



Arch Mortgage Funding Announces Revisions to the Debt Service Coverage Ratio (DSCR) Product Offering

Sept. 6, 2024

The Changes Are Effective Immediately

The AMF Underwriting Guidelines Manual is being updated with the following changes to the AMF DSCR product offering only.

Section 2.7, Minimum Reserves Required

Current guideline:

- ≤ \$1,000,000 = 6 months.
- > \$1,000,000 to \$2,000,000 = 9 months.
- > \$2,000,000 to \$2,500,000 = 12 months.

Revised guideline:

- ≤ \$1,000,000 = **3 months.**
- > \$1,000,000 to \$2,000,000 = **6 months.**
- > \$2,000,000 to \$2,500,000 = 12 months.

Section 2.7, Additional Reserves Required, and Section 7.9, Reserves

Current guideline:

The borrower should have adequate liquid assets remaining as reserve funds after closing. Reserves must be verified and comprise liquid assets that the borrower can readily access.

For the AMF DSCR product offering, when the borrower owns additional 1–4-unit residential properties that are financed, an additional two months of the subject property’s PITIA or ITIA reserves are required for each additional financed property up to a total of 12 months of subject property reserves.

Revised guideline:

For the AMF DSCR product offering, when the borrower owns additional 1–4-unit residential properties that are financed, **no additional reserves are required.**

Section 7.9, Reserves

Current guideline:

The borrower should have adequate liquid assets remaining as reserve funds after closing. Reserves must be verified and comprise liquid assets that the borrower can readily access.

Ineligible sources of reserves:

- Cash-out from the current subject property transaction.

Revised guideline:

The borrower should have adequate liquid assets remaining as reserve funds after closing. Reserves must be verified and comprise liquid assets that the borrower can readily access.

Ineligible sources of reserves:

- Cash-out from the current subject property transaction. **DSCR loans are exempt from this restriction.**

Sections 2.7 and 6.10.1, DSCR Borrower Requirements

Current guideline:

This offering is for the experienced investor. To qualify for this program, in addition to the standard borrower eligibility requirements, the following is required:

- The borrower must own or rent a primary residence.
- The borrower must have owned two or more properties for at least 12 months during the most recent 36-month period. One property must be an income-producing property (residential or commercial). Documentation to support this requirement should include a lease agreement (for the income-producing property) along with proof of ownership such as a tax bill or property records search.
- First-time investors are not allowed.
- For each property owned, a 12-month housing history (0 x 30 x 12) must be provided.
- The borrower's employment and income sections of the application (1003) are **NOT** to be completed.
- The borrower's primary source of income is **NOT** to be verified.

Revised guideline:

This offering is for the experienced investor. To qualify for this program, in addition to the standard borrower eligibility requirements, the following is required:

- The borrower must own or rent a primary residence.
- **An experienced investor is defined as: A borrower having a history of owning and managing non-owner occupied residential real estate or commercial real estate for at least 12 months during the most recent 36-month period. For files with multiple borrowers, only one borrower must meet the definition.**

Experience can be documented by one of the following:

- Documentation to support this product should include a lease agreement (for the income-producing property) along with proof of ownership such as a tax bill or property records search.
- Other acceptable third-party documentation.
- First-time investors are not allowed.
- For each property owned, a 12-month housing history (0 x 30 x 12) must be provided.
- The borrower's employment and income sections of the application (1003) are **NOT** to be completed.
- The borrower's primary source of income is **NOT** to be verified.

Section 6.10.2, DSCR Gross Rental Income

Current guideline:

Gross Rental Income is based on the lesser of the Fair Market Rent identified via the Comparable Rent Schedule (Fannie Mae 1007) and the Lease Agreement. If two appraisals are needed, the lower rental value is to be used. If the property is currently rented, proof is required to show the rent is being paid (see below). If the subject property is not leased at the time of closing, the qualifying rent that will be used is the rent on the Comparable Rent Schedule addendum to the appraisal.

On refinance transactions, the property must currently be leased. The Seller must document the rental income with a copy of the lease for the subject property. The Seller needs to support the lease with three months of bank statements that evidence receipt of rent. For a new lease, the Seller must document the new lease, receipt and deposit of the security deposit and first month's rent. The lesser of the current subject property rent or the Fair Market Rent determined by the appraisal is to be used to determine the gross monthly rent.

Revised guideline:

- Gross Rental Income is based on the lesser of the Fair Market Rent identified via the Comparable Rent Schedule

(Fannie Mae 1007) and the Lease Agreement. If two appraisals are needed, the lower rental value is to be used. If the property is currently rented, proof is required to show the rent is being paid (see below). If the subject property is not leased at the time of closing, the qualifying rent that will be used is the rent on the Comparable Rent Schedule addendum to the appraisal.

On refinance transactions, the property must currently be leased. The Seller must document the rental income with a copy of the lease for the subject property. If the lease has converted to month-to-month, then the Seller must provide the most recent two (2) months' proof of receipt to evidence continuance of lease. If unable to provide evidence of receipt, the unit will be treated as vacant and ineligible for financing. For a new lease, the Seller must document the new lease, receipt and deposit of the security deposit and first month's rent.

For more information, connect with AMF Credit at creditscenarios@archmortgagefunding.com.