and regional building codes.
- **Pre-Cut Home:**
  Lumber is cut to specific lengths at the factory, and then the home is constructed at the permanent site. Electrical, plumbing and other components are added at the site. Pre-cut homes are not subject to federal standards but must adhere to local building codes.

3.14.06 Rural Properties (March 1, 2017)

- Marketing time ≤ 12 months.
- Land value may not exceed 50% of the total property value.
- Adequate sewage, water and utilities.
- Comparable properties must be in similar rural locations and have similar property styles (e.g., ranch, two story, etc.). Appraiser must adequately explain the use of comparable properties not meeting these requirements.

3.14.07 Maximum Acreage (March 1, 2017)

- Maximum 15 acres.
- Comparable properties must have similar acreage and property styles (e.g., ranch, two story, etc.).

3.14.08 Properties with Resale Restrictions (January 24, 2024)

- When there is a requirement for a third party to be notified that the borrower is in default or foreclosure, the lender must ensure that the third party is notified.
- **Ineligible** for loan amounts higher than $1,149,825.

For items not addressed in this section, the Agency requirement applies.

See section 3.01, General Underwriting Requirements, for more information.

See section 3.03, Loan Amount/LTV/Credit Score/DTI Requirements, for additional requirements that may apply.

3.14.09 Property Flips (November 15, 2018)

- If the seller has owned the property less than 180 days from the date of the purchase contract and the new sales price is higher than the price paid by the seller to acquire the property, the increase must be fully documented and explained.
- The following types of re-sale transactions are not considered property flips and are not required to meet the above criteria:
  - Property being sold by a spouse who acquired the property through a divorce settlement.
  - Property acquired by an employer through a relocation program.
  - Property being sold by an administrator or executor of an estate.
  - Property being sold by a lender, mortgage investor or mortgage insurance company that was acquired through foreclosure or deed in lieu of foreclosure.

3.15 Occupancy (October 7, 2019)

3.15.01 Primary Residence (May 7, 2019)

- At least one borrower on the transaction must occupy the property for the majority of the year and take title to the property, unless:
  - A parent or legal guardian is purchasing a home for their disabled adult child **or** a child is purchasing a home for their parent(s).
- For transactions in which not all of the borrowers will occupy the property as their primary residence, see the Non-Occupant Co-Borrower/Co-Signer section.

3.15.02 Second Home (July 29, 2019)

- The property must be located in a recreational area.
  - If not in a recreational area, the borrower must give a satisfactory explanation for the use of the property as a second home.
- Non-traditional credit is **ineligible**.
- Rental income from the subject property may **not** be used for qualification.

3.15.03 Investment Property (November 15, 2018)

- Gift/grant funds, non-traditional credit, and manufactured homes are **ineligible**.
- A "kiddie condo" is defined as any property type purchased to provide housing for a family member to occupy while attending college, trade or technical school. Typically, the parent(s) are the buyers and non-occupants and the child is the occupant. Kiddie condos must be considered investment properties for eligibility and pricing purposes. If the child who will occupy the property is a borrower on the loan, the loan may qualify as a primary residence non-occupant borrower transaction.

3.16 Analyzing the Appraisal Report (March 1, 2017)

- The appraisal should fully analyze the neighborhood, site, physical characteristics and condition of the property.
- The appraisal should indicate that the property is in average or better condition. If the property condition is rated fair or poor, the appraisal should be made subject to repairs that will bring the property to an average or better condition. Additionally, when provided, the following Condition

and Quality of Construction rating codes, as defined by the FHFA Uniform Appraisal Dataset used by Fannie Mae and Freddie Mac, must be considered as follows:

  - Condition ratings of C1, C2, C3 or C4 are acceptable in an “as is” condition. Due to the risk associated with condition ratings C5 and C6, any appraisals with a C5 or C6 rating **must** have the condition items causing the rating on the appraisal be “subject to completion of repairs” in order for the transaction to be eligible for mortgage insurance.
  - Quality of Construction ratings of Q1, Q2, Q3, Q4 or Q5 are acceptable. Due to the risk associated with Quality of Construction rating Q6, any appraisal report with this rating will be **ineligible** for mortgage insurance.

- When the appraisal is made subject to completion, repairs or inspection, the lender must ensure that the construction is completed, the repairs are made, or the inspection is completed. If the inspection shows that additional repairs are required, those repairs must be completed also. Repairs may be completed after closing.
- Lenders exercising their delegated authority are responsible for assessing the validity and accuracy of the appraisal report and ensuring the value is supported prior to delegation, including but not limited to, adequacy of the comparables, property condition, market value and appraised value. This is regardless of any AUS response on the transaction. Numerous tools are available to lenders in the marketplace to assist in this assessment and Arch MI encourages their use. This is particularly important during times of market volatility or fluctuations, especially if there are any indications the subject property and/or comparable properties are located in an area of soft and/or declining property values.