

CUSTOMER ANNOUNCEMENT

CUA 2023-01 | January 20, 2023

► Arch MI Underwriting Changes, Effective Immediately

Effective immediately for MI applications dated on or after January 20, 2023, Arch MI is updating and clarifying our underwriting requirements. Details of the changes to our Credit Union Underwriting Manual are listed below.

▪ **Section 2.02, Additional Underwriting Requirements**

- Appraisal waiver requirements have been updated to clarify that an appraisal waiver with a property data report (PDR) is acceptable when offered by Loan Product Advisor (LPASM) and exercised by the credit union for a 1-unit primary residence or second home transaction with a maximum 90%/90% LTV/CLTV. All Agency appraisal waiver requirements must be met. The PDR must be retained in the file and submitted to Arch MI for all non-delegated files.

▪ **Section 3.02, Agency AUS Additional Underwriting Requirements**

- Loans receiving a Desktop Underwriter® (DU®) Approve/Ineligible, LPA Accept/Ineligible, DU Refer with Caution or LPA Caution are eligible for insurance when they meet all our Standard underwriting requirements. The reference to LPA Caution A-minus Eligible has been removed as this is no longer a valid recommendation.

▪ **Section 3.03.01.01, Loan Amounts \$1,089,301–\$2,000,000 — Additional Underwriting Requirements**

- A second full Uniform Residential Appraisal Report (URAR) or a third-party field review is required for 1-unit properties with loan amounts greater than \$1,250,000 (formerly \$1,000,000).
- Non-permanent residents are eligible for loan amounts up to \$1,089,300 (formerly \$1,000,000).

▪ **Section 3.05, Documentation Requirements**

- Updated language to clarify that appraisals older than 120 days up to 12 months require a recertification of value. Appraisals older than 12 months require a new appraisal.

▪ **Section 3.05.03, Documentation Requirements for All Loans (Manually or Agency AUS Underwritten)**

- Appraisal waiver requirements have been updated to clarify that an appraisal waiver with a property data report (PDR) is acceptable when offered by LPA and exercised by the credit union for 1-unit primary residence or second home transactions with a maximum 90%/90% LTV/CLTV. All Agency appraisal waiver requirements must be met. The PDR must be retained in the file and submitted to Arch MI for all non-delegated files.
- For 1-unit properties with loan amounts greater than \$1,250,000 (formerly \$1,000,000), a second URAR with interior and exterior inspections or a third-party field review appraisal is required.

▪ **Section 3.06.02.03, Medical and Dental Professionals Program, Additional Underwriting Requirements**

- While maximum loan limits for the Medical and Dental Professionals Program remain the same, a clarification has been added allowing loan amounts up to \$1,089,300 for construction-to-permanent and renovation loans (formerly \$970,800).

▪ **Section 3.07.01, Fixed-Rate/Fixed-Payment Mortgages**

- A definition of fixed-rate/fixed-payment mortgages has been added to clarify that fixed-rate/fixed-payment loans are fully amortizing and do not contain any provisions for rate or payment adjustments.

▪ **Section 3.07.04, Balloon Mortgages**

- Clarified that 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.

- **Section 3.11.02.02, Reserves — General**

- Our reserve requirements are now based on occupancy, property type and loan amount. The transaction type is no longer a factor in determining reserves and the table outlining our reserve requirements has been updated (Supplement 1). Clarification has been added that for loan amounts up to \$1,089,300, no reserves are required. Loan amounts greater than \$1,089,300 up to \$1,500,000 continue to require 9 months' PITIA reserves. Loan amounts of \$1,500,001 to \$2,000,000 require 12 months' PITIA reserves. 2–4 units, second home and investment transactions continue to require 6 months' PITIA reserves.

- **Section 3.11.02.02, Additional Reserve Requirements**

- This section (formerly Reserves — Acceptable Source of Funds) has been renamed and updated to clarify that loans with a DU Approve/Eligible or LPA Accept/Eligible recommendation may align with the Agency reserve requirements with the exception that a loan for a 3–4 unit property must have a minimum 6 months' PITIA reserves (Supplement 1).

- **Section 3.12.04.03, Prior Arch MI Claim**

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

In addition to the above updates, the Arch MI Credit Union UW Manual and all applicable sections will be updated with the increased loan limits previously announced in CUA 2022-04, effective December 2, 2022.

If you have any questions about this announcement, contact your [Arch MI Account Manager](#).

CUA 2023-01 — Supplement 1

3.11.02.01 Reserves — General (January 20, 2023)

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	LOAN AMOUNT	PITIA RESERVE REQUIREMENT
Primary Residence	1-Unit, SFD/SFA, Condos, Co-ops, Manufactured Homes	≤ \$1,089,300	None
		\$1,089,301–\$1,500,000	9 Months
		\$1,500,001–\$2,000,000	12 Months
	2–4 Unit	All Eligible Loan Amounts	6 Months
Second Home	1-Unit, SFD/SFA, Condos, Co-ops	≤ \$1,089,300	6 Months
Investment	1-Unit, SFD/SFA, Condos, Co-ops	≤ \$1,089,300	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' PITIA reserves.