MFM Bulletin: 004-2025

Date: March 11, 2025

Subject: Introducing AMF Expanded Jumbo Loan Program

Member First Mortgage is pleased to announce the availability of a new Jumbo Loan Program from Arch Mortgage Funding (AMF). This program is being offered through MFM in addition to the Radian Mortgage Jumbo Program.

Due to pricing constraints, at this time we are offering the AMF Expanded Program only. We will offer AMF AUS Express and AMF Prime if pricing improves in the future. This is a Servicing Released product.

The AMF Expanded is a manually underwritten program and therefore, AUS Findings should not be run.

Complete program guidelines and Program Matrix are attached. Please make sure to read these guidelines thoroughly so you are familiar with all program requirements. Loans are eligible for locking immediately.

Some of the features of these programs are:

- LTV up to 90%, and up to $1,000,000 with no MI on Primary Residences - Purchase and Rate/Term Refinances
- Loan amounts up to $3,000,000
- 15-, 20- and 30-Year-Rate with interim terms available
- 7-Year/6-Month, 10-Year/6-Month SOFR ARMs available

The following documentation features are not available:

- Interest-Only feature
- Asset Depletion
- 24-Month Bank Statement
- Debt Service Coverage Ratio (DSCR) for Investment Properties

Please contact the MFM Underwriting Dept. (underwriting@memberfirstmortgage.com) if you have any concerns pertaining to guidelines and/or eligibility. Contact the MFM Secondary team (MFM_Secondary_Marketing@memberfirstmortgage.com) for matters related to pricing and/or locking.

Thank you

Member First Mortgage, LLC
www.memberfirstmortgage.com
866.898.1818 | NMLS ID# 149532

MemberFirst MORTGAGE

ARCH MORTGAGE FUNDING
PROGRAM GUIDE

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Updated 3.7.25

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Revision Notes — Oct. 21, 2024

NOTE: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs. Any reference in the following Underwriting Guidelines to these programs does not apply.

Section	Title	Update Description
2.2	AMF Prime	• > 80% LTV limited to Purchase Transactions only. • The maximum LTV/H/CLTV for Rate and Term Refinance and Cash-Out Refinance limited to 80%. • Added "Condominiums, Co-ops Maximum LTV/H/CLTV limited to 80%. • Eliminated segment 2-4 units/$1,000,000/85% LTV/720 Credit Score/41% DTI. • Eliminated interest-only 40-year term. • Interest-only: Maximum LTV/H/CLTV limited to 80%. • IO > 75% LTV requires minimum credit score of 720. • Greater than 80% LTV/H/CLTV limited to fixed-rate offerings only (removed interest only option). • Added "Cash-out Limitations;" amended to "maximum ≤ $500,000. > $500,000 on an exception basis >." • Minimum Loan Amount: Increased to $300,000. • Multiple Financed Property Requirements: Max.10 1–4-unit properties. • Additional Reserves: When the borrower owns additional 1–4-unit financed residential properties that are financed, an additional two months' PITIA or ITIA reserves are required for each property, up to a total of 12 months of the subject property's reserves. The 12 months of total reserves includes the subject property's minimum required reserves. • Appraisal Requirements: CDA not required if two appraisals obtained.
2.3	AMF AUS Express	• Product Grids: – Eliminated segments > 80% LTV. – Changed Reserve requirements to "> AUS or 6" from "AUS." • Greater than 80% LTV/H/CLTV limited to fixed-rate offerings only (removed interest only option). • Added "Cash-out Limitations;" amended to "maximum <=$500,000. >$500,000 on an exception basis." • Minimum Loan Amount: Increased to $300,000. • Eliminated Interest-Only loan type. • Multiple Financed Property Requirements: Max.10 1–4-unit properties • Appraisal Requirements: CDA not required if two appraisals obtained.
2.4	AMF Expanded – Full Documentation	• Greater than 80% LTV/H/CLTV limited to fixed-rate offerings only (removed interest only option). • Added "Cash-out Limitations;" amended to "Maximum cash-out limited to $1,000,000." • Multiple Financed Property Requirements: Max.10 1–4-unit properties.

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Section	Title	Update Description
		• Additional Reserves: When the borrower owns additional 1–4-unit financed residential properties, an additional two months' PITIA or ITIA reserves are required for each property. • Appraisal Requirements: CDA not required if two appraisals obtained.
2.5	AMF Expanded – Asset Depletion	• Product Description: Added amended requirements (also in Section 6.7): – Minimum eligible qualifying assets: $1,000,000. – Income calculation: Eligible qualifying income less down payment, closing costs, and reserves, divided by 96. • Product Grids: Several $1,000,000 segments reserves increased to 9 months. • Added "Cash-out Limitations"; Amended to "Maximum cash-out limited to $1,000,000. • Income Requirements: Income calculation amended. "Eligible qualifying income less down payment, closing costs and reserves, divided by 96."
2.6	AMF Expanded – Bank Statement and IRS Form 1099	• Product Grids: Reserves increased from 6 months to 9 months. – Second-Home Purchase or Rate/Term Refinance $1,000,000. – Investment Property Purchase or Rate/Term Refinance $1,000,000. • Added "Cash-out Limitations;" amended to "Maximum cash-out limited to $1,000,000."
2.7	AMF Debt Service Coverage Ratio	• Amended Reserve Requirements: • ≤ $1,000,000 = 3 months. • > $1,000,000 to $2,000,000 = 6 months. • > 2,000,000 to $2,500, 000 =12 months. • Added "Cash-out Limitations;" • Amended to "Maximum cash-out limited to $1,000,000. • Added "Cash-out proceeds can be used towards required reserves. • Documentation Requirements: "All borrowers must execute Fannie Mae Form 3170 1–4 Family Rider Uniform Instrument." • Amended definition of "experienced investor" and Documentation Requirements: • An experienced real estate 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 an agreement (for the income

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Section	Title	Update Description
		producing property) and proof of ownership, such as a tax bill or property records search. – Other acceptable third-party documentation. • Other acceptable third-party documentation (title, search, insurance dec. page) • Eligible Properties: Rural properties are ineligible. • Amended Additional Reserves: "For the AMF DSCR product offering, when the borrower owns additional 1–4-unit residential properties that are financed, no additional reserves are required. • Appraisal Requirements: CDA not required if two appraisals obtained.
3.1 and 3.2	Fixed-Rate Mortgage; Hybrid SOFR Adjustable-Rate Mortgages (ARMs)	IO features available: • 40-year Fixed Rate: Deleted AMF Prime. Qualifying Rate: • DSCR loans will be qualified at the original Note Rate, regardless of whether they are 7/6 or 10/6 ARMs or fixed-rate loans.
3.3	Loans with a Prepayment Penalty	Amended section: • Six month's interest: The prepayment charge will be equal to Six (6) months of advance interest on the amount of the Prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in each 12-month period. • 3%, 4% or 5% fixed percentage — "The prepayment charge shall be an amount equal to the fixed percentage of the unpaid principal balance of the Note for any curtailment or payoff due to sale or refinance." Deleted: PPPs are applicable regardless of the reason for the prepayment of principal and are applicable to prepayments resulting from the sale or refinance of the subject property or to total curtailments that exceed 20% of original principal balance. Amended: "The Seller is responsible for adhering to all applicable state and federal laws, regulations and restrictions. PPPs are not allowed in all states, and the Seller is solely responsible for compliance." Amended: Please refer to the AMF rate sheet for eligibility and for specific pricing implications.

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Section	Title	Update Description
5.0	Age of Documentation	Added/amended requirements (also in specific sections): • Credit Documentation: The age of credit documentation used to determine eligibility must be no more than 90 days old from the Note Date. • Collateral Documentation: Appraisal reports (effective date) must be no older than 120 days from the Note Date. After 120 days, an appraisal update on form 1004D is required. Appraisals dated over 12 months are not allowed.
5.5	Borrower Representative Credit Score	Added item: Credit re-scores are not permitted unless the re-score is the result of correcting erroneous line items on the credit report. Errors must be confirmed by the creditor.
5.8	Credit Inquiries	Added item: DSCR transactions excluded from this requirement.
5.10	Mortgage/Rental History	Following are the minimum mortgage/rental payment history requirements for AMF programs: • Prime product: 0 x 30 within the past 24 months. • AUS Express, Expanded and DSCR products: 0 x 30 within 12 months, 1 x 30 within 24 months. Depending on the AMF product offering, a minimum of twenty-four (24) months or twelve (12) months of housing history is required with a 0 X 30-day payment history. For rental verification, a standard Verification of Rent (VOR) must be completed by a professional management company or the borrower must provide 24 months or 12 months of bank statements or canceled checks with a copy of the lease agreement. If the borrower has a mortgage or rental history of less than what is required, the Seller will need to verify the number of months available based on the application, and a 0 X 30-day payment history is required. A minimum mortgage/rental payment history of 12 months is required. Borrowers with no mortgage/rental history due to a residence scenario requiring no mortgage or rental payments are eligible with a satisfactory letter of explanation. Mortgage/rental verification can be verified by: • Credit report. • Verification of Mortgage (VOM). • Proof of rent payments (one of two options): – Verification of Rent (VOR) completed by a professional management company. A copy of the lease agreement to document the term and lease payment, and 24 months of either bank statements or canceled checks.

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Section	Title	Update Description
5.15	Disputed Information	Amended: All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation authenticates the dispute. If a borrower indicated that there is inaccurate information on the credit report, and the credit reporting company confirms the disputed items, the credit report will need to be updated. All disputed tradelines must be included in the DTI ratio if the account belongs to the borrower; AMF does not allow the borrower to utilize a credit repair company. Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded.
6.1	IRS Form 4506C and IRS Tax Transcripts	• AMF Prime and AMF Expanded Full Documentation. • Added "IRS Form 4506-C is not to be provided in the loan file" for Bank Statement, 1099, and DSCR.
6.4.1	Wage and Salary	Amended item: • In lieu of obtaining either the most recent paystubs or W-2s, the Seller may obtain a Written Verification of Employment (WVOE) form from the employer. However, the WVOE may not be the sole source of income and employment documentation for any borrower.
6.4.4	Additional Sources of Income	• Added: RSU, notes receivable, capital gains, interest and dividends, royalties, Schedule K-1, trust income. • Added "… except for 401K/Keogh/IRA distributions where a minimum history of withdrawals of six months is required."
6.8	AMF Expanded Product — Bank Statement	• All references to CPA Letter/Licensed Tax Preparer/Statement amended to "CPA/Licensed Tax Preparer." • Added requirements for "Rental income from other investment properties owned by the borrower(s) are allowed…" • 6.8.2 Deleted Personal Bank Statements calculation examples. • Amended/Revised Business Bank Statements section, including: – 6.8.3 Analysis Method. – CPA/Licensed Tax Preparer for business documentation. • Business Bank Statements Expense Factor and business types combined with calculation examples.
6.9	AMF Expanded Product — IRS Form 1099	• Amended several items related to documentation. • Added requirements for "Rental income from other investment properties owned by the borrower(s) are allowed …"

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Section	Title	Update Description
6.10	AMF Debt Service Coverage Ratio	Amended third paragraph: "See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes." Added fourth paragraph: "All borrowers must execute Fannie Mae Form 3170 1–4 Family Rider Uniform Instrument."
6.10.1	DSCR Borrower Requirements	Amended definition of "experienced investor" and Documentation Requirements: • An experienced real estate 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 an agreement (for the income producing property) and proof of ownership, such as a tax bill or property records search. – Other acceptable third-party documentation. • Other acceptable third-party documentation (title, search, insurance dec. page)
6.10.2 6.10.4	DSCR Gross Rental Income	Amended: 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 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. 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.
6.10.8 6.10.9	DSCR LLC Vesting Requirements/ DSCR Statement of Business Purpose and Occupancy Affidavit (Appendix A)	Amended: "See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes." "See Appendix E for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes."

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Section	Title	Update Description
7.0	Assets	Added under Acceptable Assets: "Borrowed funds secured by an asset. Follow Fannie Mae guidelines."
7.9	Reserves	Amended: For the AMF DSCR offering, when the borrower owns additional 1-4-unit residential properties that are financed, no additional reserves are required. 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.**
8.3	Investment Property/Business Purpose	Deleted bullet 3. Added: "See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes."
8.5	Maximum Number of Financed Properties	• Amended: "For all occupancy types and all products (except DSCR), the maximum number of financed properties owned is 10. • For AMF DSCR the maximum number of financed properties owned is 20.
9.1	Purchase Transactions	• Flip Transactions. • LTV/H/CLTV will be based on the lesser of the prior sales price, current purchase price or the current appraised value.
9.3	Cash-Out Refinance Transactions	Added to bullet 9: "For cash-out refinance transactions on an investment property where the loan proceeds will be used for business purposes, such as for the acquisition, improvement or maintenance of a rental property or any other business purpose, the borrower must provide a letter of explanation stating how the loan proceeds will be used, and must execute, a Business Purpose & Occupancy Affidavit is required. See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes." Added bullet 10: "Cash-out refinance transactions on an investment property when the loan proceeds will be used for personal use will be subject to TILA compliance. The borrower will also need to provide a letter of explanation stating how the loan proceeds will be used. Not allowed on AMF DSCR Product offering."

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Section	Title	Update Description
9.8	Non-Arm's-Length Transactions	Amended: A Non-Arm's Length (NAL) transaction occurs when all the parties to a transaction are not independent of one another. Requirements for these transactions include: • The property is a primary residence, or second home. • Two appraisals must be obtained. The related circumstance regarding the transaction is documented.
11.1	Eligible Properties	Added condominium requirements: "Minimum 400 sq. ft., full-size kitchen, minimum of one (1) bedroom."
11.7	Third-Party Appraisal Review from Clear Capital CDA	Clarified requirement that third party review document is not required if a second appraisal is included in the loan package.
11.9	Properties Located in Natural Disaster Area	Inspection reporting requirements updated as follows: "For loans with an appraisal completed on or before the Incident Period End Date, including on-going disasters where an Incident Period End Dates has not yet been declared, and inspection must be completed to confirm the property value and condition have not been impacted by the disaster. This must be obtained prior to loan purchase and must meet all of the following: • Be completed on Fannie Mae Form 2055 Exterior-Only Inspection Residential Appraisal Report or similar Post Disaster Inspection (PDI) Report. • Contain an exterior photo of the property, evidencing no damage. • Include a certification from the appraise/inspector addressing the following: – Statement that the property is free from damage and is in no worse condition than when previously inspected and appraised. – Or, if negative conditions are observed, commentary concerning negative conditions that would impact marketability of the property. – 11.11 Condominium Project Requirements. Should the Fannie Mae Form 2055 or PDI Report indicate potential damage and an interior inspection is recommended by the appraiser/inspector, a FNMA Form 1004D with Interior Inspection must be supplied confirming no damage."
11.10.2	Non-Warrantable Condominium Requirements	Multiple changes to the Non-Warrantable Condominium grid.

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Section	Title	Update Description
11.12	Ineligible Properties	Revised Rural zoned properties to reflect “Rural zoned properties (DSCR only). Added: "Properties used for the cultivation, distribution, manufacture, or sale of marijuana."
12.3.5	Survey Requirements	Amended: “If surveys are not commonly required in particular jurisdictions, the Seller must provide an Alta 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.”
13.2	Escrow Holdback for Work Completion Items	Amended: “Eligible only if escrow funds have been disbursed and an Appraisal Update and/or Completion Report (Fannie Mae Form 1004D) obtained prior to delivery of the loan to AMF. “

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1.0 General Requirements and Restrictions

1.1 Responsible Lending

Arch Mortgage Funding (AMF) adheres to the highest level of ethical standards and expects that all the approved Sellers doing business with our company follow the same standards. AMF is committed to fair and responsible lending, and this is a requirement for any Seller that is approved to do business with AMF. To ensure these standards are met, Sellers are expected to:

- Comply with all federal, state and local regulatory requirements.
- Adhere to Fair Lending policies and not discriminate against any loan borrower.
- Fully understand the borrower's needs and financial circumstances, select the best product available and ensure all product features are fully explained and understood by each borrower on any loan transaction.

By submitting a loan for purchase each Seller certifies that (1) the Seller has made, or is making, its own credit decision with respect to the loan to the borrower(s) subject to the requirements outlined in the AMF Underwriting Guidelines Manual regardless of whether AMF wishes to, or actually does, purchase or decline the loan, and (2) neither AMF, nor any of its affiliates, officers or employees have influenced, or will influence, the Seller's credit decision with respect to the loan to the borrower(s) by (a) indicating whether it will purchase the loan if the Seller originates and closes the loan or (b) any other action or statement.

1.2 Underwriting Guidelines Manual

AMF developed this Underwriting Guidelines Manual (Manual) to describe the underwriting requirements as well as the policies and procedures of AMF. The information set forth in the Manual is confidential and is solely for informational purposes and does not constitute a commitment or an offer that may be accepted. No party may rely on any oral or written statement to the contrary by any person. The Manual is intended for use by AMF and its approved clients, also known as "Sellers," and is subject to change at any time. This Manual is not intended for distribution to borrowers. No part of this Manual may be reproduced, stored in a retrieval system or transmitted in any form or by any means — electronic, mechanical, photocopying, recording or otherwise — without the prior written consent of AMF. AMF hereby grants permission for Sellers to reproduce and transmit the Manual to the Sellers' employees and agents for their internal purposes only.

All loans eligible for purchase by AMF must be prudently underwritten referencing the Manual and industry standard best practices. When the Manual is silent and does not address a certain topic, the Seller must follow the Fannie Mae Seller Guide. **NOTE:** Any mention of Agency refers to Fannie Mae only, unless the loan is qualifying under the AMF AUS Express offering, which allows for both Fannie Mae Desktop Underwriter® (DU®) and Freddie Mac Loan Product Advisor® (LPA℠).

The terms "Manual" or "Underwriting Guidelines" may be used to refer to this Underwriting Guidelines Manual.

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Version 5, Oct. 21, 2024

Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

1.2.1 Updates and Amendments

Information is accurate as of the date of publishing and is subject to change without prior notice. In the event AMF amends the Underwriting Guidelines and/or Policies and Procedures, the Manual will be updated and made available to Sellers in a manner selected by AMF within its sole and absolute discretion, including but not limited to emails and hard-copy materials, and the updated Manual will be posted on archmortgagefunding.com. A loan that was interest rate-locked prior to the date and time of an amendment will not be subject to the updated Manual and/or Policies and Procedures as the loan was locked prior to the effective date of the change unless the lock period for such loan has expired or the loan was previously withdrawn. Any loan locked after the date and time of an amendment to the Underwriting Guidelines and/or Policies and Procedures must conform with all requirements of the amendment. If a loan was not purchased by AMF by the date of the lock expiration, the loan must meet and conform to the new guidelines outlined in the amended Manual.

1.3 Regulatory Compliance

AMF complies with all federal, state, local and municipal mortgage lending laws and regulations and requires approved sellers to maintain awareness of and comply with the same laws and regulations.

For a loan to be eligible for sale to AMF, the origination, selling, servicing and transferring of the loan practices, as applicable, or any other business practices must comply in all respects with all applicable federal, state and local laws and regulations. For a loan to be eligible for sale, it must follow each of the following laws and their implementing regulations, except where compliance is not required because the loan is a business-purpose/investor loan:

- Dodd-Frank Act (DFA).
- Fair Housing Act.
- Federal high-cost loan regulations.
- Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).
- Financial Service Modernization Act.
- Home Mortgage Disclosure Act (HMDA).
- Home Ownership and Equity Protection Act (HOEPA).
- Homeowners Protection Act (HPA).
- National Flood Insurance Act.
- National Flood Insurance Act.
- Regulation B — Equal Credit Opportunity Act (ECOA).
- Regulation G — SAFE Act — Federal Licensing and Regulation.
- Regulation H — SAFE Act — State Licensing and Regulation.
- Regulation P — Privacy of Consumer Financial Information.
- Regulation V — Fair Credit Reporting Act (FCRA).
- Regulation X — Real Estate Settlement Procedures Act (RESPA).
- Regulation Z — Truth in Lending Act and the Integrated Disclosure Act (TILA).

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- State, local and county high-cost and usury regulations.
- Taxpayer First Act of 2019.
- U.S.A. Patriot Act.

All applicable closing documentation and disclosures should be included in the closed loan file submission.

AMF will not purchase loans which are: (a) mortgage loans subject to 12 CFR Part 1026.32 or 1026.34 of Regulation Z, the regulation implementing TILA, which implements the Home Ownership and Equity Protection Act of 1994, as amended, or (b) classified and/or defined loans, such as a "high-cost," "threshold," "predatory high-risk home loan" or "covered" loan (or a similarly-classified loan using different terminology under a law imposing additional legal liability for mortgage loans having high interest rates, points and/or fees) under any other applicable state, federal or local law.

1.3.1 Ability-to-Repay Requirement

All consumer loans must be submitted for purchase under the various product offerings that meet the standards set in the guidelines herein and the requirements set forth in TILA and Regulation Z, which require the Seller to make a reasonable, good-faith determination of a consumer's ability to repay (ATR) for closed-end consumer transactions secured by a dwelling. The borrower obligated on a loan must have the ability to repay the loan. The Seller must, prior to the loan's closing, evaluate the borrower's ability to repay the loan and decide that the borrower does have the ability to repay the loan consistent with the guidelines of the Consumer Financial Protection Bureau (CFPB). The Seller must consider the borrower's:

- Current or reasonably expected income or assets.
- Current employment status.
- Monthly payment on the covered transaction.
- Monthly payment on any simultaneous loan.
- Monthly payment for mortgage-related obligations, current debt obligations, alimony and child support.
- Monthly debt-to-income (DTI) ratio or residual income.
- Credit history.

Creditors must generally check reasonably reliable third-party records to verify the information they use to evaluate the above factors.

1.3.2 Net Tangible Benefit to the Borrower

For a loan to be eligible for sale to AMF, the loan must provide a net tangible benefit to the borrower. A net tangible benefit may include lowering the interest rate of an existing loan, financing the acquisition of a property, extending the term of an existing mortgage or obtaining additional proceeds through a cash-out refinance. For a loan to be eligible for sale to AMF, the tangible benefit provided to the borrower by the loan must exceed the borrower's cost to acquire the loan.

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1.3.3 Seller Must Offer Applicants the Lowest Cost Loan Available

AMF requires that prior to originating a loan for sale, the Seller must consider all options available to the Seller and then offer the borrower the lowest-cost loan program that meets the borrower's requirements and preferences — and for which the borrower qualifies.

1.3.4 Higher-Priced Mortgage Loans

AMF will purchase Higher-Priced Mortgage Loans provided the loans strictly adhere to CFPB guidance on the definition of an HPML and the associated loan requirements. (See Regulation Z, section 1026.35, for the most current details.)

1.4 Compliance Engine

AMF requires that all loans pass a compliance engine query to ensure that the loan complies with all federal, state and local laws and regulations. The testing parameters must be set to include federal, state and local testing. Loans found to be out of compliance with an applicable law or regulation are not eligible for purchase.

1.5 Credit Decision and Independent Funding

The Seller must make their own independent determination as to whether to approve the loan and to close the loan. All loans must be prudently underwritten and fully documented utilizing these guidelines and industry standard practices. The Seller must advance their own funds to consummate the loan.

1.6 Exceptions to the Manual

AMF will consider exceptions on loans that do not meet the eligibility requirements of the Manual but that could still represent prudent risk. AMF maintains sole approval authority for granting exceptions. Additionally, AMF will only purchase loans with a Loan Securitization Final Grade of A or B, based on compliance, credit guidance, data and collateral evaluations.

If an exception is granted prior to loan closing, the closed loan package will be subject to the normal post-closing due diligence review to ensure the transaction meets all other guideline and compliance requirements. Additionally, any exception granted will typically have a negative pricing adjustment associated with the exception.

AMF requires submission of the Exception Request Form along with:

- Uniform Residential Loan Application (1003).
- Uniform Underwriting Transmittal Summary (1008).
- Credit Reports for each borrower.
- A property appraisal if the request includes review of the property and/or valuation eligibility requirements.

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1.7 Rescission

AMF requires that a complete rescission period for cash-out refinance transactions, if applicable, has passed between closing and funding. Loans that have an abbreviated rescission period due to borrower hardship will not be eligible for purchase.

1.8 Document Loan's Compliance

For a loan to be eligible for sale to AMF, the mortgage file must demonstrate that the loan complies with all requirements set forth in this Manual.

1.9 Definitions

For the purposes of these Underwriting Guidelines and Policies and Procedures, the following are AMF's definitions:

Date of Loan: The date on which the note and mortgage/security instrument were executed by the borrower.

Final Application: The date on which the loan application contains accurate verified and documented information, which is signed by the borrower on the date of the loan.

Initial Application: The date of the application for a loan submitted by the borrower to the lender.

Lender: The mortgagee set forth in the mortgage or, in the case of a loan for which Mortgage Electronic Registration System **(**MERS®) is the mortgagee, the entity identified on the mortgage as the entity for which MERS is the nominee.

Mortgage/Security Instrument: The customary and appropriate legal instrument that provides for a first-lien security interest on the subject property and includes mortgages, deeds of trust and other similar security instruments.

PITIA: Monthly payment due on the loan for principal, interest, tax, insurance and homeowner association fees.

Seasoned Funds: Funds that have been on deposit for a minimum of 60 days (120 days for Asset Depletion) prior to the date of the Initial Application in an account that belongs to the borrower at a depository or stockbroker or investment advisory firm. These funds may have been transferred between the above-mentioned eligible accounts.

1.10 Loan Seasoning

To be eligible for purchase, the period between the closing date of the loan and the AMF lock date cannot exceed 90 days.

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2.0 Loan Products

AMF purchases loans that conform to the requirements of one of its products listed below:

- AMF Prime.
- AMF AUS Express.
- AMF Expanded — Full Documentation, Asset Depletion, Bank Statement and IRS Form 1099.
- AMF Debt Service Coverage Ratio (DSCR) Business Purpose.

2.1 Loan Product Offerings

The Seller must specify the AMF loan product under which the loan is to be sold and the loan must conform to the appropriate loan product matrix as well as all requirements of the specified loan product offering. The loan product matrices in this section outline each loan product. For the loan to be eligible for sale to AMF, the loan must conform with all requirements in this Manual unless an exception to this Manual has been granted. PMI is not required or allowed on any of the AMF loan product offerings.

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2.2 AMF Prime

<table>
<tr><th>Product Name</th><th colspan="6">AMF Prime</th></tr>
<tr><td>Product Description</td><td colspan="6">The AMF Prime Full Documentation Program features higher loan amounts, interest-only (IO) and no-PMI requirements. The program requires a manual underwrite.</td></tr>
<tr><td rowspan="39">Maximum Loan Amounts/Loan-to Value (LTV/H/CLTV)/FICO/ DTI/Reserves</td><td colspan="6">Primary Residence Purchase and Rate/Term Refinances</td></tr>
<tr><td>Units</td><td>Maximum Loan Amount</td><td>Maximum LTV/H/CLTV</td><td>Minimum Credit Score</td><td>DTI</td><td>Reserves</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>90%*</td><td>740</td><td>41%</td><td>12</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>85%*</td><td>720</td><td>41%</td><td>12</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>80%</td><td>700</td><td>45%</td><td>9</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>75%</td><td>680</td><td>45%</td><td>6</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>90%*</td><td>740</td><td>41%</td><td>12</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>80%</td><td>700</td><td>45%</td><td>9</td></tr>
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<tr><td>1</td><td>$2,500,000</td><td>75%</td><td>700</td><td>45%</td><td>12</td></tr>
<tr><td>1</td><td>$3,000,000</td><td>70%</td><td>740</td><td>45%</td><td>12</td></tr>
<tr><td>2–4</td><td>$1,000,000</td><td>80%</td><td>700</td><td>45%</td><td>9</td></tr>
<tr><td>2–4</td><td>$1,500,000</td><td>80%</td><td>700</td><td>45%</td><td>9</td></tr>
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<tr><td>2–4</td><td>$3,000,000</td><td>65%</td><td>740</td><td>45%</td><td>12</td></tr>
<tr><td colspan="6">*> 80% LTV/H/CLTV is limited to Purchase Transactions only. The maximum LTV for all refinances is 80%.</td></tr>
<tr><td colspan="6">Primary Residence Cash-Out Refinance</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>80%</td><td>700</td><td>45%</td><td>6</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>70%</td><td>680</td><td>45%</td><td>6</td></tr>
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<tr><td>2–4</td><td>$1,000,000</td><td>75%</td><td>700</td><td>45%</td><td>6</td></tr>
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<tr><td>2–4</td><td>$3,000,000</td><td>65%</td><td>740</td><td>45%</td><td>12</td></tr>
<tr><td colspan="6">First-Time Homebuyers</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>80%</td><td>700</td><td>45%</td><td>9</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>80%</td><td>700</td><td>45%</td><td>9</td></tr>
<tr><td>1</td><td>$2,000,000</td><td>75%</td><td>700</td><td>45%</td><td>9</td></tr>
</table>

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	Second-Home Purchase or Rate/Term Refinance					
	1	$1,000,000	80%	700	45%	9
	1	$1,500,000	80%	700	45%	9
	1	$2,000,000	75%	700	45%	9
	1	$2,500,000	70%	700	45%	12
	Second-Home Cash-Out Refinance					
	1	$1,000,000	75%	720	45%	9
	1	$1,500,000	75%	720	45%	9
	1	$2,000,000	70%	720	45%	9
	1	$2,500,000	65%	720	45%	12
	Investment Property Purchase or Rate/Term Refinance					
	1	$1,000,000	80%	700	45%	9
	1	$1,500,000	75%	700	45%	9
	1	$2,000,000	70%	700	45%	9
	1	$2,500,000	65%	700	45%	12
	2–4	$1,000,000	75%	700	45%	6
	2–4	$1,500,000	70%	700	45%	9
	2–4	$2,000,000	65%	700	45%	9
	2–4	$2,500,000	65%	700	45%	12
	Investment Property Cash-Out Refinance					
	1	$1,000,000	75%	720	45%	6
	1	$1,500,000	70%	720	45%	9
	1	$2,000,000	65%	720	45%	9
	1	$2,500,000	65%	720	45%	12
	2–4	$1,000,000	70%	720	45%	6
	2–4	$1,500,000	65%	720	45%	9
	2–4	$2,000,000	65%	720	45%	9
	2–4	$2,500,000	65%	720	45%	12

Additional Loan-to Value (LTV/H/CLTV) Requirements	• Condominiums and co-ops maximum LTV/H/CLTV limited to 80%. • Greater than 80% LTV/H/CLTV limited to fixed-rate, fully amortizing offerings only. • IO option maximum LTV/H/CLTV limited to 80%. • Non-Permanent Resident maximum LTV/H/CLTV is 70% and limited to single-family, owner-occupied primary residence. • Non-warrantable condominiums maximum LTV/H/CLTV is the lower of the allowable LTV/H/CLTV or 80%. • Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify (Airbnb, VRBO).
Cash-out Limitations	Cash out: Maximum cash out proceeds ≤ $500,000. > $500,000 eligible to be considered on an exception basis. See section 9.3 for AMF cash-out and refinance seasoning requirements.
Documentation Type	Full Documentation.

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Minimum Loan Amount	$300,000.
Purpose	Purchase, Rate and Term Refinances, Cash-out Refinances and Delayed Financing.
Eligible Loan Types	15-, 20- and 30-Year Fixed-Rate with interim terms available. 5-Year/6-Month, 7-Year/6-Month, 10-Year/6-Month Secured Overnight Financing Rate (SOFR) Adjustable-Rate Mortgages (ARMs).
Interest-Only (IO)	30-year IO Fixed-Rate or ARM options with 10-year IO period. Qualifying P&I payments based on 20 years' loan amortization. IO LTV/H/CLTV > 75% requires a minimum FICO® score of 720. IO option maximum LTV/H/CLTV limited to 80%.
Eligible Borrowers	U.S. Citizens. Permanent Residents — Must present documentation that a non-U.S. Citizen Borrower is legally present in the United States. Must be employed in the United States for the past 24 months. Non-Permanent Residents — Acceptable Visa types are E1, E2, E3, G-1, G-2, G-3, G-4, G-5, H-1B, H-1C, L-1, L-1A, L-1B, Spouse L-2 with EAD, NATO Series (NATO 1–6), O Series (0–1), TN-1 Canadian NAFTA visa, TN-2 Mexican NAFTA visa. Must be employed in the United States for the past 24 months.
First-Time Homebuyer	Any borrowers who have not owned a home in the last three years. Eligible for primary residence only.
Eligible Occupancy/ Properties	Primary Residence: 1–4-unit, detached, attached, PUD, eligible condominium and eligible New York cooperatives (co-ops).* Second Home: 1 unit, detached, attached, PUD, eligible condominium and eligible New York co-op.* Investment Property: 1–4-unit, detached, attached, PUD and eligible condominium. Must be fee simple. Seller is responsible for condominium and co-op project review. *Fannie Mae- or Freddie Mac-eligible established co-ops located in New York's five boroughs and Nassau, Suffolk, Rockland and Westchester counties only.

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Version 5, Oct. 21, 2024

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Minimum Credit Score	680.
Mortgage and/or Rental History	0 x 30 — 24 months. First-time homebuyers without a housing history will be eligible with an additional three months' reserves.
Multiple Financed Property Requirements	Primary Residence, Second Home and Investment Properties: Borrower(s) may own a total of 10 financed 1–4-unit residential properties, including the subject property.
Additional Reserve Requirements	When the borrower owns additional 1–4-unit financed residential properties that are financed, an additional two months' PITIA or ITIA reserves are required for each property, up to a total of 12 months of the subject property's reserves. The 12 months of total reserves includes the subject property's minimum required reserves.
Escrows	Escrows required on all loans with LTV/H/CLTVs greater than 80% unless state law prohibited. If the property is located within a Special Flood Hazard Area (SFHA), an escrow account must be established for flood insurance premiums, except for loans with flood insurance provided by the condominium association.
Appraisal Requirements	Two appraisals required on loan amounts greater than $1.5M. Collateral Desktop Analysis® (CDA®) is required on all loan transactions that don't include two appraisals. AMF will not accept transferred appraisals.
Declining Markets	If the appraiser indicates the market value of the subject property is declining, the maximum LTV/H/CLTV is restricted to the lesser of the maximum LTV/H/CLTVs allowed by the program Guides or 70%.
Ineligible States/Territories	Properties located Guam, Puerto Rico, American Samoa, Northern Mariana Islands, the U.S. Virgin Islands and Hawaii (Lava Zones 1–2). Texas 50 (a) (6) cash-out refinance.

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2.3 AMF AUS Express

<table>
<tr><th>Product</th><th>AMF AUS Express</th></tr>
<tr><td>Product Description</td><td>The AMF AUS Express offering enables originators to expand and grow their non-Agency mortgage business while reducing the complexity of manually underwritten loans by leveraging findings from Fannie Mae's Desktop Underwriter (DU) or Freddie Mac's Loan Product Advisor (LPA). Manual underwriting is not allowed.

All loans must be prudently underwritten utilizing the most restrictive of the AMF AUS Express Program Matrix/Guides or the AUS feedback approval. DU Approve/ Eligible and DU Approve/Ineligible or LPA Accept/Eligible and LPA Accept/Ineligible are acceptable. Approve/Accept Ineligible permitted for loan amount or maximum cash-out refinances only. All data points on the AUS should represent the loan attributes with the exception of AMF AUS Express overlays contained in this Manual. See below for the AMF AUS Express overlays.

AMF does not approve loans based solely on DU or LPA but leverages the automated system along with AMF overlays to qualify loans that are acceptable for purchase by AMF.

Fannie Mae and Freddie Mac unique eligibility and underwriting consideration programs are not allowed.</td></tr>
<tr><td>Maximum Loan Amounts/Loan-to-Value (LTV/H/CLTV)/FICO/ DTI/Reserves</td><td>
<table>
<tr><th colspan="6">Primary Residence Purchase and Rate/Term Refinances</th></tr>
<tr><th>Units</th><th>Maximum Loan Amount</th><th>Maximum LTV/H/CLTV</th><th>Minimum Credit Score</th><th>DTI</th><th>Reserves</th></tr>
<tr><td>1</td><td>$1,000.000</td><td>80%</td><td>700</td><td>50%</td><td>≥ AUS or 9</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>75%</td><td>680</td><td>50%</td><td>≥ AUS or 6</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>80%</td><td>700</td><td>50%</td><td>≥ AUS or 9</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>70%</td><td>680</td><td>50%</td><td>≥ AUS or 9</td></tr>
<tr><td>1</td><td>$2,000,000</td><td>80%</td><td>700</td><td>50%</td><td>> AUS or 9</td></tr>
<tr><td>1</td><td>$2,000,000</td><td>65%</td><td>680</td><td>50%</td><td>> AUS or 9</td></tr>
<tr><td>1</td><td>$2,500,000</td><td>75%</td><td>700</td><td>50%</td><td>> AUS or 12</td></tr>
<tr><td>2–4</td><td>$1,000,000</td><td>80%</td><td>700</td><td>45%</td><td>≥ AUS or 9</td></tr>
<tr><td>2–4</td><td>$1,500,000</td><td>80%</td><td>700</td><td>45%</td><td>≥ AUS or 9</td></tr>
<tr><td>2–4</td><td>$2,000,000</td><td>75%</td><td>700</td><td>45%</td><td>> AUS or 9</td></tr>
<tr><td>2–4</td><td>$2,500,000</td><td>70%</td><td>700</td><td>45%</td><td>> AUS or 12</td></tr>
<tr><th colspan="6">Primary Residence Cash-Out Refinance</th></tr>
<tr><td>1</td><td>$1,000.000</td><td>80%</td><td>700</td><td>50%</td><td>≥ AUS or 9</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>70%</td><td>680</td><td>50%</td><td>≥ AUS or 6</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>75%</td><td>700</td><td>50%</td><td>≥ AUS or 9</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>65%</td><td>680</td><td>50%</td><td>≥ AUS or 9</td></tr>
<tr><td>1</td><td>$2,000,000</td><td>75%</td><td>700</td><td>50%</td><td>> AUS or 9</td></tr>
<tr><td>1</td><td>$2,000,000</td><td>60%</td><td>680</td><td>50%</td><td>> AUS or 9</td></tr>
<tr><td>1</td><td>$2,500,000</td><td>70%</td><td>700</td><td>50%</td><td>> AUS or 12</td></tr>
<tr><td>2–4</td><td>$1,000,000</td><td>75%</td><td>700</td><td>45%</td><td>≥ AUS or 6</td></tr>
</table>
</td></tr>
</table>

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

	2–4	$1,500,000	75%	700	45%	≥ AUS or 6
	2–4	$2,000,000	70%	700	45%	> AUS or 9
	2–4	$2,500,000	65%	700	45%	> AUS or 12
	First-Time Homebuyers					
	1	$1,000,000	80%	700	45%	> AUS or 9
	1	$1,500,000	80%	700	45%	> AUS or 9
	1	$2,000,000	75%	700	45%	> AUS or 9
	Second-Home Purchase or Rate/Term Refinance					
	1	$1,000,000	80%	700	45%	> AUS or 9
	1	$1,500,000	80%	700	45%	> AUS or 9
	1	$2,000,000	75%	700	45%	> AUS or 9
	1	$2,500.000	70%	700	45%	> AUS or 12
	Second-Home Cash-Out Refinance					
	1	$1,000,000	75%	720	45%	≥ AUS or 6
	1	$1,500,000	75%	720	45%	≥ AUS or 9
	1	$2,000,000	70%	720	45%	> AUS or 9
	1	$2,500,000	65%	720	45%	> AUS or 12
	Investment Property Purchase or Rate/Term Refinance					
	1	$1,000,000	80%	700	45%	≥ AUS or 6
	1	$1,500,000	75%	700	45%	≥ AUS or 9
	1	$2,000,000	70%	700	45%	> AUS or 9
	1	$2,500,000	65%	700	45%	> AUS or 12
	2–4	$1,000,000	75%	700	45%	≥ AUS or 9
	2–4	$1,500,000	70%	700	45%	≥ AUS or 9
	2–4	$2,000,000	65%	700	45%	> AUS or 9
	2–4	$2,500,000	65%	700	45%	> AUS or 12
	Investment Property Cash-Out Refinance					
	1	$1,000,000	75%	720	45%	≥ AUS or 6
	1	$1,500,000	70%	720	45%	≥ AUS or 9
	1	$2,000,000	65%	720	45%	> AUS or 9
	1	$2,500,000	65%	720	45%	> AUS or 12
	2–4	$1,000,000	70%	720	45%	≥ AUS or 6
	2–4	$1,500,000	65%	720	45%	≥ AUS or 9
	2–4	$2,000,000	65%	720	45%	> AUS or 9
	2–4	$2,500,000	65%	720	45%	> AUS or 12

Additional Loan-to Value (LTV/H/CLTV) Requirements	• Non-Permanent Resident maximum LTV/H/CLTV is 70% and limited to single-family, owner-occupied primary residence. • Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify (Airbnb, VRBO).
Cash-out Limitations	Cash out: Maximum cash out proceeds ≤ 500,000. > $500,000 eligible to be considered on an exception basis. See section 9.3 for AMF cash-out and refinance seasoning requirements.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Documentation Type	Fannie Mae DU and Freddie Mac LPA AUS with AMF Overlays. AUS requirements: • DU Approve/Eligible, DU Approve/Ineligible, LPA Accept/Eligible or LPA Accept/Ineligible. Approve/Accept Ineligible for loan amount or maximum cash-out refinances only.
Minimum Loan Amount	$300,000.
Purpose	Purchase, Rate and Term Refinances, Cash-Out Refinances and Delayed Financing.
Eligible Loan Types	15-, 20- and 30-Year Fixed-Rate with interim terms available. 5-Year/6-Month, 7-Year/6-Month, 10-Year/6-Month SOFR ARMs.
Interest-Only (IO)	Not Eligible.
Eligible Borrowers	U.S. Citizens. Permanent Residents — Must present documentation that a non-U.S. Citizen borrower is legally present in the United States. Must be employed in the United States for the past 24 months. Non-Permanent Residents — Acceptable Visa types are E1, E2, E3, G-1, G-2, G-3, G-4, G-5, H-1B, H-1C, L-1, L-1A, L-1B, Spouse L-2 with EAD, NATO Series (NATO 1–6), O Series (0–1), TN-1 Canadian NAFTA visa, TN-2 Mexican NAFTA visa. Must be employed in the United States for the past 24 months.
First-Time Homebuyer	Any borrowers who have not owned a home in the last three years. Eligible for primary residence only.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Eligible Occupancy/ Properties	Primary Residence: 1–4-unit, attached, detached, PUD, eligible condominium and eligible New York co-op.* Second Home: 1 unit, attached, detached, PUD, eligible condominium and eligible New York co-op.* Investment Property: 1–4-unit, attached, detached, PUD and eligible condominium. Must be fee simple. Seller is responsible for condominium and co-op project review. *Fannie Mae or Freddie Mac warrantable condominiums and Fannie Mae- or Freddie Mac-established eligible co-ops located in New York's five boroughs and Nassau, Suffolk, Rockland and Westchester counties only.
Minimum Credit Score	680.
Mortgage and/or Rental History	0 x 30 – 12 months and 1 x 30 – 24 months. First-time homebuyers without a housing history will be eligible with an additional three months' reserves.
Multiple Financed Property Restrictions	Primary Residence, Second Home and Investment Properties: Borrower(s) may own a total of 10 financed 1–4-unit residential properties, including the subject property.
Additional Reserve Requirements	For other 1–4-unit residential properties owned, follow the Agency requirements.
Escrows	Escrows required on all loans with LTV/H/CLTV greater than 80% unless prohibited by state law. If the property is located within a Special Flood Hazard Area (SFHA), an escrow account must be established for flood insurance premiums except for loans with flood insurance provided by a condominium association.
Appraisal Requirements	Two appraisals required on loan amounts greater than $1.5M. Desktop Appraisals (Fannie Mae Form 1004 Desktop and Freddie Mac Form 70D) are not permitted. Property Inspection Waiver (PIW) and Fannie Mae 2075/Freddie Mac 2070 not allowed in lieu of an appraisal. Collateral Desktop Analysis (CDA) is required to be submitted on all loan transactions that don't include two appraisals — loans with a collateral UW score of 2.5 or lower are exempt from this requirement. AMF will not accept transferred appraisals.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Declining Markets	If the appraiser indicates the market value of the subject property is declining, the maximum LTV/H/CLTV is restricted to the lesser of the maximum LTV/H/CLTVs allowed by the program Guides or 70%.
Ineligible States/Territories	Properties located in Guam, Puerto Rico American Samoa, Northern Mariana Islands and the U.S. Virgin Islands and Hawaii (Lava Zones 1–2). Texas 50 (a) (6) cash-out refinances.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

2.4 AMF Expanded — Full Documentation

Product Name	AMF Expanded — Full Documentation					
Product Description	The AMF Expanded Program provides for expanded qualification criteria, including alternative income documentation products, higher DTI ratios and shorter credit event seasoning requirements.					
Maximum Loan Amounts/Loan-to-Value (LTV/H/CLTV)/FICO/ DTI/Reserves	**Primary Residence Purchase and Rate/Term Refinances**					
	Units	**Maximum Loan Amount**	**Maximum LTV/H/CLTV**	**Minimum Credit Score**	**DTI**	**Reserves**
	1	$1,000,000	90%	740	41%	12
	1	$1,000,000	85%	720	41%	12
	1	$1,000.000	80%	700	50%	9
	1	$1,000,000	75%	680	50%	6
	1	$1,500,000	90%	740	41%	12
	1	$1,500,000	80%	700	50%	9
	1	$1,500,000	70%	680	50%	9
	1	$2,000,000	80%	700	50%	9
	1	$2,000,000	65%	680	50%	9
	1	$2,500,000	75%	700	50%	12
	1	$3,000,000	70%	740	50%	12
	2–4	$1,000,000	85%	720	41%	12
	2–4	$1,000,000	80%	700	50%	9
	2–4	$1,500,000	80%	700	50%	9
	2–4	$2,000,000	75%	700	50%	9
	2–4	$2,500,000	70%	700	50%	12
	2–4	$3,000,000	65%	740	50%	12
	Primary Residence Cash-Out Refinance					
	1	$1,000,000	85%	720	41%	12
	1	$1,000,000	75%	700	50%	6
	1	$1,000,000	70%	680	50%	6
	1	$1,500,000	75%	700	50%	9
	1	$1,500,000	65%	680	50%	9
	1	$2,000,000	75%	700	50%	9
	1	$2,000,000	60%	680	50%	9
	1	$2,500,000	70%	700	50%	12
	1	$3,000,000	65%	740	50%	12
	2–4	$1,000,000	75%	700	50%	6
	2–4	$1,500,000	75%	700	50%	9
	2–4	$2,000,000	70%	700	50%	9
	2–4	$2,500,000	65%	700	50%	12
	2–4	$3,000,000	65%	740	50%	12
	First-Time Homebuyers					
	1	$1,000,000	80%	700	50%	9
	1	$1,500,000	80%	700	50%	9
	1	$2,000,000	75%	700	50%	9

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

	Second-Home Purchase or Rate/Term Refinance					
	1	$1,000,000	80%	700	50%	9
	1	$1,500,000	80%	700	50%	9
	1	$2,000,000	75%	700	50%	9
	1	$2,500,000	70%	700	50%	12
	Second-Home Cash-Out Refinance					
	1	$1,000,000	75%	720	50%	6
	1	$1,500,000	75%	720	50%	9
	1	$2,000,000	70%	720	50%	9
	1	$2,500,000	65%	720	50%	12
	Investment Property Purchase or Rate/Term Refinance					
	1	$1,000,000	80%	700	50%	9
	1	$1,500,000	75%	700	50%	9
	1	$2,000,000	70%	700	50%	9
	1	$2,500,000	65%	700	50%	12
	2–4	$1,000,000	75%	700	50%	6
	2–4	$1,500,000	70%	700	50%	9
	2–4	$2,000,000	65%	700	50%	9
	2–4	$2,500,000	65%	700	50%	12
	Investment Property Cash-Out Refinance					
	1	$1,000,000	75%	720	50%	6
	1	$1,500,000	70%	720	50%	9
	1	$2,000,000	65%	720	50%	9
	1	$2,500,000	65%	720	50%	12
	2–4	$1,000,000	70%	720	50%	6
	2–4	$1,500,000	65%	720	50%	9
	2–4	$2,000,000	65%	720	50%	9
	2–4	$2,500,000	65%	720	50%	12

Residual Income	**Greater than 45% DTI requires monthly residual income of $3,500.** Residual Income: Monthly household income remaining after a borrower has made monthly payments to all creditors included in the DTI calculation.
Additional Loan-to Value (LTV/H/CLTV) Requirements	• Greater than 80% LTV/H/CLTV limited to fixed-rate, fully amortizing offerings only. • Non-warrantable condominiums maximum LTV/H/CLTV is the lower of the allowable LTV/H/CLTV or 80%. • Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify (Airbnb, VRBO).
Cash-out Limitations	Cash-out: Reduce allowable LTV/H/CLTV by 10% for cash-out > $500,000. Maximum cash-out limited to $1,000,000. See section 9.3 for AMF cash-out and refinance seasoning requirements.
Documentation Type	Full Documentation options.
Minimum Loan Amount	$150,000.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Purpose	Purchase, Rate and Term Refinances, Cash-Out Refinances and Delayed Financing.
Eligible Loan Types	15-, 20- and 30-Year Fixed-Rate with interim terms available. 5-Year/6-Month, 7-Year/6-Month, 10-Year/6-Month SOFR ARMs.
Interest-Only (IO)	30- and 40-year IO Fixed-Rate or ARM options with 10-year IO period. Qualifying P&I payments based on 20 years' (30-year loan) and 30 years' (40-year loan) amortization. IO LTV/H/CLTV > 75% requires a minimum FICO score of 720.
Eligible Borrowers	U.S. Citizens. Permanent Residents must present documentation that a non-U.S. Citizen borrower is legally present in the United States. Must be employed in the United States for the past 24 months.
First-Time Homebuyer	Any borrowers who have not owned a home in the last three years. Eligible for primary residence only.
Eligible Occupancy/ Properties	Primary Residence: 1–4-unit, detached, attached, PUD, eligible condominium and eligible New York co-op.* Second Home: 1 unit, detached, attached, PUD, condominium, co-op.* Investment Property: 1–4-unit, detached, attached, PUD and eligible condominium. Must be fee simple. Seller is responsible for condominium and co-op project review. *Fannie Mae- or Freddie Mac-established eligible co-ops located in New York's five boroughs and Nassau, Suffolk, Rockland and Westchester counties only.
Minimum Credit Score	680.
Mortgage and/or Rental History	0 x 30 – 12 months. 1 x 30 – 24 months. First-time homebuyers without a housing history will be eligible with an additional three-months' reserves.
Multiple Financed Property Restrictions	Primary Residence, Second Home and Investment Properties: Borrower(s) may own a total of 10 financed 1–4-unit residential properties, including the subject property.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs. Any reference to these Alternative Income Documentation programs does not apply.

Additional Reserve Requirements	When the borrower owns additional 1–4-unit financed residential properties that are financed, an additional two months' PITIA or ITIA reserves are required for each property, up to a total of 12 months of the subject property's reserves. The 12 months of total reserves includes the subject property's minimum required reserves.
Escrows	Escrows required on all loans with LTV/H/CLTV greater than 80% unless prohibited by state law. If the property is located within a Special Flood Hazard Area (SFHA), an escrow account must be established for flood insurance premiums except for loans with flood insurance provided by a condominium association.
Appraisal Requirements	Two appraisals are required on loan amounts greater than $1.5M. Collateral Desktop Analysis (CDA) is required to be submitted on all loan transactions that don't include two appraisals. AMF will not accept transferred appraisals.
Declining Markets	If the appraiser indicates the market value of the subject property is declining, the maximum LTV/H/CLTV is restricted to the lesser of the maximum LTV/H/CLTVs allowed by the program Guides or 70%.
Ineligible States/Territories	Properties located in Guam, Puerto Rico, American Samoa, Northern Mariana Islands and the U.S. Virgin Islands and Hawaii (Lava Zones 1–2) not allowed. Texas 50 (a) (6) cash-out refinances not allowed.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

2.5 AMF Expanded — Asset Depletion

The Asset Depletion product offering is an extension of the AMF Expanded — Full Documentation product with the following overrides.

<table>
<tr><th>Product Name</th><th>AMF Expanded — Asset Depletion</th></tr>
<tr><td>Product Description</td><td>The AMF Asset Depletion Program is designed for borrowers with significant liquid assets and relies on the depletion of post-closing liquid and retirement assets to determine their qualifying monthly income as a means by which the borrower will have the ability to repay the mortgage debt. Borrowers are required to have a minimum amount of eligible assets to deplete of $1,000,000 in net qualifying assets to qualify for this program.

Qualifying income is based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 96.

The assets must be 100% owned by the borrower. The note and security instrument must be signed by any individual(s) listed on the asset account(s).

Any asset used for this program must be seasoned for a minimum of 120 days.</td></tr>
<tr><td>Maximum Loan Amounts/Loan-to-Value (LTV/H/CLTV)/FICO/ DTI/Reserves</td><td>
<table>
<tr><th colspan="6">Primary Residence Purchase and Rate/Term Refinances</th></tr>
<tr><th>Units</th><th>Maximum Loan Amount</th><th>Maximum LTV/H/CLTV</th><th>Minimum Credit Score</th><th>DTI</th><th>Reserves</th></tr>
<tr><td>1</td><td>$1,000,000</td><td>85%</td><td>720</td><td>41%</td><td>12</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>85%</td><td>720</td><td>41%</td><td>12</td></tr>
<tr><td>1</td><td>$1,000.000</td><td>80%</td><td>720</td><td>45%</td><td>9</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>75%</td><td>680</td><td>45%</td><td>6</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>80%</td><td>720</td><td>45%</td><td>9</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>70%</td><td>680</td><td>45%</td><td>9</td></tr>
<tr><td>1</td><td>$2,000,000</td><td>80%</td><td>720</td><td>45%</td><td>9</td></tr>
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<tr><td>1</td><td>$2,500,000</td><td>75%</td><td>700</td><td>45%</td><td>12</td></tr>
<tr><td>1</td><td>$3,000,000</td><td>70%</td><td>740</td><td>45%</td><td>12</td></tr>
<tr><td>2–4</td><td>$1,000,000</td><td>85%</td><td>720</td><td>41%</td><td>12</td></tr>
<tr><td>2–4</td><td>$1,000,000</td><td>80%</td><td>720</td><td>45%</td><td>9</td></tr>
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<tr><td>2–4</td><td>$3,000,000</td><td>65%</td><td>740</td><td>45%</td><td>12</td></tr>
<tr><th colspan="6">Primary Residence Cash-Out Refinance</th></tr>
<tr><td>1</td><td>$1,000,000</td><td>85%</td><td>720</td><td>41%</td><td>12</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>75%</td><td>700</td><td>45%</td><td>6</td></tr>
<tr><td>1</td><td>$1,000,000</td><td>70%</td><td>680</td><td>45%</td><td>6</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>75%</td><td>700</td><td>45%</td><td>9</td></tr>
<tr><td>1</td><td>$1,500,000</td><td>65%</td><td>680</td><td>45%</td><td>9</td></tr>
<tr><td>1</td><td>$2,000,000</td><td>75%</td><td>700</td><td>45%</td><td>9</td></tr>
</table>
</td></tr>
</table>

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

	1	$2,000,000	60%	680	45%	9
	1	$2,500,000	70%	700	45%	12
	1	$3,000,000	65%	740	45%	12
	2–4	$1,000,000	75%	700	45%	6
	2–4	$1,500,000	75%	700	45%	9
	2–4	$2,000,000	70%	700	45%	9
	2–4	$2,500,000	65%	700	45%	12
	2–4	$3,000,000	65%	740	45%	12
	First-Time Homebuyers					
	1	$1,000,000	80%	720	45%	9
	1	$1,500,000	80%	720	45%	9
	1	$2,000,000	75%	700	45%	9
	Second-Home Purchase or Rate/Term Refinance					
	1	$1,000,000	80%	720	45%	9
	1	$1,500,000	80%	720	45%	9
	1	$2,000,000	75%	700	45%	9
	1	$2,500,000	70%	700	45%	12
	Second-Home Cash-Out Refinance					
	1	$1,000,000	75%	720	45%	6
	1	$1,500,000	75%	720	45%	9
	1	$2,000,000	70%	720	45%	9
	1	$2,500,000	65%	720	45%	12
	Investment Property Purchase or Rate/Term Refinance					
	1	$1,000,000	80%	720	45%	9
	1	$1,500,000	75%	700	45%	9
	1	$2,000,000	70%	700	45%	9
	1	$2,500,000	65%	700	45%	12
	2–4	$1,000,000	75%	700	45%	6
	2–4	$1,500,000	70%	700	45%	9
	2–4	$2,000,000	65%	700	45%	9
	2–4	$2,500,000	65%	700	45%	12
	Investment Property Cash-Out Refinance					
	1	$1,000,000	75%	720	45%	6
	1	$1,500,000	70%	720	45%	9
	1	$2,000,000	65%	720	45%	9
	1	$2,500,000	65%	720	45%	12
	2–4	$1,000,000	70%	720	45%	6
	2–4	$1,500,000	65%	720	45%	9
	2–4	$2,000,000	65%	720	45%	9
	2–4	$2,500,000	65%	720	45%	12

Additional Loan-to Value (LTV/H/CLTV) Requirements	• Greater than 80% LTV/H/CLTV limited to fixed-rate and 10-year/6-month ARMs only. • Non-Warrantable Condominiums maximum LTV/H/CLTV is the lesser of the allowable LTV/H/CLTV or 80%. • Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify (Airbnb, VRBO).
Cash-out Limitations	Cash-out: Reduce LTV/H/CLTVs by 10% for cash-out > $500,000. Maximum cash-out limited to $1,000,000. See section 9.3 for AMF cash-out refinance seasoning requirements.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Documentation Type	Alternative Income utilizing Asset Depletion.
Income Requirements	Asset depletion income is derived by totaling all allowable assets (100% for cash, 80% non-cash including stocks/mutual funds/bonds and 70% of vested retirement accounts. Borrowers ≥ 59.5 years of age can use 80% of the vested retirement accounts) and subtracting the down payment, less out of pocket closing costs, less required reserves, divided by 96. Asset Depletion income cannot be used in conjunction with permanent full-time employment income, or any income derived from the assets being used to deplete, such as interest and dividend income, capital gains, etc. When Asset Depletion is being used, it supersedes the use of existing retirement distributions, except for pension distributions, if those assets are considered in the calculation of income. Other sources of income allowed in the Fannie Mae Selling Guide can be used to qualify the borrower — examples include Social Security, rental income, royalties, alimony and child support.
Gifts	Not allowed.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

2.6 AMF Expanded — Bank Statement and IRS Form 1099

The Bank Statement and IRS Form 1099 Product offerings are an extension of the AMF Expanded — Full Documentation Product with the following overrides.

<table>
<tr><th>Product Name</th><th colspan="6">AMF Expanded — Bank Statement and IRS Form 1099</th></tr>
<tr><td>Product Options</td><td colspan="6">The AMF Bank Statement and IRS Form 1099 Programs offer alternative income documentation for non-wage-earning and self-employed borrowers. Acceptable documentation includes personal and business bank statements or IRS Form 1099s. This product is available under the Expanded product offering.

Borrowers must have more than 50% ownership in the business (Sole Proprietorship, Partnership or Corporation) they are using for the qualifying income (changes in percentage of ownership require 12 months' seasoning). Split ownership between spouses to achieve the more-than-50% ownership requirement is permitted only if both are on the note. Borrowers must be self-employed for a minimum of two years. The Bank Statement program provides self-employed borrowers with the option to establish qualifying income based on acceptable deposits from either 12 or 24 months of bank statements rather than providing a full set of tax returns.

Other sources of income allowed in the Fannie Mae Selling Guide in effect at the time of application may be used to qualify the borrower; examples include co-borrower non-self-employment income, Social Security, rental income, royalties, alimony and child support. However, the eligibility terms of the loan are determined, and the loan is to be priced as an AMF Expanded — Bank Statement/IRS Form 1099 loan.</td></tr>
<tr><td>Maximum Loan Amounts/Loan-to-Value (LTV/H/CLTV)/FICO/ DTI/Reserves</td><td colspan="6">Primary Residence Purchase and Rate/Term Refinances</td></tr>
<tr><td></td><td>Units</td><td>Maximum Loan Amount</td><td>Maximum LTV/H/CLTV</td><td>Minimum Credit Score</td><td>DTI</td><td>Reserves</td></tr>
<tr><td></td><td>1</td><td>$1,000,000</td><td>85%</td><td>720</td><td>41%</td><td>12</td></tr>
<tr><td></td><td>1</td><td>$1,500,000</td><td>85%</td><td>720</td><td>41%</td><td>12</td></tr>
<tr><td></td><td>1</td><td>$1,000.000</td><td>80%</td><td>720</td><td>45%</td><td>9</td></tr>
<tr><td></td><td>1</td><td>$1,000,000</td><td>75%</td><td>680</td><td>45%</td><td>6</td></tr>
<tr><td></td><td>1</td><td>$1,500,000</td><td>80%</td><td>720</td><td>45%</td><td>12</td></tr>
<tr><td></td><td>1</td><td>$1,500,000</td><td>70%</td><td>680</td><td>45%</td><td>9</td></tr>
<tr><td></td><td>1</td><td>$2,000,000</td><td>80%</td><td>720</td><td>45%</td><td>9</td></tr>
<tr><td></td><td>1</td><td>$2,000,000</td><td>65%</td><td>680</td><td>45%</td><td>9</td></tr>
<tr><td></td><td>1</td><td>$2,500,000</td><td>75%</td><td>700</td><td>45%</td><td>12</td></tr>
<tr><td></td><td>1</td><td>$3,000,000</td><td>70%</td><td>740</td><td>45%</td><td>12</td></tr>
<tr><td></td><td>2–4</td><td>$1,000,000</td><td>85%</td><td>720</td><td>41%</td><td>12</td></tr>
<tr><td></td><td>2–4</td><td>$1,000,000</td><td>80%</td><td>700</td><td>45%</td><td>9</td></tr>
<tr><td></td><td>2–4</td><td>$1,500,000</td><td>80%</td><td>700</td><td>45%</td><td>9</td></tr>
<tr><td></td><td>2–4</td><td>$2,000,000</td><td>75%</td><td>700</td><td>45%</td><td>9</td></tr>
<tr><td></td><td>2–4</td><td>$2,500,000</td><td>70%</td><td>700</td><td>45%</td><td>12</td></tr>
<tr><td></td><td>2–4</td><td>$3,000,000</td><td>65%</td><td>740</td><td>45%</td><td>12</td></tr>
</table>

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Primary Residence Cash-Out Refinance					
1	$1,000,000	85%	720	41%	12
1	$1,000,000	75%	700	45%	6
1	$1,000,000	70%	680	45%	6
1	$1,500,000	75%	700	45%	9
1	$1,500,000	65%	680	45%	9
1	$2,000,000	75%	700	45%	9
1	$2,000,000	60%	680	45%	9
1	$2,500,000	70%	700	45%	12
1	$3,000,000	65%	740	45%	12
2–4	$1,000,000	75%	700	45%	6
2–4	$1,500,000	75%	700	45%	9
2–4	$2,000,000	70%	700	45%	9
2–4	$2,500,000	65%	700	45%	12
2–4	$3,000,000	65%	740	45%	12
First-Time Homebuyers					
1	$1,000,000	80%	720	45%	9
1	$1,500,000	80%	720	45%	9
1	$2,000,000	75%	700	45%	9
Second-Home Purchase or Rate/Term Refinance					
1	$1,000,000	80%	720	45%	9
1	$1,500,000	80%	720	45%	9
1	$2,000,000	75%	700	45%	9
1	$2,500,000	70%	700	45%	12
Second-Home Cash-Out Refinance					
1	$1,000,000	75%	720	45%	6
1	$1,500,000	75%	720	45%	9
1	$2,000,000	70%	720	45%	9
1	$2,500,000	65%	720	45%	12
Investment Property Purchase or Rate/Term Refinance					
1	$1,000,000	80%	720	45%	9
1	$1,500,000	75%	700	45%	9
1	$2,000,000	70%	700	45%	9
1	$2,500,000	65%	700	45%	12
2–4	$1,000,000	75%	700	45%	6
2–4	$1,500,000	70%	700	45%	9
2–4	$2,000,000	65%	700	45%	9
2–4	$2,500,000	65%	700	45%	12
Investment Property Cash-Out Refinance					
1	$1,000,000	75%	720	45%	6
1	$1,500,000	70%	720	45%	9
1	$2,000,000	65%	720	45%	9
1	$2,500,000	65%	720	45%	12
2–4	$1,000,000	70%	720	45%	6
2–4	$1,500,000	65%	720	45%	9
2–4	$2,000,000	65%	720	45%	9
2–4	$2,500,000	65%	720	45%	12

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Additional Loan-to Value (LTV/H/CLTV) Requirements	• 12-month Bank Statement and 1-Year IRS 1099 maximum LTV limited to 80%. • Greater than 80% LTV/H/CLTV limited to fixed-rate and 10-year/6-month ARMs only. • Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify (Airbnb, VRBO). • For non-warrantable condominiums, maximum LTV/H/CLTV is the lesser of the allowable LTV/H/CLTV or 80%.
Cash-out Limitations	Cash-out: Reduce LTV/H/CLTVs by 10% for cash-out > $500,000. Maximum cash-out limited to $1,000,000. See section 9.3 for AMF cash-out and refinance seasoning requirements.
Income Documentation Requirements	Income documentation required: • 12 or 24 months of personal or business bank statements. • One or two years of IRS Form 1099. For the Bank Statement product, the borrower's income is determined using either the Personal Account Analysis Method or the Business Account Analysist Method. For the IRS Form 1099 product, the borrower's income may be established using 100% commission or independent contractor's earnings. The income is determined by using up to 90% net profit margin to qualify. The borrower must be a sole proprietorship with no employees.

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Any reference to these Alternative Income Documentation programs does not apply.

2.7 AMF Debt Service Coverage Ratio

<table>
<tr><th>Product Name</th><th>AMF Debt Service Coverage Ratio</th></tr>
<tr><td>Product Description</td><td>
The AMF Debt Service Coverage Ratio (DSCR) program offering utilizes the rental income on the subject investment property solely to determine eligibility — no other borrower income is used in the loan analysis. DSCR loans are exempt from the Ability to Repay (ATR) rule as they are business-purpose loans.

The program is designed for experienced real estate investors. 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 real estate 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 an agreement (for the income producing property) and proof of ownership, such as a tax bill or property records search.
– Other acceptable third-party documentation.
• First-time investors are not allowed.

DSCR is approached by using the gross rental income provided by the subject property divided by the total debt service (PITIA).
</td></tr>
<tr><td>Maximum Loan Amounts/Loan-to Value (LTV/H/CLTV) /FICO/DSCR</td><td>
<table>
<tr><th colspan="6">Investment Property Purchase or Rate/Term Refinance</th></tr>
<tr><th>Units</th><th>Loan Amounts</th><th>LTV</th><th>FICO</th><th>DSCR Minimum</th><th>Reserves</th></tr>
<tr><td>1–4</td><td>$1,000,000</td><td>80%</td><td>700</td><td>1.15</td><td>3</td></tr>
<tr><td>1–4</td><td>$1,000,000</td><td>70%</td><td>700</td><td>1.00</td><td>3</td></tr>
<tr><td>1–4</td><td>$1,000,000</td><td>70%</td><td>680</td><td>1.15</td><td>3</td></tr>
<tr><td>1–4</td><td>$1,500,000</td><td>75%</td><td>700</td><td>1.15</td><td>6</td></tr>
<tr><td>1–4</td><td>$1,500,000</td><td>65%</td><td>700</td><td>1.00</td><td>6</td></tr>
<tr><td>1–4</td><td>$1,500,000</td><td>65%</td><td>680</td><td>1.15</td><td>6</td></tr>
<tr><td>1–4</td><td>$2,000,000</td><td>70%</td><td>700</td><td>1.15</td><td>6</td></tr>
<tr><td>1–4</td><td>$2,000,000</td><td>60%</td><td>700</td><td>1.00</td><td>6</td></tr>
<tr><td>1–4</td><td>$2,000,000</td><td>60%</td><td>680</td><td>1.15</td><td>6</td></tr>
<tr><td>1–4</td><td>$2,500,000</td><td>65%</td><td>700</td><td>1.15</td><td>12</td></tr>
<tr><th colspan="6">Investment Property Cash-Out Refinance</th></tr>
<tr><td>1–4</td><td>$1,000,000</td><td>75%</td><td>700</td><td>1.15</td><td>3</td></tr>
<tr><td>1–4</td><td>$1,000,000</td><td>65%</td><td>700</td><td>1.00</td><td>3</td></tr>
<tr><td>1–4</td><td>$1,500,000</td><td>70%</td><td>700</td><td>1.15</td><td>6</td></tr>
<tr><td>1–4</td><td>$1,500,000</td><td>60%</td><td>700</td><td>1.00</td><td>6</td></tr>
<tr><td>1–4</td><td>$2,000,000</td><td>65%</td><td>700</td><td>1.15</td><td>6</td></tr>
</table>
</td></tr>
</table>

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Additional Loan-to Value (LTV/H/CLTV) Requirements	• IO loans maximum LTV/H/CLTV limited to 70% and requires minimum FICO of 720. Payments must be qualified on the principal amortization period. • Condominium and 2–4-unit properties limited to the lesser of 70% LTV/H/CLTV or the maximum of LTV/H/CLTV allowed. • Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify, for example VRBO.
Cash-out Limitations	Cash-out: Reduce LTV by 10% for cash-out > $500,000. Maximum cash out limited to $1,000,000. See section 9.3 for AMF cash-out refinance seasoning requirements. Cash-out proceeds can be used toward required reserves.
Documentation Requirements	The program is designed for experienced real estate investors. 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 real estate 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 an agreement (for the income producing property) and proof of ownership, such as a tax bill or property records search. – Other acceptable third-party documentation. The loan file should include a Loan Approval indicating the loan is DSCR and a DSCR Calculation Worksheet detailing the DSCR calculation. A Statement of Business Purpose and Occupancy Affidavit signed by the borrower declaring that the property is or will be used for business or investment purposes only is required. See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes. All Borrowers must execute Fannie Mae Form 3170 1–4 Family Uniform Instrument. All loans must be manually underwritten using AMF program guidelines and industry standard best practices.
Minimum Loan Amount	$150,000.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Purpose	Purchase, Rate/Term Refinances, Cash-Out Refinances and Delayed Financing.
Eligible Loan Types	15-, 20- and 30-Year-Rate with interim terms available. 7-Year/6-Month, 10-Year/6-Month SOFR ARMs.
Interest-Only (IO)	30- and 40-year IO Fixed-Rate or ARM options with 10-year IO period. Qualifying P&I payments based on 20 years' (30-year loan) and 30 years' (40-year loan) amortization.
Eligible Borrowers	U.S. Citizens — Eligible. Permanent Residents — Must present documentation that a non-U.S. Citizen borrower is legally present in the United States. Must be employed in the United States for the past 24 months.
LLC Title Vesting	Refer to section 6.10.7 — DSCR LLC Vesting Requirements.
Occupancy	Non-Owner-Occupied Investment Property (1–4 units).
Eligible Properties	Investment (Non-Owner-Occupied) Properties: Single Family, 2–4-unit, detached, attached, PUD and eligible condominiums (Fannie Mae/Freddie Mac warrantable). Seller is responsible for condominium project review. Rural properties are ineligible. Must be fee simple.
Minimum Credit Score	680.
Mortgage and Rental History	0 x 30 — 12 months. 1 x 30 — 24 months.
Subordinate Financing	Not allowed.
Multiple Financed Property Restrictions	Borrower(s) may not own more than 20 residential 1–4-unit residential properties, including the borrower's primary residence and the subject property.
Additional Reserve Requirements	When the borrower owns additional 1–4-unit residential properties, no additional reserves are required.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Escrows	If the property is located within a Special Flood Hazard Area (SFHA), an escrow account must be established for flood insurance premiums except for loans with flood insurance provided by a condominium association.
Gifts	Not allowed.
Appraisal Requirements	Two appraisals required on loan amounts greater than $1.5M. Fannie Mae Form 1007 Single Family Comparable Rent Schedule or Form 1025 Small Residential Income Property Appraisal report is required. CDA required to be submitted on all loan transactions that don't include two appraisals. AMF will not accept transferred appraisals.
Declining Markets	If the appraiser indicates the market value of the subject property is declining, reduce the allowable LTV/H/CLTV by 10%.
Ineligible States/Territories	Properties located in Guam, Puerto Rico, American Samoa, Northern Mariana Islands, the U.S. Virgin Islands and Hawaii (Lava Zones 1–2). Texas 50 (a) (6) cash-out refinances.
Rent Loss Insurance	Rent loss insurance covering a maximum of six months is required for the subject property.
Prepayment Penalty	AMF will purchase DSCR loans either with or without prepayment penalties. Refer to the Rate Sheet(s) for specific guidance.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

3.0 Loan Terms

For a loan to be eligible for sale to AMF, the loan must conform to the product requirements. AMF will purchase fixed-rate mortgages with terms of 15, 20, 30 and 40 years (IO only). AMF also purchases 5-year, 7-year and 10-year hybrid SOFR ARMs, all with subsequent rate adjustment periods occurring every six months after the initial fixed-rate term. For most program offerings, there is an option for an IO feature, as described below.

Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for closing documentation. In the case when Fannie Mae doesn't offer current documentation, such as interest only products or prepayment penalties, a document vendor, such as Doc Magic, DocuSign or ICE Mortgage Technology eClosing should be utilized for forms.

3.1 Fixed-Rate Mortgage

- Term: 15-, 20- and 30-year terms with interim terms available.
- Interest rate: Note rate fixed throughout the life of the loan.
- IO features available:
  - 40-year Fixed Rate:
    - Available for AMF Expanded and AMF DSCR programs only.
    - 10-year IO period.
    - Qualification based on a 30-year fully amortizing term payment utilizing the note rate.
  - 30-year Fixed Rate:
    - Available for AMF Prime, AMF Expanded and DSCR programs only.
    - 10-year IO period.
    - Qualification based on a 20-year fully amortizing term payment utilizing the note rate.

3.2 Hybrid SOFR Adjustable-Rate Mortgages (ARMs)

- Available for initial fixed interest-rate terms of 5 years, 7 years and 10 years.
- Term: 30-year term for self-amortizing loans. IO features are available with 40-year and 30-year terms — check terms for eligibility.
- Initial interest rate is fixed term for 5 years (60 months), 7 years (84 months) or ten (10) years (120 months). The first adjustable-rate adjustment occurs on the first month following the fixed term. Subsequent rate adjustments occur every six months thereafter. The rate adjustment is based on the index figure in effect on the day that is 45 days before the interest-rate adjustment date plus the corresponding margin.
- Index: 30-Day SOFR Index as published by the New York Federal Reserve.
- Margins: Refer to rate sheet.
- Rounding: To the nearest one-eighth of one percentage point (0.125%).
- Caps:
  - 5/6 ARM: Initial 2%, Periodic 1% and Lifetime 5%.
  - 7/6 and 10/6 ARMs: Initial 5%, Periodic 1% and Lifetime 5%.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

- Interest Rate Floor: = the Margin.
- Qualifying Rate:
  - 5-Year/6-Month: The higher of the maximum potential note rate after the first-rate adjustment or the fully indexed rate. The fully indexed rate is the sum of the index plus the margin.
  - 7- and 10-Year/6-Month: The higher of the note rate or the fully indexed rate. The fully indexed rate is the sum of the index plus the margin.
  - DSCR loans will be qualified at the original Note Rate, regardless of whether they are 7/6 or 10/6 ARMs or fixed-rate loans.
- IO features available:
  - 40-year option:
    - AMF Expanded and AMF DSCR programs only.
    - 10-year IO period.
    - Qualification based on a 30-year fully amortizing term payment utilizing the qualifying rate as identified above.
  - 30-year option:
    - AMF Prime, AMF Expanded and AMF DSCR programs only.
    - 10-year IO period.
    - Qualification based on a 20-year fully amortizing term payment utilizing the qualifying rate as identified above.
- Refer to rate sheet(s) — For interest rates and margins.

3.3 Loans with a Prepayment Penalty

AMF only permits prepayment penalties (PPPs) on loans qualified under the Business Purpose Program — DSCR. While PPPs are not a requirement there may be price adjustments for loans without a PPP.

If a loan is sold to AMF that is subject to a PPP, the prepayment charge can be structured to be assessed for a time period between one and up to five years following the date of the note. The following prepayment structures may be exercised: either six months of interest, or a fixed percentage (3%, 4% or 5%) for the term of the penalty period.

- Six months' interest — The prepayment charge will be equal to six (6) months of advance interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance or curtailments that exceed 20% of the original principal balance in a given 12-month time period.
- 3%, 4% or 5% fixed percentage — The prepayment charge will be an amount equal to the fixed percentage of the unpaid principal balance of the Note for any curtailment or payoff due to sale or refinance.

The PPP is to be disclosed within the body of the note or within a separate rider to the note.

The Seller is responsible for adhering to all applicable state and federal laws, regulations and restrictions. PPPs are not allowed in all states, and the Seller is solely responsible for compliance.

Please refer to the AMF rate sheet for eligibility and for specific pricing implications.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

3.4 Subordinate Financing

AMF permits subordinate financing on purchase and rate/term refinance transactions only. The following requirements also apply:

- Only one subordinate lien encumbering the subject property is allowed.
- The payment of the subordinate lien must be included in the qualifying DTI ratio.
- The combined loan-to-value (H/CLTV) ratio for the loan does not exceed the permitted LTV/H/CLTV ratio for the loan product.
- Institutional financing is the only financing permitted for subordinate financing.
- Seller carrybacks are not allowed.
- Subordinate liens must not have negative amortization, no balloon within five years and no prepayment penalties.
- Subordination of an existing loan is permitted on rate and term refinance transactions.
- In cases in which a Home Equity Line of Credit (HELOC) is resubordinated to the subject mortgage, the monthly payment amount listed on the credit report will be used to determine the DTI. If no monthly payment amount is shown on the credit report, 1% minimum payment of the maximum line amount will be used for qualifying. A credit report supplement showing the minimum monthly payment is also acceptable. If HELOC has a zero balance and no draws within 12 months of application, no payment need be included in the DTI. Withdrawal activity must be documented with a transaction history for the line of credit covering the past 12 months.

3.5 Unacceptable Loan Types

The following loan type and loan characteristics are ineligible for sale to AMF:

- Balloon loans.
- Graduated payments.
- Loan assumptions.
- Negative Amortization loans.
- Prepayment penalties for primary residence, second home or investment property not allowed (permitted for DSCR Program only).
- Recasting or re-amortized loans prior to purchase by AMF.
- Section 32 high-cost (HOEPA) loans.
- Single-close construction-to-perm and renovation loans.
- State high-cost loans.
- Sub-prime loans.
- Temporary buydowns.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

4.0 Borrower Eligibility

Loans will be made to borrowers who are legal United States residents. That includes U.S. Citizens or Non-U.S. Citizens, assuming they can meet the requirements of a lawful Permanent or Non-Permanent Resident of the United States and any additional requirements in the sections below.

The borrower is an individual obligated to repay the loan secured by the mortgaged premises. The borrower must be of legal age per the local and state jurisdiction and able to enter a binding contract. All eligible borrowers must have a verifiable Social Security number (SSN). Other forms of taxpayer identification are not allowed.

The maximum number of borrowers per loan is limited to four.

Eligible Borrowers:

- U.S. Citizens.
- Permanent Residents.
- Non-Permanent Residents (not allowed under the Expanded or DSCR programs).
- Inter Vivos Revocable Trust.
- Non-Occupant Co-Borrowers (Full Documentation loans only and cannot contribute to qualifying income).

Ineligible Borrowers:

- Bank trusts.
- Blind trusts.
- Borrowers who are party to a lawsuit.
- Borrowers with only an ITIN (individual taxpayer identification number).
- Borrowers with ownership in a business that is federally illegal, regardless if income is not being used to qualify.
- Borrowers without a Social Security number.
- Corporations, limited partnerships, general partnerships, limited liability corporations and DBAs (unless specifically allowed in an AMF non-owner-occupied product offering).
- Foreign Nationals.
- Guardianships.
- Irrevocable trusts.
- Land trusts (all).
- Life estates.
- Non-occupant co-borrowers contributing income.
- Persons with diplomatic status and/or immunity.
- Qualified Personal Residence trusts.
- Real Estate trusts.

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Any reference to these Alternative Income Documentation programs does not apply.

4.1 Eligible Borrowers Defined and Required Documentation

4.1.1 U.S. Citizens

U.S. Citizens are persons born in the United States or individuals granted U.S. citizenship status by the U.S. Citizenship and Immigration Services department (USCIS).

4.1.2 Permanent Residents

Permanent Residents are persons who are residing and employed permanently within the United States and typically are seeking U.S. citizenship. Permanent Residents typically hold a registration card also known as a Green Card (I551) or other evidence of residency issued by the USCIS to document they are a legal resident of this country. Permanent Residents are eligible if they meet the following requirements:

- Provide acceptable documentation which verifies that a non-U.S. Citizen borrower is legally present in the United States. The documentation must not be expired through the note date of the loan.
- Verification that the borrower has been employed in the United States for the past two years.
- Any Permanent Resident Card that is due to expire in six months must be accompanied by a copy of an application to Replace Permanent Resident Card (USCIS Form I-90) filing receipt. The visa must be current and may not expire prior to the closing date.

4.1.3 Non-Permanent Residents

A Non-Permanent Resident is a person who is not a U.S. Citizen but legally resides in the United States under the terms of a visa. The Seller must obtain and provide proof that the borrower is legally in this country. A variety of visas exist, depending on the situation. We encourage referring to the USCIS website for current information at uscis.gov. Examples of acceptable visa types are as follows:

- E Series (E-1, E-2, E-3).
- G Series (G-1, G-2, G-3, G-4, G-5).
- H Series (H-1B, H-1C).
- L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD).
- NATO Series (NATO 1-6).
- Series (O-1).
- TN-1, Canadian NAFTA visa.
- TN-2, Mexican NAFTA visa.

Non-Permanent Residents can utilize the AMF Prime and AMF AUS Express programs only and are limited to owner-occupied primary residences for purchase money or rate and term refinances with a maximum LTV/H/CLTV of 70%. The following requirements must be met for the loan to be eligible for sale to AMF:

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- Must have a Social Security number.
- Owner-occupied, single-family primary residence only.
- Must have a history of visa renewals.
- A minimum of two years' employment history in the United States is required. Qualifying income and employment must be supported with year-to-date paystubs and W-2s and/or a standard verification of employment (VOE).
- The current employer must confirm that borrower's employment and income is likely to continue for a minimum of three years. The Written Verification of Employment (WVOE) form may be used to document.
- Must have two years of established credit in the United States and meet the minimum tradeline requirements, as well as product-specific credit score requirements.
- Funds to close loan must be deposited in a U.S. financial institution.
- No funds from outside the United States can be used to close loans.
- No gift funds are allowed.
- Secondary financing is not allowed.
- Cash-out refinances are not allowed.

4.1.4 Inter Vivos Revocable (aka "Living") Trust

An Inter Vivos revocable trust is a trust that an individual creates during his or her lifetime, becomes effective during the creator's lifetime and can be changed or canceled by its creator at any time, for any reason, during that individual's lifetime. The following requirements must be met for the loan to be eligible for sale to AMF:

- The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals if there are two or more) were the borrower (or a co-borrower).
- Trust must be established by one or more natural persons, individually or jointly.
- The individual(s) establishing the trust must be the primary beneficiary/beneficiaries.
- If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
- At least one of the trustees must be either the individual establishing the trust or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state law.
- The mortgage and trust documents must meet Agency eligibility criteria, including title and title insurance requirements, as well as applicable state laws that regulate the making of loans to Inter Vivos revocable trusts.
- The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note.
- A fully completed Trust Certification is required to be approved by the Seller's legal counsel or designee. In states that require a Seller to rely on an abstract, summary or certification of the trust agreement instead of the trust agreement, a copy of the abstract, summary or certification is acceptable. Sellers must review the certification to verify that the above requirements are met.

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4.2 Borrower Requirements

Each borrower must complete a loan application, sign the note and the security agreement and comply with the sections of Citizens, U.S. Persons and Foreigners, Country Restrictions, OFAC and Diplomatic Immunity in this Manual. Other limitations on the mortgages for which borrowers are obligated and all other guidelines are also outlined in this Manual.

4.2.1 Borrowers, Guarantors and Non-Mortgagors

Borrowers are defined as all Occupying Borrowers, Non-Occupying Co-Borrowers, Trust Borrowers, Investment Borrowers and Guarantors.

Occupying Borrowers are natural persons who:

- Occupy or will occupy the subject property upon closing.
- Become obligated for the loan and sign the note and security instrument evidencing the loan.
- Own an interest in the subject property.
- Use their credit qualifications to determine whether the loan will be granted.

Non-Occupying Co-Borrowers:

The use of a non-occupying co-borrower is acceptable, provided the property is occupied by a borrower as their primary residence or second home. AMF does not allow the income from any non-occupying co-borrowers to be used in qualifying the loan. Non-occupying co-borrower are natural persons who:

- Are obligated for the loan where the occupancy is primary or second home and sign the note and security instrument.
- Do not and will not occupy the subject property.
- Provide their credit qualifications to determine whether the loan will be granted.
- May own an interest in the subject property.
- Full documentation is required.
- The minimum borrower contribution of 5% of the down payment can come from either the primary (occupant) borrower or the non-occupant borrower’s funds.
- No gifts funds are allowed.
- Secondary financing is not allowed.
- Cash-out refinances are not allowed.
- Must be a family member such as spouse, parents, children, siblings, stepchildren, aunts/uncles and nieces/nephews or unrelated individuals who can document evidence of long-standing, substantial family-type relationship, not arising out of the loan transaction.

Trust Borrowers are defined as Inter Vivos trusts that own an interest in the subject property.

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Investment Borrowers are natural persons who:

- Are obligated for a loan where the occupancy is business purpose/investor-occupied and signed the note and mortgage.
- Are owners of the subject property.
- Do not and will not occupy the property.
- Provide their credit qualifications to determine whether the loan is granted.

Guarantors (only permitted on the DSCR program) are defined as natural persons who:

- Own an interest in the legal entity that owns the subject property.
- Are obligated for a loan where the loan occupancy type is investor/business purpose and sign the note and mortgage.
- Do not and will not occupy the subject property.
- Provide their credit qualifications to determine whether the loan will be granted.

4.3 Subject Property Ownership

AMF requires at least one of the owners of the subject property be a borrower and each owner of the subject property must sign the security instrument regardless of who is obligated to repay the debt.

- Any non-borrowing mortgagor must execute the security instrument securing the loan and, therefore, mortgages their interest in the property.
- The non-borrower mortgagor is not an applicant for the mortgage loan.
- If there is one or more non-borrower mortgagors who have an interest in the subject property, the non-borrowing mortgagors must be a spouse, significant other or family member and reside in the United States.

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5.0 Age of Documentation

Credit Documentation: The age of credit documentation used to determine eligibility must be no more than 90 days old from the Note Date.

Collateral Documentation: Appraisal reports (effective date) must be no older than 120 days from the Note Date. After 120 days, an appraisal update on form 1004D is required. Appraisals dated over 12 months are not allowed.

5.1 Credit History and Documentation

An individual's past credit history is one of the strongest indicators of future credit performance. Individuals who have consistently maintained a long history of excellent credit provide evidence that they are able to effectively manage personal finances and credit obligation. A borrower's credit history provides a strong measure of their intent to repay.

AMF AUS Express loans must be run through Fannie Mae Desktop Underwriter (DU) or Freddie Mac Loan Product Advisor (LPA) and receive an Approve/Eligible, Accept/Eligible or Approve/Ineligible, Accept/Ineligible recommendation (for loan structure such as loan amount, LTV/H/CLTV limits and loan purpose). It cannot be ineligible for credit event (and credit events cannot be excluded). Manual underwriting is not allowed. The loan must be underwritten to the most restrictive of the AMF AUS Express Eligibility Matrix and the DU or LPA findings.

With the exception of the required tradelines, AMF AUS Express loans must meet all the credit requirements outlined in this section in addition to meeting the requirements of the Fannie Mae or Freddie Mac Selling Guides.

5.2 Fraud Prevention Engine

AMF requires the Seller to utilize a third-party fraud prevention report such as DataVerify, FraudGuard or another fraud prevention service provider. The report should identify any borrower information discrepancies and possible fraudulent activity. The report is to provide loan-level information on valuation, fraud detection and regulatory compliance, including a comparison of all participant names against industry watch and exclusionary lists such as the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). The Seller must adequately address each high-risk alert. Documentation as to the use of such product and the Seller's actions to clear any adverse findings must be included in the loan file.

5.3 Consumer Credit Report Required

AMF requires an industry standard, tri-merge credit report for each borrower. The credit reports must provide merged credit from Experian™, TransUnion® and Equifax®. Credit scores must be requested from each repository. Foreign credit reports are ineligible.

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5.4 Valid Credit Score

All borrowers must have a valid credit score. The score must be based on sufficient, accurate information.

AMF does not consider the credit score valid unless each borrower meets the minimum tradeline requirements (see section 5.7).

Additionally, each borrower should have an established credit history verified through traditional credit repositories.

5.5 Borrower Representative Credit Score

A minimum of two credit scores per borrower is required.

A borrower with one credit score is acceptable when the Seller has requested credit scores from all three credit repositories and only one credit score is available.

For a borrower with two credit scores, use the lowest score.

For a borrower with three credit scores, use the middle score.

When three scores are obtained for a borrower and two are identical, the identical scores are considered the middle score.

Credit re-scores are not permitted unless the re-score is the result of correcting erroneous line items on the credit report. Errors must be confirmed by the creditor.

5.6 Loan File Representative Credit Score

For loans with only one borrower, the borrower's representative score is the loan's representative credit score.

For loans with multiple borrowers, the lowest of all borrowers representative scores is the loan's representative score.

5.7 Tradelines

In addition to the credit score requirements noted above, AMF requires each borrower to have three tradelines open and reporting for the past 12 months or two tradelines open in the past 24 months and reporting for the past 12 months.

The following apply to tradelines reviewed for credit:

- Tradelines must be rated for 12 months.
- One tradeline must be an installment, rental or mortgage account.

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- On purchase transactions, two active tradelines are acceptable when the borrower has a prior satisfactory 24-month mortgage history in the last five years.
- Borrowers not contributing income for qualification purposes do not need to meet the minimum tradeline requirement.
- Authorized user accounts are not counted as an acceptable tradeline.
- Non-traditional credit as defined by Fannie Mae and self-reported (for example, rent history or utility bill payment) is not allowed as an acceptable tradeline.
- Derogatory credit and public records (collections, judgments, charge-off, repossessions, foreclosures, tradelines included in a bankruptcy and credit counseling) and disputed accounts are not acceptable as valid tradelines.

Borrowers who do not meet the minimum tradeline requirements are eligible if the credit file contains a history of satisfactory paid debt obligations and the following attributes:

- At least one tradeline open and reporting for a minimum of 12 months.
- Credit history has been established for seven years.
- Six months' additional reserves and must meet one of the following:
  - DTI < 40%.
  - LTV/H/CLTV < 75% or the program maximum, whichever is less.

5.8 Credit Inquiries

If a credit report indicates inquiries within the 120-day period prior to the date of the credit report, the Seller must determine whether credit was granted and document the method of its determination. If additional credit was granted, this debt must be included on the final application and in the DTI ratio.

DSCR transactions are excluded from this requirement.

5.9 Frozen Credit

No borrower in a transaction can have frozen credit. If a borrower has frozen credit and unfreezes their credit after the original credit report was ordered, a new credit report must be obtained to reflect current updated information for evaluation.

5.10 Mortgage/Rental History

Following are the minimum mortgage/rental payment history requirements for AMF programs:

- Prime product: 0 x 30 within the past 24 months.
- AUS Express, Expanded and DSCR products: 0 x 30 within 12 months, 1 x 30 within 24 months.

Depending on the AMF product offering, a minimum of twenty-four (24) months or twelve (12) months of housing history is required with a 0 X 30-day payment history.

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For rental verification, a standard Verification of Rent (VOR) must be completed by a professional management company or the borrower must provide 24 months or 12 months of bank statements or canceled checks with a copy of the lease agreement.

If the borrower has a mortgage or rental history of less than what is required, the Seller will need to verify the number of months available based on the application, and a 0 X 30-day payment history is required. A minimum mortgage/rental payment history of 12 months is required.

Borrowers with no mortgage/rental history due to a residence scenario requiring no mortgage or rental payments are eligible with a satisfactory letter of explanation.

Mortgage/rental verification can be verified by:

- Credit report.
- Verification of Mortgage (VOM).
- Proof of rent payments (one of two options):
  - Verification of Rent (VOR) completed by a professional management company.
  - A copy of the lease agreement to document the term and lease payment, and 24 months of either bank statements or canceled checks.

5.11 Derogatory Credit

The following requires a written letter of explanation signed by the borrower explaining the reason(s) for items currently/previously past due:

- Items paid more than 30 days past their due date within the last 24 months.
- Mortgage lates 60 days or greater.
- Liens, judgments, and charge-offs.
- Foreclosure, a short sale, a deed-in-lieu of a foreclosure.
- Bankruptcy.

The letter must clearly state the reason(s) for the adverse credit and provide detail demonstrating that the situation causing the delinquency has now been resolved.

5.12 Significant Derogatory Credit

Significant derogatory credit includes all bankruptcies, foreclosure, sheriff's sale, deed-in-lieu of foreclosure, pre-foreclosure sale, short sale and mortgage charge-off. AMF requires a minimum waiting period after a significant derogatory event for the loan to be eligible. The waiting period is calculated from the date of the note.

A borrower with multiple significant derogatory credit events is ineligible. Reduced seasoning requirements due to extenuating circumstances do not apply.

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The minimum seasoning requirements for each product are:

- AMF Prime Product: 7 years.
- AMF Express AUS: Follow the requirements outlined in the Fannie Mae and Freddie Mac Selling Guides.
- AMF Expanded and AMF DSCR Products: 4 years.

5.13 Liens, Judgments, Collections and Past Due Accounts

AMF requires a satisfactory letter of explanation from the borrower for any delinquent credit. All delinquent credit that could have the potential to impact the lien position must be paid off. Collection accounts and charged-off accounts do not need to be paid off if the balance of an individual account is less than $1,000 or, if there are multiple accounts, the total balance of all accounts cannot exceed $2,500.

5.14 Forbearance

AMF will not purchase any loan where the borrower is actively seeking forbearance on any mortgage and/or rental debt obligation or has a mortgage that is pending acceptance of a forbearance plan.

For borrowers previously in a forbearance plan or currently in a forbearance workout plan, the following requirements apply:

- Borrowers who entered forbearance but did not enter any type of workout plan and continued to pay "as agreed": The Seller must document the 12 months of **timely** payments.
- Borrowers who entered forbearance but did not enter any type of workout plan and did not make timely payments: The Seller must document that the loan has been reinstated and that the past 12 months of payments have been paid on a timely basis since reinstatement.
- Borrowers who entered forbearance and entered a workout plan acceptable to the agencies (such as repayment plan, deferral plan, loan modification, trial period plan, etc.) must document a minimum of 12 months of timely payments under the workout plan.

5.15 Disputed Information

All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation authenticates the dispute.

If a borrower indicated that there is inaccurate information on the credit report, and the credit reporting company confirms the disputed items, the credit report will need to be updated. All disputed tradelines must be included in the DTI ratio if the account belongs to the borrower; AMF does not allow the borrower to utilize a credit repair company.

Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded.

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5.16 Modifications

AMF only buys loans where the modification was lender-initiated on owner-occupied properties with proof that they were not a result of a distress situation. Restructured loans in which the terms of the original transaction have been changed resulting in a partial or absolute forgiveness of debt, or a restructure of debt, are not eligible during the 84 months (seven years) preceding the date of the loan.

5.17 Lawsuits and Pending Litigation

If the application, title or credit report reveals that a borrower is presently involved in a lawsuit or pending litigation, a statement from the borrower's attorney is required. The statement must explain the circumstances of the lawsuit or pending litigation and address potential liability and any applicable insurance coverage. A copy of the legal complaint and answer must be included in the loan file. The title company must be made aware of the pending litigation and no title exceptions are permitted which stem from the lawsuit or pending litigation. If the lawsuit or pending litigation is likely to have a material adverse impact on the borrower's ability to repay a loan, the transaction would not be eligible to be purchased by AMF.

5.18 Consumer Credit Counseling

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

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6.0 Employment History and Income

Employment and income analysis are key elements of the underwriting process and are used to determine whether the borrower's ability to repay is reasonable.

This section outlines income requirements that apply to all programs. Should a specific income scenario not be addressed in this section and is an eligible income source, refer to the Fannie Mae Selling Guide in effect at the time of application to determine the qualifying income.

Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the borrower, the Seller must determine that both the source and the amount of the income are stable and reliable. A two-year history of receipt is required for the income to be considered stable and used for qualifying. When the borrower has less than a two-year history of income, the Seller must provide written analysis to justify the determination that the income used to qualify the borrower is stable and reliable.

Gaps in employment of one month or greater during the most recent two-year period require a letter of explanation from the borrower, and the borrower must be employed with their current employer for a minimum of six months to qualify.

Re-entering the workforce requires a minimum of six months on the job with an explanation of time off. Documentation of a two-year work history prior to absence must be provided.

Income calculation worksheets or a Uniform Underwriting Transmittal Summary (1008) with income calculations must be provided with every loan; for example, self-employed borrowers provide Income Analysis Form (Form 1084 Fannie Mae).

6.1 IRS Form 4506C and IRS Tax Transcripts

AMF Prime and AMF Expanded Full Documentation
A signed 4506C and two years of IRS full tax transcripts are required to be obtained for all borrowers. The transcripts must support the employment and income that were used to qualify. Borrower-provided transcripts are not acceptable. A 4506C, signed by all borrowers at closing, must also be included in the loan package.

AMF AUS Express
Full tax transcripts are to be obtained from the IRS only for income for the years being used for qualification. The Seller must validate that the information obtained from the transcripts supports the employment and income that was used to qualify. Borrower-provided transcripts are not acceptable. A 4506C, signed by all borrowers at closing, must also be included in the loan package.

For Prime, Expanded Full Documentation, and Express, if IRS tax transcripts are unavailable then an IRS Form 4506-C transcript confirming "No Record Found" must be supplied, and the prior year(s) transcripts must be obtained and analyzed.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
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AMF Expanded Bank Statement

- IRS Form 4506-C is not to be provided in the loan file.
- Full IRS tax transcripts are not to be included in the loan package for borrowers using bank statements to validate income.
- If co-borrower wage income is used to qualify, it must be supported by W-2 IRS transcripts (do not use tax returns or full IRS transcripts).
- **If tax returns and/or full IRS transcripts are provided in the file, the loan is not eligible for the Bank Statement program.**

AMF Expanded IRS Form 1099

- IRS Form 4506-C is required. (Sellers should choose the option for IRS Form 1099 income only.)
- Full IRS tax transcripts are not to be included in the loan package for borrowers using IRS Form 1099 statements to validate income.
- If co-borrower wage income is used to qualify, it must be supported by W-2 IRS transcripts. (Do not use tax returns or full IRS transcripts.
- **If tax returns and/or full IRS transcripts are provided in the file, the loan is not eligible for the IRS Form 1099 program.**

AMF Asset Depletion and AMF DSCR

- IRS Form 4506-C is not to be provided in the loan file.
- IRS tax transcripts are not to be included in the loan package.

6.2 Stable and Predictable Income (Trending)

If the borrower's monthly income is stable or increasing, the amount of income should be averaged based on the required number of years of documentation required for the program. A significant increase or decrease is generally considered to be anything greater than 25%.

Increase in Income
When the borrower has experienced a significant increase in income, the higher income may not be used to qualify the borrower unless there is sufficient documentation to determine that the increase is stable and likely to continue at the level used for qualifying.

Decrease in Income
When the borrower has experienced a significant decrease in income, the income cannot be averaged using a previous higher level unless there is documentation of a one-time occurrence (such as an injury) and documentation is provided to support that the borrower is back to work and both the employment and income have resumed at the prior levels. In such instances, a letter of explanation from the borrower is required, along with supporting documentation.

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6.3 Employment and Income Documentation

AMF offers an array of mortgage products. Each product may have different methodologies for determining and documenting income and employment. Outlined below are the requirements for each product.

6.4 AMF Prime and AMF Expanded Full Documentation — Employment and Income Documentation

6.4.1 Wage and Salary

All base income from employment may be considered for qualification, provided proper verification is received and the income can be deemed likely to continue. The hourly, year-to-date and prior-year earnings should be reviewed to ensure consistency with the calculated monthly base income. If hours are inconsistent or unreasonable, additional information may be required. Overtime, commission and bonus income must have a minimum two-year history of receipt and the income should be expected to continue. The borrower's history of earnings must support a stable or increasing trend from year to year. Verification must include:

- Most recent paystub(s) dated no earlier than 30 days prior to the initial loan application and it must include all year-to-date earnings. The paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained. Paystub cannot not be dated more than 90-days old from the Note date.
- W-2s for the most recent two years.
- All paystubs and W-2s must be computer-generated.
- Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification. IRS tax transcripts must align to the income being used to qualify.
- Verbal Verification of Employment (VVOE) within 10 business days of note date.

In lieu of obtaining either the most recent paystubs or W-2s, the Seller may obtain a Written Verification of Employment (WVOE) form from the employer. However, the WVOE may not be the sole source of income and employment documentation for any borrower.

For borrowers employed by a family member, the Seller or any interested third party (for example, real estate agent, mortgage broker, etc.) must provide signed federal tax returns for the most recent two years.

For borrowers who are employed in the field of education (such as a teacher), additional documentation may be required to verify whether income is based on calendar year or school year.

If the borrower does not have two years of employment because of being in school or serving in the military, a copy of the diploma or certificate evidencing that the borrower was serving in the military or attending school is required.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
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6.4.2 Verbal Verification of Employment and Existence of Active Business

The Seller must obtain a Verbal Verification of Employment (VVOE) for each borrower with employment income and/or self-employment income that is used to qualify. A record of the VVOE documented in writing (or via email) must be in the loan file. Additional requirements for employment verification include:

- For a wage earner, the VVOE must be completed either within 10 business days prior to the date of the note or after the note date but prior to loan purchase. The VVOE should include verification of the phone listing and employer's address. Direct verification by a third-party employment verification vendor is acceptable if completed within the same time frames as the verbal VOE requirements and the information in the vendor's database is no older than 30 days from the date of the note.
- For a self-employed borrower, the Seller must confirm the existence of the borrower's active business from a third party to be obtained either within 10 business days prior to the date of the note, or after the note date but prior to loan purchase. The methods of verifying the business existence include Certified Public Accountant (CPA), regulatory agency or applicable licensing bureau. Any of the validating sources used must indicate the borrower has been self-employed for a minimum of two years. Internet listings are not an acceptable source of verification.

6.4.3 Post-Close Employment

Qualifying income commencing after the note date may be used for qualification purposes if it meets the following requirements:

- Two years' documented employment history or professional schooling history in the same field prior to the start date of the new employment.
- The borrower's employment offer is guaranteed, non-revocable and non-contingent.
- The borrower's written acceptance of employment contract must be in the file.
- Written WVOE is required to validate the future employment.
- The timeframe between the mortgage note and the commencement date of employment (the employment gap) must not exceed 60 calendar days.
- The transaction must be purchase money secured by a 1-unit primary residence.
- The borrower must have sufficient reserves to meet all guideline requirements.
- A letter of explanation (LOE) from the borrower citing the reason(s) for the job change must be in the file.
- A VVOE within 10 days prior to the note date is NOT required for borrower's future employment unless the borrower has started employment.

6.4.4 Additional Sources of Income

For other sources of income, such as alimony, child support, pension/retirement, Social Security, military, long-term disability, rental, RSU, notes receivable, capital gains, interest and dividends, royalties, Schedule K-1 or trust income, AMF aligns with the Fannie Mae Selling Guide requirements except for 401K/Keogh/IRA distributions where a minimum history of withdrawals of six months is required.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

6.4.5 Self-Employment

A borrower is considered self-employed if they own 25% or more of a business (changes in percentage of ownership requires 12 months' seasoning). The borrower must have a minimum two-year history of self-employment for the income to be considered. Self-employment income must be documented with the most recent two years' personal and business federal (if applicable) tax returns complete with all schedules and need to be signed by the borrower(s). Profit and Loss (P&L) Statement(s) and Balance Sheet(s) are also required and need to be signed by the borrower(s).

For the AMF Bank Statement offering the borrower(s) must have more than 50% ownership in the business they are using for the qualifying income. Split ownership between spouses to achieve the more than 50% ownership requirement is permitted only if both are on the note. See section 6.8 Expanded Product — Bank Statement for specific qualification and documentation requirements.

The income of self-employed borrowers must be analyzed to consider:

- The growth of the business.
- The stability and viability of the business field is critical to meeting ongoing obligations.
- The length of time self-employed and overall experience in the field.

AMF aligns with the Fannie Mae Selling Guide requirements for the use of self-employment income to qualify the borrower. Sellers must complete a tax return analysis and this document must be retained in the loan file. Where AMF guidelines do not address a specific aspect of self-employment income, refer to Fannie Mae guidance.

Additional Requirements for Profit and Loss Statement and Balance Sheet from the Business:

Sellers should apply due diligence and review the actions of the business and any impact the current economic environment has taken on the flow of income to determine if the borrower's income is stable and there is a reasonable expectation of continuance. The underwriter must include comments/justification of their analysis to clearly explain their conclusion of the effect to the business.

All borrowers owning 25% or more of a business or entity must provide a year-to-date P&L statement and balance sheet for that entity, **regardless of whether or not the business income is being used to qualify.** This requirement includes all business entities, including those organized as pass-through entities.

The P&L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period.

6.5 AMF AUS Express Product — Employment and Income Documentation

Employment and income documentation must follow the requirements outlined in the DU or LPA findings and the applicable Selling Guide.

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Any reference to these Alternative Income Documentation programs does not apply.

The AUS Findings Report used by the Seller for their underwriting decision must be included in the file submission and must match the loan characteristics and be within allowable AUS tolerance at the time of submission and at the time of closing.

6.6 AMF Expanded Product — Full Documentation

The AMF Expanded product with Full Documentation follows the employment and income requirements outlined for the AMF Prime product, sections 6.0 through 6.4.

6.7 AMF Expanded Product — Asset Depletion

The Asset Depletion product is designed for borrowers with significant liquid assets and relies on the depletion of post-closing liquid and retirement assets to determine qualifying monthly income as a means by which the borrower will have the ability to repay the mortgage debt. Borrowers are required to have a minimum amount of eligible assets to deplete of $1,000,000 in net qualifying assets to qualify for this program.

Asset Depletion Qualifying Income is derived by totaling all allowable assets (100% for cash, 80% of non-cash, including stocks/mutual funds/bonds and 70% of vested retirement accounts. Borrowers who are 59.5 or older can use 80% of the vested retirement accounts), less down payment, less out of pocket closing costs, less required reserves divided by 96.

The assets must be 100% owned by the borrower. The note and security instrument must be signed by any individual on the account.

Any asset being used for this program must be seasoned for a minimum of 120 days.

Asset Depletion income cannot be used in conjunction with permanent full-time employment income, self employment or any income that is derived from the assets being used to deplete, such as interest and dividend income, capital gains, etc. When Asset Depletion is being used, it supersedes the use of existing retirement distributions, except for pension distributions, if those assets are considered in the calculation of income. Other sources of income allowed in the Fannie Mae Selling Guide in effect at the time of application are allowed to be used to qualify the borrower. Examples include Social Security, royalties, notes receivable, alimony and child support. For rental income, see requirements below.

Rental income from other investment properties owned by the borrower(s) are allowed based on the following:

- Must document proof of 100% ownership.
- Refinance Transaction:
  - Current active lease or expired lease that converted to month-to-month, which clearly states the monthly rental amount and terms of the lease.
  - Three months' cancelled checks, deposit slips or bank records must clearly reflect the receipt of rental income.
  - Evidence that rent is market rate. (Free online source is permitted.)
  - Gross rental income of 75% of the lease agreement.
  - Short Term/Variable Rental Income (Airbnb, VRBO, HomeAway):

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

    - Acceptable with 12 months' evidence of receipt via a Service Provider payment history or bank statement deposits.
    - Gross rental income of 75% of verified average monthly rental income.
    - Must be permitted in accordance with local ordinance.
- Purchase Transaction:
  - Gross rental income is the lesser of 75% of the lease agreement (if applicable) and market rent from the appraisal.

All borrowers must execute the Borrower Affirmation — Asset Depletion Program form. See Appendix C and AMF website for Asset Depletion calculator.

Ineligible asset types:

- Accounts pledged as collateral on another loan.
- 529 accounts.
- Annuities.
- Assets titled in an irrevocable trust.
- Below-investment-grade corporate and municipal bonds.
- Business funds.
- Cash on hand.
- Cash value or surrender value of life insurance.
- Cash-out refinance.
- Cryptocurrencies such as Bitcoin, etc.
- Custodial accounts.
- Deferred compensation.
- Escrow accounts.
- Foreign funds.
- Health savings accounts.
- Non-financial or non-liquid assets unless liquidated.
- Non-vested restricted stock units.
- Privately held stock.
- Proceeds of a personal or unsecured loan.
- Stock options.

6.8 AMF Expanded Product — Bank Statement

AMF offers 12- or 24-month Bank Statement products under the AMF Expanded product offering. The Seller must determine and document income from self-employment using either Personal Account Analysis or Business Account Analysis.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

The Bank Statement program provides self-employed borrowers with the option to establish qualifying income based on acceptable deposits from either 12 or 24 months of bank statements (transaction summary printouts are not accepted) rather than providing a full set of tax returns. The product utilizes deposits into bank statements to determine both the availability and stability of income to meet the ability-to-repay requirement of this Manual. The program is intended for active, productive businesses. Borrowers whose main source of income is passive income such as rental properties, or borrowers whose business is asset speculation (i.e., fix and flip investors, day traders, etc.) are ineligible.

The borrower must have more than 50% ownership in the business (sole proprietorship, partnership or corporation) they are using for the qualifying income (changes in percentage of ownership requires 12 months' seasoning). Split ownership between spouses to achieve the more-than-50% ownership requirement is permitted only if both are on the note. Borrowers must be self-employed for a minimum of two years.

Completion of the AMF Business Narrative Form is required. See Appendix B. The narrative should include the description/profile of the business, including the size/scope and operating profile, location(s), number of employees/contractors, estimated cost of goods sold (if any), commercial or retail client base, etc.

Validation by a third party that the business has been in operation for a minimum of two years and that the borrower had an ownership interest greater than 50% during that period of time is required. Third-party verification may include:

- Business license.
- Secretary of State filing.
- Letter from a regulatory agency, professional organization or applicable licensing bureau.
- CPA Letter/Licensed Tax Preparer/Licensed Tax Preparer — if the borrower owns less than 100% of the business, the CPA/Licensed Tax Preparer letter must be provided to document their percentage of ownership.

Ineligible borrower types:

- Borrowers who own 50% or less of the business. Split ownership between spouses is permitted only if both are on the note.
- Borrowers who do not have a documented business entity for self-employment.
- Borrowers who own a nonprofit entity.
- Non-occupying co-borrowers.

Bank Statement Income Used in Conjunction with Wage Earner or Other Secondary Income Combination

Other sources of income allowed in this Manual can be used in conjunction with the Bank Statement program, including co-borrower wages. **However, when bank statement is used in qualifying income, the eligibility terms and pricing of the loan are determined based on the Bank Statement program.** To document other sources of allowable income, follow the specific full documentation requirements outlined in this Manual without any Federal Tax return requirements, such as co-borrower wage earner (W-2) qualifying income, Social Security, alimony/child support, retirement, notes receivable, etc. The income must be separately documented on the 1003.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

Rental income from other investment properties owned by the borrower(s) are allowed based on the following:

- Must document proof of 100% ownership.
- Refinance Transaction:
  - Current active lease or expired lease that converted to month-to-month which clearly states the monthly rental amount and terms of the lease.
  - Three months cancelled checks, deposit slips or bank records must clearly reflect the receipt of rental income.
  - Evidence that rent is market rate (free online source is permitted).
  - Gross rental income of 75% of the lease agreement.
  - Short Term/Variable Rental Income (Airbnb, VRBO, HomeAway):
    - Acceptable with 12 months evidence of receipt via a Service Provider payment history or bank statement deposits.
    - Gross rental income of 75% of verified average monthly rental income.
    - Must be permitted in accordance with local ordinance.
- Purchase Transaction:
  - Gross rental income is the lesser of 75% of the lease agreement (if applicable) and market rent from the appraisal).

NOTE: 4506-C W-2 transcripts are required for wage earner income (do not use full transcripts). When wage earner income or other secondary income is combined with bank statement income, tax returns are not required for the full income documentation.

Tax returns and full IRS transcripts are not to be provided. If tax returns and or full IRS transcripts are provided in the file, the loan is not eligible for the Bank Statement program.

6.8.1 Bank Statement Requirements

A completed, signed and dated Uniform Residential Loan Application (Fannie Mae Form 1003) must include all sources and amounts of income used to qualify the loan. Deposits from income sources that are not reflected on the 1003 will not be allowed to be included in the qualifying income calculation.

The following requirements will be used to analyze the borrower's bank statements for both stability and availability of income to meet the ability-to-repay requirements of this program offering:

- Bank statements must:
  - Be the most recent available at the time of application — dated within 35 days.
  - Be consecutive statements and include all pages.
  - Not be transaction history printouts.
- The bank statements must cover account activity for the most recent consecutive 12- or 24-month analysis period.
- Average of acceptable deposits should be used in calculations for determining monthly income.
- Ownership of three or more businesses must use the personal bank statement offering.

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Any reference to these Alternative Income Documentation programs does not apply.

- A maximum of two personal bank accounts may be used to calculate qualifying income.
- Commingling of personal and business accounts is not permitted.
- If it is determined that the personal bank account is being used for business purposes (such as paying business expenses), the bank statements will be treated as business bank statements and all requirements for qualifying business bank statements will apply.
- Deposits must be consistent and typical. A consistent pattern of withdrawals exceeding deposits on a monthly basis is not acceptable.
- Declining income: When the borrower has declining income, the most recent 12 months of income should be used for qualifying. In all cases, the decline of income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay the debt. The borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income to qualify. If the most recent bank statements reflect significant declining income — for example, a decline of 25% or more — the income is not eligible.
- Atypical or large deposits defined as more than 150% of the gross monthly qualifying income into a bank account, if used to qualify, over the analysis period may be included with a satisfactory explanation. A letter of explanation (LOE) and supporting documentation are required to document that the deposit resulted from the borrower's self-employment and must be consistent with the profile of the business.
- Any deposits into a personal or business account must be confirmed as business income. Deposits deemed to derive from a source other than the business must be excluded from the bank statement analysis. These include, but are not limited to the following:
  - Cash advances from credit cards.
  - Credit back from returns.
  - Gifts.
  - Other non-income related items.
  - Other W-2 related income.
  - Proceeds from a loan.
  - Proceeds from an insurance claim.
  - Rental Income.
  - Retirement income.
  - Social Security income.
  - Tax refunds.
- If the Seller is aware of anything that might impact the borrower's income, then the Seller should reduce the borrower's income appropriately.
- Separate personal accounts can be used for down payment, cash to close and reserves. Refer to the Assets section of this Manual for specific details and documentation requirements.
- A satisfactory explanation of any non-sufficient funds (NSF) or overdraft protection transfers is required. The following tolerances for NSF and overdrafts are allowed:
  - For the 24-month program — up to two occurrences in the most recent 24 months as long as there are zero occurrences in the past three-months.
  - For the 12-month program — up to one occurrence in the most recent 12 months as long as there are zero occurrences in the past three months.

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- The NSF occurrences may be excluded from the tolerances above if **one** of the following is met:
  - Overdraft protection from another depository account (a personal account must be used when using personal bank statements and a business account must be used when using business bank statements) when the statements for the linked account confirm all the following:
    - The account balance at the time of the transfer exceeded the amount of the overdraft transfer.
    - The account's balance did not report as zero or negative at any point during the statement period of the transfer.
  - Overdraft protection from a business line of credit (a personal line of credit cannot be used for overdraft protection) when the statements for the linked account confirm that the line's credit limit was not exceeded during the statement period of the transfer.
- Verify within 10 days of the note date the business is active and operating – refer to section 6.4.2 Verbal Verification of Employment and existence of Active Business for specific requirements.
- A Bank Statement Calculator worksheet or similar form to evidence the calculations made in determining qualifying income. Loans that do not include the calculator are not eligible for sale to AMF. AMF provides a Bank Statement Calculator on our website (https://mortgage.archgroup.com/arch-mortgage-funding).

An executed Borrower Affirmation – Bank Statement and IRS Form 1099 Program form signed by all borrowers. See Appendix D.

As a reminder, the AMF Bank Statement Expanded product has overlays that are outlined in section 2.6 which must be followed.

6.8.2 Personal Account Bank Statement Analysis Method

The Personal Bank Statement program allows self-employed borrowers to establish qualifying income based on gross acceptable deposits from either 12 or 24 months of personal bank statements, rather than providing tax returns. The documentation provided must indicate the qualifying income is stable, likely to continue, sufficient to enable the borrower to repay the debt and reasonable for the borrower's profession.

The income analysis is to be completed over a 12- or 24-month period using consecutive monthly bank statements at the Seller's option. The most recent bank statement cannot be older than 35 days prior to the date of the initial application.

Additional requirements:

- The bank statements must cover account activity for the most recent consecutive 12- or 24-month analysis period to support the income on the application.
- The most recent consecutive two months' business bank statements must be provided to validate the borrower utilizes a separate bank account for their business. These will be used to validate that expenses are handled through a separate business account and to verify that transfers/deposits into the borrower's personal account are income to the borrower. For the purposes thereof, a transfer from the borrower's business bank account to their personal bank account(s), which is evidenced by bank statements, may be

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accepted as resulting from the borrower's self-employment. In addition, documentation showing a deposit is derived from a customer of the borrower's business may be accepted as resulting from the borrower's self-employment. Notwithstanding the foregoing, if the borrower's business accounts do not indicate the payment of reasonable business expenses given the borrower's occupation and scope of business, then the borrower is not eligible for the Personal Bank Statement Analysis method.

- If the borrower's spouse is on the personal bank account and not on the loan, any income or deposits associated with the spouse will be required to be removed. An executed letter for both the borrower and their spouse validating the remaining deposits on the bank statements are the borrower's income from self-employment is required.
- Any deposits into a personal or business account must be confirmed as business income. Deposits deemed to derive from a source other than the business must be excluded from the bank statement analysis.
- Payroll deposits from other employment sources must be reflected as direct deposits and may not be included in the bank statement average.
- If the personal bank statements reflect payments being paid on obligations not reflected on the credit report, then a thorough analysis must be completed to ascertain if the payment(s) must be included in the monthly debt obligations and DTI. A Letter of Explanation (LOE) from the borrower is also required to be provided.

Qualifying Income Using Personal Bank Statements

- Qualifying income is defined as the most recent 12- or 24-month average using 100% of qualified self-employed deposits during the analysis period.
- If the Seller is using an analysis period of 24 consecutive monthly bank statements and the self-employment income is declining, then the income for the most recent 12 months will be used to qualify. If the most recent bank statements reflect significant declining income — for example a decline of 25% or more — the income is not eligible.
- If the income is increasing, then the average income for the 24 consecutive months' bank statements will be used for qualifying.

6.8.3 Business Account Bank Statement Analysis Method

The Business Bank Statement program provides self-employed borrowers with the option to establish qualifying income based on gross acceptable deposits from either 12 or 24 months of business bank statements **in conjunction with an expense factor ratio of the business,** rather than providing a full set of tax returns. A business bank statement used for ongoing operations of the business must reflect the name of the business as completed on the Uniform Residential Loan Application. The documentation provided must indicate the qualifying income is stable, likely to continue, sufficient to enable the borrower to repay the debt and reasonable for the borrower's profession.

Sellers may determine and document income from self-employment by calculating the average daily deposits from acceptable sources into the borrower's business bank account during the analysis period ("the Eligible Deposits"), times the percentage of the borrower's business owned by the borrower, reduced by the business's expense factor, divided by the number of bank statements reviewed.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
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The CPA/Licensed Tax Preparer provided business expense factor must be consistent with the Business Narrative Form (see Appendix B) and the supporting third-party documentation provided should support that the business is active.

Acceptable sources of deposits are those from the ordinary operations of the borrower's business and exclude the following:

- Transfers from another bank or asset account.
- Extraordinary asset sales.
- Unusual borrowings.
- Tax refund.
- Insurance settlement or payment.

Any deposits into a business account must be confirmed as business income. Deposits deemed to derive from a source other than the business must be excluded from the bank statement analysis.

The analysis period will depend on whether the Seller has selected the 12- or 24-month statement period. The Seller will submit 12 consecutive or 24 consecutive monthly bank statements, depending on the product selected, with no statement being older than 35 days old from the date of the application. Ownership of three or more businesses must use the personal bank statement offering.

If the Seller is using an analysis period of 24 consecutive monthly bank statements and the self-employment income is declining, the income for the most recent 12 months will be used to qualify. If the most recent bank statements reflect significant declining income, for example a decline of 25% or more, the income is not eligible. If the income is increasing, then the average income for the 24 consecutive months' bank statements will be used for qualifying. To determine whether income is increasing, the Seller should look at the most recent 12 months' eligible deposits and compare the most recent 12 months to the previous 12 months' eligible deposits, and if the most recent bank statement average is greater than the previous 12 months, the income is increasing.

Additional Requirements:

- Personal accounts must be used for required reserves. Refer to the Assets section of this Manual for specific details and documentation requirements. If using business funds for down payment or closing costs, refer to section 7.3 Business Funds Used for Down Payment and Closing Costs for specific requirements.

For the purposes of these underwriting guidelines:

Business Bank Statements Expense Factor

The expense factor should be reasonable for the profession and consistent with the revenues and expenses of the bank statements. Once the eligible gross deposit total has been calculated, the applicable expense ratio below must be applied to obtain the allowable net income of the business.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
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- **Option 1**
  Service oriented business (service business where the service is provided by the borrower and labor is the primary source of revenue, (i.e., accountant, architect, attorney, consultant, home health care, finance/insurance services) a standard 50% expense factor will be applied to the total of eligible deposits from either 12- or 24-months consecutive bank statements.

  Income Calculation:
  - Total "eligible" deposits from bank statements, multiplied by borrower's ownership percentage, reduced by the expense factor of 50%, divided by the number of bank statements reviewed (12 or 24) = eligible qualifying income.
- **Option 2**
  All other businesses (business whose primary source of revenue is purchasing and selling goods/services i.e., manufacturing, construction, retail, wholesale, food service or restaurant, transportation) an expense factor of 70% will be applied to the total of eligible deposits from either 12- or 24-months consecutive bank statements.

  Income Calculation:
  - Total "eligible" deposits from bank statements, multiplied by borrower's ownership percentage, reduced by the expense factor of 70%, divided by the number of bank statements reviewed (12 or 24) = eligible qualifying income.
- **Option 3**
  Third Party Prepared Business Expense Statement Letter
  If the business operates more efficiently or typically has a materially different expense factor (lower or higher, as evidenced by the business bank statements), than the standard expense factor, then a CPA/Licensed Tax Preparer Expense Factor Statement OR Profit and Loss Statement may be used to determine qualifying income. The Expense Factor Statement must indicate the business expenses as a percentage of the gross annual sales/revenue. The minimum expense factor allowed is 10%.

  Requirements:
  - Name of the business.
  - Business expenses as a percentage of the gross annual revenue/sales.
  - Prepared by a third party with specific knowledge of the business – CPA/Licensed Tax Preparer. Third party must attest that they have filed the borrower's most recent years tax returns.
  - Third party license must be verified.
  - Signed by the third-party preparer.
  - Signed by the borrower(s).

  Income Calculation:
  - Total "eligible" deposits from bank statements, multiplied by the borrower's ownership percentage, reduced by the total Third-Party Prepared Business Expense factor (minimum of 10%) divided by the number of bank statements reviewed (12 or 24) = eligible qualifying income.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

6.9 AMF Expanded Product — IRS Form 1099

The IRS Form 1099 program provides individual(s) earning 100% commission or independent contractors the ability to leverage the income reflected within IRS Form 1099 rather than providing a full set of personal tax returns. The borrower must be a sole proprietorship with no employees. The borrower must receive regular, ongoing compensation on a weekly, bi-weekly, monthly or quarterly basis. A borrower's income may be determined by the IRS Form 1099 method utilizing up to a 90% Net Profit Margin to qualify the borrower. A profit margin gauges the degree to which a borrower or a business activity makes money. It represents what percentage of sales/compensation creates profits. Simply put, the percentage figure represents how many cents of profit the business has been generating for each dollar of sale/compensation. Each of the following requirements must be met to qualify for this program offering:

- One or two years of IRS Form 1099 income permitted. In the event that the 1099(s) are issued to an entity, the borrower's ownership interest must be 100% as documented via a CPA/Licensed Tax Preparer letter.
- Validation by a third party that the borrower has been in business for a minimum of two years. Third-party verification may include:
  - Copies of the most recent two years of IRS Form 1099s. In the event that the 1099s are issued to entity, the borrower's ownership interest must be 100% as documented by a CPA/tax preparer or equivalent.
  - Business license.
  - Secretary of State filing.
  - Letter from a regulatory agency, professional organization or applicable licensing bureau.
  - CPA/Licensed Tax Preparer Letter.
- The IRS Form 1099 Income is solely compensation for personal services performed by the borrower. The borrower must be the only employee used to generate the Form 1099 income. If the borrower has employees, the borrower is not eligible for this product offering.
- A Business Narrative Form (see Appendix B) explaining the type of services performed by the borrower along with an explanation of the expenses related to performing the services is required. The narrative should include the description/profile of the business, including the size/scope and operating profile, location(s), number of employees/contractors, the estimated cost of goods sold (if any) and commercial or retail client base. The Business Narrative Form (see Appendix B) must align with the allowable income calculations referenced below.
- If available, copies of the employment agreement or employment contract from which the IRS Form 1099 income is being derived.
- IRS Form 4506-C required choosing to request #7 for Form 1099 series transcript only. By selecting this option, the IRS will provide only data to evidence the reportable 1099 income. If the 1099(s) are issued to an entity and transcripts are not available, a CPA/Licensed Tax Preparer letter is required verifying that the borrower has filed a Schedule C for the past two years. **NOTE: If tax returns and/or full IRS transcripts are provided in the file, the loan is not eligible for the IRS Form 1099 program.**
- Various Income calculations are allowed. Use one of the following Business Expense analysis methods to determine the qualifying income up to a 90% Net Profit Margin:
  - Historical P&L statement(s) prepared by the borrower or a third party for the 1- or 2-year period used in the IRS Form 1099 analysis to support the borrower's qualifying income calculation. Borrower must sign the P&L statement.
  - Third party (CPA or licensed tax preparer)-prepared P&L statement(s) for the 1- or 2-year period used.

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Any reference to these Alternative Income Documentation programs does not apply.

  - P&L statement must be signed by the third party and borrower.
  - Third party that prepared the statement must attest that they have filed the borrower's most recent years of tax returns, are not related to the borrower or associated with the borrower's business and have audited the business financial statements or reviewed working papers provided by the borrower and based on the review of the P&L represents an accurate summary of the net profit of the business.
  - The third party's license must be verified.
- Qualifying income is the 1- or 2-year average from the total number of Form 1099s minus the expense factor referenced within the income calculation method chosen above. An expense factor is determined by dividing the borrower's total operating expenses by the sales/compensation receipts.
- YTD earnings must be documented to support the ongoing receipt of income reflected on the Form 1099s via:
  - Checks or a single check stub(s) with YTD totals if available, or
  - YTD bank statements. The YTD gross earnings from the total of check stubs or the total of deposits from the bank statements must be within 10% or greater of the prior year earnings in order to qualify.
- An IRS Form 1099 worksheet or similar form to evidence the calculations made in determining qualifying income. Loans that do not include the calculator are not eligible for sale to AMF. AMF provides an IRS Form 1099 Calculator on our website (archmortgagefunding.com).

The borrower's income from self-employment must be included on the final application in the "Other Income" section" as the borrower's "Self-Employment Income from the IRS Form 1099 Statement Analysis Method."

If the Seller is aware of anything that might impact the borrower's income, the Seller should reduce the borrower's income appropriately.

IRS Form 1099 Income Used in Conjunction with Wage Earner or Other Secondary Income Combinations

Other sources of income allowed in the Fannie Mae Guide in effect at the time of application can be used in conjunction with the IRS Form 1099 program, such as co-borrower employed as a wage earner, but the eligibility terms of the loan are determined by, and the loan is to be priced as, an IRS Form 1099 loan. To document other sources of allowable income, follow the specific full-documentation requirements outlined in this Manual without any Federal Tax return requirements, such as co-borrower wage earner (W-2) qualifying income, Social Security, alimony/child support, retirement, notes receivable, etc. The income must be separately documented on the 1003. All other full-documentation income requirements must be verified.

Rental income from other investment properties owned by the borrower(s) are allowed based on the following:

- Must document proof of 100% ownership.
- Refinance Transaction:
  - Current active lease or expired lease that converted to month-to-month which clearly states the monthly rental amount and terms of the lease.
  - Three months cancelled checks, deposit slips or bank records must clearly reflect the receipt of rental income.
  - Evidence that rent is market rate (free online source is permitted).
  - Gross rental income of 75% of the lease agreement.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

  - Short Term/Variable Rental Income (Airbnb, VRBO, HomeAway):
    - Acceptable with 12 months evidence of receipt via a Service Provider payment history or bank statement deposits.
    - Gross rental income of 75% of verified average monthly rental income.
    - Must be permitted in accordance with local ordinance.
- Purchase Transaction:
  - Gross rental income is the lesser of 75% of the lease agreement (if applicable) and market rent from the appraisal).

4506-C W-2 transcripts are required for wage earner income (do not use full transcripts). When wage earner income or other secondary income is combined with IRS Form 1099 income, tax returns are not required for the full income documentation.

NOTE: If tax returns and/or full IRS transcripts are provided in the file, the loan is not eligible for the IRS Form 1099 program.

A completed, signed and dated Uniform Residential Loan Application (Fannie Mae Form 1003) must include all sources and amounts of income used to qualify the loan.

An executed Borrower Affirmation — Bank Statement and IRS Form 1099 Program form must be signed by all borrowers. See Appendix D.

As a reminder, the AMF Bank Statement and IRS Form 1099 Expanded Product offering have overlays that are outlined in section 2.6 and must be followed.

6.10 AMF Debt Service Coverage Ratio

The Debt Service Coverage Ratio (DSCR) product utilizes the rental income on the subject investment property to determine eligibility. The relationship between cash flow and current debt obligations is recognized. Loans in the DSCR program are exempt from the Ability to Repay (ATR) rule as they are business-purpose loans.

The program is designed for experienced real estate investors. Qualification is based solely on cash flows from the subject property. DSCR is calculated by using the eligible gross rental income from the subject property divided by the total debt service of the property, which includes the full subject property debt obligations (PITIA).

A Statement of Business Purpose and Occupancy Affidavit declaring that the property is or will be used for business or investment purposes only is required and must be signed by the borrower. See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes.

All borrowers must execute Fannie Mae Form 3170 1–4 Family Rider Uniform Instrument.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

NOTE: Any cash-out loan proceeds can be used for reserves required for the subject loan or business purposes only. The borrower must provide a letter of explanation stating how the loan proceeds will be used. Cash-out proceeds for uses other than subject loan reserves or business purposes are not permitted.

6.10.1 DSCR Borrower Requirements

The program is designed for experienced real estate investors. 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 real estate 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 an agreement (for the income producing property) and 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 application (1003) should not be completed.
- The borrower's primary source of income is not to be verified.

6.10.2 DSCR Gross Rental Income

Gross Rental Income is based on the lesser of the Fair Market Rent identified via the Comparable Rent Schedule (Fannie Mae Form 1007 or Form 1025) reflecting long-term or short-term rents 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 purchase transactions, the Seller must review the purchase agreement to determine whether the property is being sold subject to a tenancy. If the subject property is being sold subject to a tenancy, the Seller must rely on the rents that are stated in the purchase agreement to determine the actual rent of the subject property. If the subject property is being sold subject to tenancy and rents are not set forth in the purchase agreement, the Seller must review the leases in effect for the subject property. 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.

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 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. 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.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

6.10.3 DSCR Short-Term Rental Income

If the subject property is rented on a short-term basis (such as an Airbnb, VRBO, Flip Key or similar service), the gross rental income is the lower of the rental value of the property from a rental addendum prepared by the appraiser or the average monthly rental income received from the short-term rental over the past 12 months, as documented from the short-term rental facilitator. Reduce allowable LTV by 5% when using short-term rental income to qualify.

Other requirements include:

- One-unit properties only.
- Third-party statements from Airbnb, VRBO, Flip Key or similar service must be provided. The statement must identify the subject property/unit, rents collected for the previous 12 months and all vendor management fees. The qualifying income must be net of all vendor or management fees.
- If the subject property is a condominium, provide written evidence that the property is eligible for short-term rentals.
- Must be permitted in accordance with local ordinance.

6.10.4 DSCR Income Documentation Requirements

The DSCR program offering does not require any further income documentation by the borrower if the following documentation requirements are met:

- Purchases:
  - Fannie Mae Form 1007 Single-Family Comparable Rent Schedule or Form 1025 Small Residential Income Property Appraisal Report.
  - Existing lease agreement(s), if applicable. If the existing lease is being transferred to the borrower, it must be verified that it does not contain any language or provisions that could affect the first-lien position.
- Refinances:
  - Fannie Mae Form 1007 Single-Family Comparable Rent Schedule or Form 1025 Small Residential Income Property Appraisal Report.
  - Existing lease agreement(s). **NOTE:** For refinance transactions, the property is required to be leased and cannot be vacant. 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 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.
  - If there is a new lease agreement, the Seller must include a copy of the new lease along with proof of receipt of security deposit and the first month's rent.

The loan file should include a Loan Approval indicating the loan is DSCR and a DSCR calculation worksheet detailing the DSCR calculation. Loans that do not include the DSCR calculation are not eligible for sale to AMF. AMF provides a DSCR Calculator on our website (http://mortgage.archgroup.com/arch-mortgage-funding).

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

6.10.5 DSCR Property Expense

The total debt service includes all expenses associated with the subject property. Principal, interest, taxes, insurance (hazard and flood) and any association fees/dues are to be included expenses. For an interest-only loan the P&I payment is based on the fully amortizing loan period — qualifying on interest-only is not allowed.

6.10.6 DSCR Calculation

The DSCR calculation is determined by taking the monthly gross income divided by the monthly PITIA of the subject investment property. See the program grid for specific DSCR requirements and the AMF website for our DSCR Calculator.

Example:

Gross Monthly Income of $1,000

_____ = 1.212 Debt Service Coverage Ratio (DSCR)

Monthly PITIA Expenses of $825

6.10.7 DSCR Rental Loss Insurance Requirement

Rental loss insurance is required with a minimum of six months' coverage for the subject property.

6.10.8 DSCR LLC Vesting Requirements

- The DSCR program allows vesting in a Limited Liability Company (LLC). The following items are required:
  - LLC must be domiciled in a U.S. state.
  - LLC is limited to a maximum of four owners.
  - Business purpose and activities of the LLC are limited to ownership and management of real estate.
  - Each LLC member must receive a notice of the loan and the loan terms prior to closing.
- Required documentation for LLC vesting:
  - Articles of Organization and Operating Agreements (if applicable).
  - Borrowing Certificate (LLC Borrowing Certificate — Single Member of LLC Borrowing Certificate — Multiple Member).
  - Certificate of Good Standing within 30 days of the date of the note.
  - Certificate of Authorization for the person(s) executing all required documents on behalf of the entity.
  - Tax Identification Number (TIN).
  - Business purpose and Occupancy Affidavits. See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

  - Loan Application (1003) completed for each individual member of the entity who is required to provide a personal guarantee, signed individually. The employment and income sections of the application are **NOT** to be completed. Their credit report(s) will be reviewed for eligibility.
  - Each LLC member must complete Form of Personal Guarantee — See Appendix E for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes.
  - Personal guarantees from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge.
- Documents to be signed by all members of the entity:
  - Disclosures — all required.
  - Business Purpose and Occupancy Affidavit. See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes.
  - Executed Form of Personal Guarantee. (See Appendix E for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes.). The guarantee is to be executed at loan closing and dated the same date as the note.
  - Note, Deed of Trust/Mortgage and all riders.
  - Any state and/or federal required settlement statement(s).

6.10.9 DSCR Statement of Business Purpose and Occupancy Affidavit (Appendix A)

A Statement of Business Purpose and Occupancy Affidavit is required and must be signed by the borrower — declaring that the property is or will be used for business or investment purposes only. See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes.

Refer to the loan product matrices in section 2.7 for additional DSCR program requirements and restrictions.

6.10.10 DSCR Helpful Underwriting Checks and Balances to Mitigate Reverse Occupancy Fraud

- The consumer-signed final 1003 reflects the occupancy as Investment, and the consumer's declarations on the final 1003 do not indicate that they intend to occupy the subject property.
- The appraisal and occupancy certificate (if present in the file) do not indicate the consumer occupies or intends to occupy the subject property.
- At least one of the following:
  - The appraisal indicates the property is tenant-occupied.
  - The file contains a business purpose certificate.
  - The file contains an occupancy certificate attesting that the property will not be occupied as the consumer's primary residence or as the consumer's second home.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

  - The file includes other documentation evidencing investment occupancy.
- Driver's license/government-issued ID showing borrower at other address.
- Hazard Insurance Declarations page of subject showing mailing address to property other than subject and showing policy as a landlord policy.
- Asset statements showing borrower at other address or earnest money deposit check (if personal check).
- Leases for subject property.
- Mortgage payoff statement showing borrower at other address (will only see these in refinance transactions).
- Tax certificates showing borrower at other address (typically used in refinance transactions).

Based on the above review, are you confident that the borrower does not occupy the property?

6.11 Unacceptable Income — All AMF Programs

- Any source of income that cannot be verified.
- Automobile allowances (used to offset the auto payment only).
- Contributions or support from family members (other than alimony/child support).
- Deferred income or compensation not presently available.
- Draw income.
- Education benefits.
- Expense account payments.
- Foreign income.
- Future (proposed) earnings, unless qualifying via Post-Closing Employment — see section 6.4.3 for guidance.
- Gambling winnings.
- Grants.
- Illegal income.
- Income from an illegal business.
- Income paid to the borrower in cryptocurrency.
- Income that is not likely to continue for at least three years beyond the date of loan closing.
- Income that is not stable, or that is temporary or is a one-time occurrence.
- Mortgage credit certificates.
- Mortgage differential payments.
- Non-occupant income.
- One-time capital gains.
- Per diem income.
- Refund of federal or state income tax.
- Reimbursable income.
- Rental income received from the borrower's primary residence (boarder Income, accessory unit or an ineligible second unit).
- Retained earnings from business.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

- Trailing spouse or trailing co-borrower income.
- Unvested stock options.
- Veterans Administration (VA) education benefits.

Any income that is not legal in accordance with all applicable federal, state, or local laws, rules and regulations.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

7.0 Assets

A borrower's savings pattern is a strong indicator of financial management. When making a lending decision, the Seller should evaluate the borrower's savings pattern. A strong savings pattern and reserves is considered one of the most important compensating factors when making a credit decision.

AMF encourages Sellers to verify sources of liquid assets beyond the amount needed to meet the requirement of the transaction so that, if necessary, the assets may be considered as a compensating factor when the loan is reviewed. Down payment and closing costs are defined as assets that meet Fannie Mae requirements in effect at the time of application as adjusted by any of the AMF guidelines listed below. The age of the asset documentation used to determine eligibility must be no more than 90 days old from the Note Date.

Acceptable Assets and Sources of Funds include:

- Checking, savings and certificate of deposit accounts.
- Cash value life insurance.
- Business funds can be used for down payment and closing costs solely.
- Borrowed funds secured by an asset. (Follow Fannie Mae guidelines.)
- Earnest money (show cashed check or transfer from borrower account).
- Gifts (eligibility varies by product) — see below.
- Real estate sale proceeds.
- Retirement accounts.
- Sale of personal property with supporting documentation (not allowed on the Asset Depletion offering).
- Stocks, vested stock options, bonds and mutual funds.
- Trust fund disbursements.
- U.S. Savings bonds.
- 1031 Exchange (allowed for Investment Property transactions only).

Unacceptable assets and sources of funds include:

- 529 accounts.
- Assets pledged as collateral on another loan.
- Assets titled in an irrevocable trust.
- Cash advance on a revolving charge account or unsecured personal loan or line of credit.
- Cash on hand.
- Cash proceeds from a cash-out refinance of the subject property when using for reserves or Asset Depletion. DSCR loans are exempt from this requirement.
- Cryptocurrencies, such as Bitcoin. Cryptocurrency must be exchanged for U.S. dollars if it will be needed for the mortgage transaction (for example, any funds required to be paid by the borrower or borrower reserves).

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

- Donated funds in any form by the Seller, builder or selling agent outside of approved financing contributions in the Seller concession.
- Funds in a custodial or “In Trust For” account.
- Gift that must be repaid.
- Gifts of equity.
- Health savings accounts.
- Non-financial assets (artwork, collectibles, stamps, etc.) unless liquidated.
- Non-vested restricted stock units.
- Pooled savings.
- Restricted retirement funds — those that are not permitted to be withdrawn.
- Salary advances.
- Stocks held by privately held corporations.
- Sweat equity.
- Unvested stock options.

7.1 Source of Funds

Assets needed to complete the transaction, including funds needed for down payment, closing costs and reserves must be reflected on the loan application and adequately documented in the loan file. Various types of assets and the appropriate treatment for loan qualification are detailed below.

7.2 Checking and Savings Accounts

A completed Verification of Deposit (VOD) form or bank statements for the most recent two consecutive months should be provided as verification of liquid funds on deposit in checking and savings. VOD and bank statements must be dated within 120 days of the note and mortgage. Bank statements must clearly identify:

- Name and address of the depository institution.
- Name of account owners.
- Account number.
- Time period covered by the statement.
- All deposit and withdrawal transactions for depository account or all purchase and sale transactions for a financial portfolio account.
- Beginning and ending balances.

If the bank statements reflect a large deposit or the VOD reflects a significant increase (defined as a single deposit that exceeds 50% of the total qualifying income) and the funds are needed for down payment, closing costs or reserves on a purchase transaction, the Seller must document that the source of the large deposit and/or increase in funds is from an acceptable source. If the large deposit is not needed for the transaction, the amount must be subtracted from the available verified assets. For refinance transactions, large deposits must be evaluated and the Seller must ensure that any liability associated with the large deposit is included in qualifying.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

7.3 Business Funds Used for Down Payment and Closing Costs

The use of business funds is allowed for down payment and closing costs only. Business funds may not be counted toward cash reserves. To utilize funds from the borrower's business account for down payment and closing costs, the following requirements must be met:

- Borrowers must own at least 50% of the business and have access to the funds.
- Two months of consecutive and most recent business bank statements must be provided and must support sufficient assets. Funds must be seasoned a minimum of 60 days, and any atypical or large deposits must be fully sourced. The bank statements must be dated within 120 days of the note.
- The Seller must complete a cash-flow analysis supported by two years of personal and business federal tax returns and a year-to-date P&L statement and balance sheet to show there will be no detrimental effect on the business; or
- The Seller must obtain a signed letter from a CPA/Licensed Tax Preparer verifying the following:
  - The amount of business assets that can be used must correspond to the borrower's percentage of ownership in the business.
  - The funds are not an advancement of future earnings, cash distribution or a loan.
  - Withdrawal of the funds will not negatively impact the business.
  - A cash-flow analysis (Fannie Mae Form 1084 or similar form).

7.4 Cash Value of Insurance

The cash value of a life insurance policy must be documented by the most recent statement along with verification of the current balance. If the cash value of life insurance is being used as assets for down payment or closing costs, the Seller must document that the policy has been liquidated and a check has been sent by the insurance company and deposited in the borrower's account. If the assets are being used for reserves, then no liquidation of the insurance policy is required and 100% of the net value (actual cash value less any loans) can be used.

7.5 Earnest Money

The source of funds from the deposit on the sales contract must be verified as the borrower's own funds if the funds are needed to qualify.

Earnest-money deposits must be documented with the following:

- A copy of the canceled check.
- Verification of sufficient funds on deposit in a depository account and/or verification the funds have been withdrawn from the account.

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7.6 Gift Funds

Gift funds are an acceptable source of funds for purchase transactions on primary residences and second homes if the following parameters have been met:

- The borrower must contribute 5% from their own funds if the LTV/H/CLTV is greater than 80%.
- Gift donor must be an immediate family member defined as the borrower's spouse, parent, child or by any other individual who is related to the borrower by blood, marriage, adoption or legal guardianship, or a fiancé or domestic partner.
- The gift donor may not be or have any affiliation with the builder, the developer, the real estate agent or any other interested party.
- The signed gift letter must include the donor's name, address, phone number and relationship to borrower.
- Evidence of transfer of funds from the donor's account to the borrower's account must be fully documented.
- Gift funds cannot be used to pay off debt to qualify.
- Gifts of equity are not allowed to be used as a source of funds.

Gift funds are not permitted on the following:

- Investment property transactions.
- The Asset Depletion product.
- The DSCR product.

7.7 Interested-Party Contributions

Interested-party contributions (IPCs) are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone else who has a financial interest in or can influence the terms of the sale or transfer of the subject property. A Seller, builder, developer or real estate agent are examples of interested parties. The lender is not considered an interested party. IPCs can be applied to closing costs and prepaids but cannot be applied to down payment or reserves. The amount of allowable IPCs is based on the occupancy of the subject property and LTV/H/CLTV as follows:

Primary Residence:

- Maximum 3% of the lesser of the sales price or appraised value for LTV/H/CLTV's greater than 90%.
- Maximum 6% of the lesser of the sales price or appraised value for LTV/H/CLTV's 90% or less.

Second Home:

- Maximum 6% based on the lesser of the sales price or appraised value.

Investment Property:

- Maximum of 2% based on the lesser of the sales price of appraised value.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
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Sales concessions are IPCs that take the form of non-realty items, such as furniture, decorator allowance, giveaways (vacations, cars) as well as excess financing concessions. The terms of the sale as detailed in the purchase contract must be closely evaluated to determine the effect of any sales concessions. Sales concessions must be deducted from the purchase price when calculating the LTV/H/CLTV.

7.8 Real Estate Sale Proceeds

To use proceeds from the sale of a currently owned property for closing costs or cash reserves, the following must happen:

- Copy of the sales contract must be obtained.
- The closing of the real estate must take place prior to or simultaneous with the subject property.
- The net proceeds to the borrower and payoffs of debts must be verified by a closing statement.
- The final closing statement from the sale must be included with the loan file.

7.9 Reserves

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. Refer to the AMF Product Matrices for the required reserves.

For the AMF Prime and AMF Expanded offerings, 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 the subject property's reserves. The 12 months of total reserves includes the subject property's minimum required reserves.

For the AMF AUS Express offering, when other 1–4-unit residential properties are owned, follow the Agency requirements.

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

Ineligible sources of reserves:

- Business assets.
- Cash-out from the current subject property transaction. DSCR loans are exempt from this restriction.
- Equity lines of credit.
- Gift funds.

7.10 Retirement Funds

Funds that are vested in an IRA/SEP/Keogh account, 403(b) and 401(k) accounts are acceptable sources of funds for down payment, closing costs and reserves. The assets must be verified with a copy of the most recent two months'

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

consecutive statements or the most recent quarterly statement. The statements should clearly identify the borrower as the account holder and include the account number, the time period covered and all deposits and withdrawals during the account period. Only the vested balances can be used towards cash to close and reserves, and the Seller must verify if withdrawals are allowed, regardless of current employment status.

When used for reserves, liquidation is not required. Calculate reserves by using 70% of the vested balance. Borrowers over 59.5 years of age can use 80% of the total vested balance.

7.11 Stocks, Bonds and Mutual Funds

The value of stocks, stock options, bonds or mutual funds must be documented by the two most recent consecutive months' account statements, the most recent quarterly statement or a VOD.

If the total value of these assets is greater by 20% or more than what is needed for the down payment and closing costs, no documentation of the borrower's actual receipt of funds from the sale of liquidation is required. If the total value is less than 20% greater than what is needed for the down payment and closing costs, the borrower's actual receipt of funds from the liquidation of funds must be documented.

Vested stock options may be used for down payment and closing costs. Ownership of the stock and liquidation of the stock must be documented.

When used for reserves, liquidation is not required. Calculate reserves by using 80% of the total balance.

7.12 Sale of Personal Property

Cash from the sale of the borrower's personal property may be used for the down payment and closing costs as long as the borrower can provide evidence of the following:

- Owned the asset.
- Has documentation to support the value of the asset.
- Can prove the Transfer of Ownership (a copy of bill of sale or statement from the purchaser).
- Provides the receipt of the purchase proceeds (deposit slips or bank statement).

7.13 U.S. Savings Bonds

U.S. savings bonds may be used if the borrower provides one of the following:

- A copy of the appropriate U.S. Treasury table evidencing the current value(s) of the bond(s) and a copy of the bond certificate(s) evidencing the borrower is the owner.
- A statement from a financial institution attesting to the fact that they have seen the bonds, including a list of the serial numbers, dates of maturity, types and amounts of the bonds and stating that the borrower is the owner.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

7.14 1031 Exchange

1031 Exchanges are allowed for investment property transactions only (including DSCR). The loan file must include the closing statement for both properties, an exchange agreement and the sales contract for the exchange of property. AMF does not allow Reverse 1031 Exchanges.

7.15 Verification by a Third-Party Asset Verification Vendor

Direct verification by a third-party asset verification vendor is acceptable if the following requirements are met:

- The borrower provided proper authorization for the use of the third-party verification.
- The verified information provided is consistent with the information that would be provided on Fannie Mae Form 1006 — Verification of Deposit.
- The date of the completed verification is no more than 120 calendar days old as of the note date.
- The Seller is required to ensure that the third-party vendor is an approved provider for Fannie Mae Day 1 Certainty.
- The Seller recognizes that regardless of the use of the vendor, they are ultimately responsible for the integrity of the information obtained from the source.

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8.0 Borrower Occupancy

AMF requires the borrower to provide a written certification addressing the occupancy of the subject property as a primary residence, second home or investment property. Sellers must also perform an appropriate level of due diligence to determine whether the borrower will or will not occupy the subject property as declared. Different AMF loan products allow for different occupancies, and it is the responsibility of the Seller to place the borrower in the correct loan product.

8.1 Primary Residence

If the borrower obligated on a loan declares they will occupy the subject property as their primary residence, each of the following must be true or the loan will not be purchased by AMF:

- 1–4-unit, detached, attached, PUD, eligible condominium and eligible New York cooperatives.
- The borrower must have declared that they will occupy the subject property as their primary residence in a written affirmation.
- A borrower may not maintain more than one primary residence at any given time.
- If the purpose of the loan is to purchase the subject property and the borrower is not selling their current primary residence, the subject property must be a reasonable alternative to their prior residence.
- The occupying borrower must contribute 5% of their own funds to the transaction.
- For refinance transactions, the documentation in the loan file such as the borrower's paystubs, tax returns, driver's license and insurance records must support occupancy of the subject property.
- The subject property must not be rented and if the purpose of the loan is a refinance, the tax return must not show rental income.
- If the borrower is employed, their place of employment must be within a reasonable distance from the subject property. The borrower returns home on a regular basis and the borrower's family lives in the subject property. Remote employment is allowed with a letter from the employer confirming the acceptance of the borrower working remotely.

8.2 Second Homes

If the borrower declares they will occupy the subject property as a second home, the following must be true to be eligible for purchase by AMF:

- 1-unit, detached, attached, PUD, eligible condominium and eligible New York co-ops.
- The borrower must have declared that they will occupy the property as a second home in a written affirmation.
- The location of the subject property must be reasonable for second-home use and must be occupied by the borrower for some portion of the year.
- No borrower may own more than two second homes other than the subject property.
- The subject property must be for the borrower's exclusive usage for not less than 48 weeks per year. Rental income and expenses on Schedule E of the borrower's personal tax return(s) must not exceed 30 rental days.

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- Rental income from a second home cannot be used to qualify the borrower.
- The subject property may not be used as the primary residence of a family member (for example, a second home may not be occupied as the residence of the borrower's parents or children).
- The subject property must be suitable for year-round use.
- The borrower must have exclusive control over the property; therefore, they must not enter into any rental agreements or shared ownership agreements that require the property to be rented or give a management firm control over the occupancy of the property.
- The hazard insurance declaration page must not reflect the loss of rent insurance and must not in any way reflect that the property will be non-owner occupied.

8.3 Investment Property/Business Purpose

If the borrower obligated on a loan declares that they will use the subject property as a business purpose investment, the following must be true, or AMF will not purchase the loan:

- 1–4-unit, detached, attached, PUD, eligible condominium and eligible New York co-ops.
- No borrower or relative of a borrower is occupying the subject property and no borrower or relative of a borrower will occupy the subject property.
- For cash-out refinance transactions on an investment property when the loan purpose is for the acquisition, improvement or maintenance of a rental property, a borrower-signed Business Purpose & Occupancy Affidavit is required. See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes.
- Cash-out proceeds used for any personal use will be subject to TILA compliance. Not allowed on AMF DSCR Product offering.
- Investment property transactions must be arm's length.
- If the subject property is rented on a short-term basis (such as an Airbnb, VRBO, Flip Key or similar service), the gross rental income is the lower of the rental value of the property from a rental addendum prepared by the appraiser or the average monthly rental income received from the short-term rental over the past 12 months, as documented from the short-term rental facilitator. Reduce allowable LTV by 5% when using short-term rental income to qualify.

  Other requirements include:
  - One-unit properties only.
  - Third-party statements from Airbnb, VRBO, Flip Key or similar service must be provided. The statement must identify the subject property/unit, rents collected for the previous 12 months and all vendor management fees. The qualifying income must be net of all vendor or management fees.
  - If the subject property is a condominium, provide written evidence that the property is eligible for short-term rentals.
  - Must be permitted in accordance with local ordinance.

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8.4 Conversion of Primary Residence

When a borrower vacates a principal residence in favor of another principal residence, the rental income, reduced by a 25% vacancy/expense factor, may be considered in the underwriting analysis if all the following requirements have been met:

- The borrower must have a minimum one-year landlord history during the previous four years.
- The file must include a copy of the executed 12-month lease agreement and be supported by an appraiser-prepared Comparable Rent Schedule (Fannie Mae Form 1007).
- Evidence to support the receipt and the deposit of the security deposit into the borrower's asset account must be documented.
- The borrower must have a minimum of 25% equity in the departing residence documented with an automated valuation model (AVM) or another third-party tool.
- Net cash flow is determined by using the lesser of the executed lease agreement or the fair market rent and adjusting by a 25% vacancy/expense factor.
- Three months' additional reserves are required.

8.5 Maximum Number of Financed Properties

For AMF Prime, AMF AUS Express, and AMF Expanded the maximum number of financed properties a borrower can own is 10.

For AMF DSCR the maximum number of financed properties a borrower can own is 20.

Calculation to Count Number of Properties

The number of financed properties of the borrower should be evaluated based on the criteria below:

- The borrower's principal residence counts if it is financed.
- All residential properties where the borrower is personally obligated on the mortgage(s), even if the monthly housing expense is eligible to be excluded from the borrower's DTI.
- The count is by number of properties not the number of mortgages (for example, a property with a first and second mortgage counts as one financed property).
- The cumulative total for all borrowers (jointly financed properties are counted once).

Property Ownership Types Excluded from Maximum Limit

The following are not included in the financed property count:

- Ownership in a timeshare.
- Ownership in commercial real estate — documented evidence is required.

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- Ownership of multifamily property consisting of more than four dwelling units — documented evidence is required.
- Ownership of vacant land.
- Ownership through joint venture S or C Corporation.
- Ownership through an LLC or partnership in which the borrower's total ownership is < 25%.

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9.0 Loan Purpose

AMF purchases loans with the following purposes:

- Purchase.
- Rate and term refinance: Pay off the existing mortgage encumbering the subject property with a new mortgage of the same or a lesser amount of the existing mortgage.
- Cash-out: Refinance eligible existing mortgage encumbering the subject property with a new mortgage of a larger amount.
- Delayed Financing: Refinance eligible when the borrower purchased the subject property with cash within six (6) months from the loan disbursement date and the borrower now prefers to encumber the property with secured financing.
- Buyout refinance: Legal divorce or separation settlement in which the spouse or partner is required to buy out the interests of the other spouse or partner, or any other refinancing where an owner buys out the interests of another owner.

9.1 Purchase Transactions

AMF considers a transaction to be a purchase money transaction under the following scenarios:

The proceeds from the first-lien mortgage loan are used to finance the acquisition of the subject property as evidenced by a sale and purchase agreement executed by the borrower and Property Seller or to pay off the outstanding balance of a land contract or contract for deed.

Any cash back to the applicant(s) may only be an amount representing reimbursement for the applicant's overpayment of fees and/or legitimate pro-rated insurance premiums and real estate tax credit in locales where real estate taxes are paid in arrears. The closing/settlement statement must clearly indicate the refund and the loan file must include documentation to support the amount and reason for the refund.

For a loan to be eligible to be purchased by AMF as a purchase transaction, the following must apply:

- Must adhere to Fannie Mae guidelines in effect at the time of application, where applicable.
- LTV/H/CLTV will be based on the lesser of the purchase price or the current appraised value.
- Assignment of purchase contracts are ineligible unless the transferor is a family member and there is no change to the purchase price or credits.
- If the purchase of the subject property is a "non-arm's length transaction" as the term is described in the Fannie Mae Guide in effect at the time of application, the property must be a primary residence, or second home and two appraisals are required regardless of loan size. See section 9.8 Non-Arm's Length Transactions.
- If the purchase of the subject property is a non-arm's length transaction, the purchase transaction includes a gift of equity or the subject property is being purchased from a family member, then the Seller must verify that the subject property is not in foreclosure and that the mortgages encumbering the subject property are

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current. If the subject property is in foreclosure or the mortgages encumbering the subject property are not current, then a loan secured by the subject property is not eligible for sale to AMF.

- Investment property transactions must be arm's-length.
- Personal property may not be included in the purchase agreement/sales contract. Items that are customary to residential real estate transactions, such as lighting fixtures, kitchen appliances, window treatments and ceiling fans, are not considered personal property.
- Flip transactions: If the Seller has taken title to the subject property within 90 days prior to the date of the sales contract, the following requirements apply:
  - Property Seller on the purchase contract is the owner of record.
  - Second full appraisal is required.
  - LTV/H/CLTV will be based on the lesser of the prior sales price, current purchase price or the current appraised value. Loans that are bank or relocation sales are exempt from the above requirements.
  - Loans that are bank or relocation sales are exempt from the above requirements.

9.2 Rate/Term Refinance Transactions

For a loan to be purchased by AMF as a rate/term transaction, the Fannie Mae Guide in effect at the time of application must be followed, except as modified by the following:

- The principal amount of the loan may not exceed the sum of the amount needed to pay off eligible mortgage debt, plus the closing costs to settle and qualify for the loan, plus the total amount of escrows, impounds and prepaids required from the borrower to close the transaction and a nominal amount of cash to the borrower, not to exceed the lesser of 1% or $2,000.
- Eligible mortgage debt includes the first-lien mortgage encumbering the subject property and junior lien mortgages that were originated concurrent with the acquisition of the subject property or are seasoned. A closed-end mortgage loan is seasoned if it was originated more than one year prior to the closing of the refinance (one year prior to the date of the loan) while a HELOC is seasoned if it was originated more than one year prior to the closing of the refinance, and no more than an aggregate of $2,000 has been drawn from the HELOC during the 12-month period preceding the date of the loan.
- If the property has been owned for less than 12 months from the date of the Note, the LTV/H/CLTV will be based on the lesser of the original purchase price of current appraised value. If the property has been owned for more than 12 months from the date of the Note, the LTV/H/CLTV will be based on the current appraised value.
- Inherited properties are exempt from this seasoning requirement and the LTV/H/CLTV will be calculated on the current appraised value.
- For homes where capital improvements have been made to the property after purchase, LTV/H/CLTV can be based on the lesser of the current appraised value or original purchase price plus the documented improvements. Receipts are required to document the cost of improvements.
- At least one of the borrowers must have been an owner of the subject property throughout the three-month period preceding the date of the loan. See section 9.7 Continuity of Obligation for specifics.
- The subject property has not been listed for sale during the six-month period preceding the Date of the Loan unless the loan terms include a prepayment penalty.

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- Ineligible for rate and term designation if the original loan was cash-out and less than six months have passed from the original note date.
- A HELOC can be paid off and still be considered a rate and term transaction provided the HELOC has no draws greater than $2,000 over the last 12 months (established at purchase or later date). Loan must be paid off and the HELOC closed.
- No portion of the principal due on a mortgage loan encumbering the subject property is being forgiven in connection with the refinance.
- Benefit to the borrower must be documented.

9.2.1 Principal Curtailments

AMF allows curtailments for the following scenarios:

- If the borrower is scheduled to receive more cash back than what is permitted for rate and term refinances, the Seller can apply a curtailment to reduce the amount of cash back to the borrower to bring the loan onto compliance with the maximum cash-back requirement.
- For example, on a $1 million rate and term refinance, if the Closing Disclosure reflected the borrower was receiving $4,000 cash back, a $2,000 principal curtailment could be applied to ensure that the actual cash back to the borrower did not exceed $2,000 per the program requirements.

9.3 Cash-Out Refinance Transactions

For a loan to be purchased by AMF as a cash-out refinance transaction, the Fannie Mae cash-out refinance loan guidelines in effect at the time of application must be followed in all cases, except as modified by the following parameters:

- Cash-out includes the payoff of a non-purchase second lien that does not meet the requirements in the Rate/Term Refinance section.
- Subordinate financing is not allowed on cash-out refinance transactions.
- If the property has been owned for less than 12 months from the date of the note, the LTV/H/CLTV will be based on the lesser of original purchase price or current appraised value. If the property has been owned for more than 12 months from the date of the note, LTV/H/CLTV will be based on the current appraised value.
- Borrowers must provide an attestation regarding how the proceeds from the cash-out will be used.
- If the prior loan was cash-out and within six months from the disbursement date, then the current loan must be classified as cash-out.
- If paying off a HELOC where the borrower has drawn more than $2,000 in the last 12 months from the disbursement date, then the current loan must be classified as cash-out.
- At least one of the borrowers must have been an owner of the subject property throughout the six-month period preceding the date of the loan. See section 9.7 Continuity of Obligation for specifics.
- The subject property has not been listed for sale during the six-month period preceding the date of the loan.
- For cash-out refinance transactions on an investment property where the loan proceeds will be used for business purposes, such as for the acquisition, improvement or maintenance of a rental property or any

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other business purpose, the borrower must provide a letter of explanation stating how the loan proceeds will be used, and must execute, a Business Purpose & Occupancy Affidavit is required. See Appendix A for an example of the required document. Sellers are responsible for ensuring that any replacement document provided by their document provider is materially the same as the example document provided, and bears the same legally binding, and enforceability attributes.

- Cash-out refinance transactions on an investment property when the loan proceeds will be used for personal use will be subject to TILA compliance. The borrower will also need to provide a letter of explanation stating how the loan proceeds will be used. This option is not allowed on the AMF DSCR Product offering.
- No portion of the principal due on a mortgage loan encumbering the subject property is forgiven in connection with the refinance.
- For cash-out maximums, refer to the specific product under section 2.

9.4 Delayed Financing

This occurs when the applicant purchased the property with cash within six months from the loan disbursement date and the applicant now prefers to encumber the property with secured financing. Delayed financing refinances are underwritten as rate and term refinances and are not subject to cash-out refinancing program limitations. Transactions must otherwise meet the following parameters:

- The LTV/H/CLTV is calculated based on the lesser of the purchase price or the appraised value of the subject.
- Original purchase transaction was arm's length.
- Closing Disclosure (CD) or other settlement statement must be provided to document the original purchase price, the date of acquisition and confirm that no financing was obtained for the initial purchase of the property.
- Funds used to acquire the property must be fully documented, sourced and obtained from the borrower's own funds. No gift funds are permitted.
- If the source of funds used to acquire the property was a loan secured by an asset other than the subject property (such as a HELOC secured by another property owned by the borrower), the settlement statement for the refinance must reflect that all cash-out proceeds were used to pay-off or pay-down the loan used to purchase the subject property.
- Preliminary title report must confirm borrower(s) as owner(s) and that there are no existing liens.
- For homes where capital improvements have been made to the property after purchase, LTV/H/CLTV can be based on the lesser of the current appraised value or original purchase price plus the documented improvements. Receipts are required to document cost of improvements.
- Inherited properties are not eligible.
- Property may not be located in Texas.

9.5 Buyout Refinance

Legal divorce or separation settlement in which one spouse or partner is required to buy out the interests of the other spouse or partner, or any other refinancing where an owner buys out the interests of another owner, will be treated as a rate-and-term refinance or a limited cash-out refinance if the following conditions are satisfied:

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- Timing must be calculated on the date the home was removed from the MLS against the application and credit date.
- Legal separation, divorce decree or court order requiring the division of the property must be produced.
- All parties must be able to demonstrate that they occupied the security property as their principal residence by providing an acceptable source of verification such as a driver's license, bank statement, credit card bill, utility bill, etc. that was mailed to the individual at the address of the security property.
- Primary or Second-Home occupancy is required for inherited properties.
- All parties must sign a written agreement that stated the terms of the property transfer and the proposed disposition of the proceeds from the refinancing transaction.
- Borrower who acquires sole ownership of the property may not receive any of the proceeds of the refinance.
- Party who is buying out the other party's interest must be able to qualify for the mortgage.

If the spouse or partner that is awarded the property in a divorce settlement has never been on the title or an obligor on the note, the transaction must be completed as a purchase and the awarding spouse may “gift” a portion of the equity to meet the gift of equity guidelines.

9.6 Construction Loan Refinancing

Construction loan refinances are eligible as rate and term or cash-out refinances and must meet the following criteria:

- Single-closing construction permanent loan refinances that include a modification are ineligible.
- Borrower must have held title to the lot for a minimum of six months prior to the closing of the permanent loan.
- The LTV/H/CLTV will be based on the current appraised value if the borrower has held title to the lot for 12 or more months prior to the closing date of the permanent loan.
- If the lot was acquired less than 12 months before the closing date of the permanent loan, the LTV/H/CLTV will be based on the lesser of (a) the original purchase price of the lot plus the total acquisition costs — sum of construction costs — or (b) the current appraised value of the lot plus the total acquisition costs.
- Appraiser’s final inspection is required prior to delivery to AMF.
- A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy, proof must be provided.
- Cash-out is limited to the maximum amounts stated on the product matrix.
- Construction loan refinances in which the borrower has acted as builder are not eligible for purchase.

9.7 Continuity of Obligation

For a refinance transaction to be eligible for purchase, there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction. Cash-out is not allowed when additional borrowers who are not on title are added to the transaction.

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Continuity of obligation is met when any of the following exists:

- At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.
- The borrower has been on the title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor.
- The loan being refinanced and the title to the property is in the name of a natural person or a limited liability company (LLC) when the borrower owns at least 25% of the LLC prior to transfer.
- Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.
- The borrower has recently been legally awarded the property (divorce, separation or dissolution of a domestic partnership).

9.8 Non-Arm's-Length Transactions

A Non-Arm's Length (NAL) transaction occurs when all the parties to a transaction are not independent of one another. Requirements for these transactions include:

- The property is a primary residence, or second home.
- Two appraisals must be obtained.
- The related circumstance regarding the transaction is documented.

Acceptable circumstances under a NAL transaction include:

- Sales or transfers between members of the same family. The transaction may not be due to any adverse circumstance.
- Divorce requiring a buyout – see Buyout Refinance.
- Inherited property to buyout interests.
- Gift of equity is allowed.
- Property Seller acting as his or her own real estate agent.
- Borrower acting as his or her own real estate agent.
- Borrower represented by a relative (Realtor® or loan officer) in the transaction — an open-market transaction — and no fees are credited to the borrower. A relative cannot be both Realtor and loan officer.
- Borrower is the employee of the originating lender.
- Borrower purchasing from his or her current landlord (canceled checks or bank statements required to verify satisfactory pay history between borrower and landlord).
- Investment property transactions must be arm's length.

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9.9 Ineligible Transactions/Purposes

- Texas 50 (a)(6) cash-out refinances.
- Loans that fund/disburse with an interest credit beyond the 10th calendar day of the month.
- Single-close construction-to-permanent loans.
- Renovation loans.

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10.0 Qualifying Calculations

Depending upon the product chosen, there are a series of qualifying calculations that need to be met for the loan to be purchased by AMF. Some of these calculations are loan-to-value (LTV), debt-to-income (DTI), funds to close, reserves, minimum and maximum loan amount, and credit scores. This section of the Manual sets forth the methods Sellers must use to compute an LTV ratio, cumulative loan-to-value (CLTV) ratio, home equity line of credit cumulative loan-to-value (H/CLTV), DTI ratio, debt service coverage ratio (DSCR) and required funds for down payment, closing costs and borrower reserves.

10.1 Loan-to-Value Ratio (LTV), Combined Loan-to-Value Ratio (CLTV) and Home Equity Line of Credit Combined Loan-to-Value (H/CLTV)

For AMF to purchase a loan, the LTV ratio cannot exceed the maximum LTV ratio as set forth on the product matrices. In addition, the loan's CLTV cannot exceed the maximum H/CLTV ratio set forth on the matrix for each product.

The maximum allowable LTV ratio for first mortgages is the original loan amount of the first mortgage divided by the lesser of the sales price of the appraised value of the property.

For first mortgages that have subordinate financing, the H/CLTV ratio is determined by dividing the sum of the items listed below by the lesser of the property's sales price or appraised value:

- The original loan amount of the first mortgage.
- The drawn portion (outstanding principal balance) of a HELOC.
- The unpaid principal balance of all closed-end subordinate financing. (With a closed-end loan, a borrower draws down all funds on day one and may not make any payment plan changes or access any paid-down principal once the loan is closed.)

For first mortgages that have subordinate financing under a HELOC, the lender must calculate the H/CLTV ratio. This is determined by dividing the sum of the items listed below by the lesser of the sales price or appraised value of the property:

- The original loan amount of the first mortgage.
- The full amount of any HELOCs (whether or not funds have been drawn).
- The unpaid principal balance (UPB) of all closed-end subordinate financing.

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10.2 Calculating Mortgage Payments, Housing Expense and Other Obligations

AMF uses qualifying criteria for each loan product, which includes ratio tests and qualifying calculations.

Calculating Proposed Housing Expense

The proposed house expense is the sum of the monthly mortgage payment on the loan, the monthly payment on a qualified subordinate financing, if applicable, one-twelfth of the annual real estate taxes on the subject property, plus one-twelfth of the annual costs of mortgage, hazard and flood insurance, plus the annual fees payable to the homeowners association (HOA), condominium association and other similar associations (co-ops) formed to provide common security, maintenance or waste disposal and plus any ground rents. Sellers must document all amounts included in the proposed housing expense.

10.3 Monthly Debt Obligations

Monthly debt obligations must be calculated in accordance with Fannie Mae guidelines in effect at the time of application. The monthly debt obligation includes all payments the borrower is obligated to make, including payments on mortgages on other properties (offset by rents where and as permitted in Fannie Mae's Guide), payments on installment debt, revolving obligations, alimony, child support and other consistent and recurring expenses.

For alimony obligations, the Seller has the option to reduce the qualifying income by the amount of the obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio.

Monthly installment debt obligations with 10 or fewer payments remaining can be excluded from the calculation of the DTI ratio. Paying down of installment debts to 10 or fewer payments to qualify is not allowed.

Installment debt that is paid in full prior to or at closing can be excluded from the DTI calculation. All funds used to pay the debt must be sourced.

10.4 Debt-to-Income Ratio

The debt-to-income (DTI) ratio is based on the total of all existing monthly liabilities and any planned future monthly liabilities divided by the gross qualifying monthly income. Liabilities include, but are not limited to, all housing expenses, installment debts, revolving debts, other mortgage obligations and debts, rent, alimony, child support and other consistent and recurring expenses. The Seller must ensure that all liabilities are included in qualifying the borrower(s). This includes debts paid by another entity such as the borrower's business or debts paid by a family member. Refer to the product matrix for the maximum allowable DTI.

AMF will not purchase any loan where the borrower's DTI ratio exceeds the allowable DTI ratio set forth in the product matrices. To calculate the borrower's DTI, the Seller must divide the sum of the proposed housing expense plus the monthly payment, if applicable, on qualified subordinate financing plus monthly debt obligations divided by the borrower's income.

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11.0. Property and Property Appraisal Requirements

11.1 Eligible Properties

The following properties are eligible collateral under one or more of the AMF products:

- 1–4-unit, attached/detached owner-occupied.
- 1-unit, attached/detached second homes.
- 1–4-unit, attached/detached non-owner-occupied (Investment).
- Low-/mid-/high-rise new and established Fannie Mae and Freddie Mac warrantable condominiums. Minimum 400 square feet, full-size kitchen, minimum of one (1) bedroom.
- AMF-eligible non-warrantable condominiums. See section 11.11.2 for specifics.
- Planned Unit Development (PUD).
- Fannie Mae- and Freddie Mac-eligible established cooperatives (co-ops) located in New York's five boroughs and Nassau, Suffolk, Rockland and Westchester counties only. Owner-occupied and second homes only. Co-ops are not eligible for the DSCR offering.
- Maximum lot size of 20 acres. Properties with 10 acres or more must have three comparable sales with similar acreage in the appraisal. No truncating is allowed.

11.2 Collateral Requirements

The property must satisfy each of the following requirements to be eligible collateral for financing by AMF:

- Must meet the legal definition for real property where the property is located.
- Must be designated and be available for year-round use.
- Must contain a working kitchen and bathroom.
- Must contain a minimum of 400 square feet.
- Must be appraised and be in C1, C2, C3 or C4 condition.
- Property is free of all health and safety violations.
- Represents the highest and best use of the property.

11.3 Condition

For a property to be purchased by AMF, it must be appraised in "as-is condition." If a property is appraised subject to completion, the cost of the completion must be complete prior to the sale of the loan. All required work specified on the appraisal must be completed and an appraisal reinspection verifying that the work is complete must be included in the loan file.

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11.4 Appraisal Requirements

For a loan to be eligible for sale to AMF, the subject property securing the loan must be the subject of an appraisal report including interior and exterior inspections to determine the current value and evaluate the property.

The appraisal report must be prepared by an appraiser who is state-certified or state-licensed in the state where the subject property is located in accordance with Uniform Standards of Professional Appraisal Practices (USPAP) and Federal Housing Finance Agency (FHFA) Appraisal Independence Requirements (AIR).

The Seller remains responsible for ensuring that each loan sold to AMF conforms to all the requirements outlined in the collateral section of this Manual.

All appraisals must be completed on the most current Agency appraisal forms as stipulated in the Manual and conform to Agency appraisal practices. All appraisals must be completed with an appraiser-inspected interior and exterior inspection.

Two appraisals are required for loan amounts > $1.5 million and allowable non-arm's length transactions (regardless of loan size). See section 9.8 for specifics. LTV/H/CLTV will be based on the lower of the two values. All inconsistencies between the two appraisals must be addressed and reconciled.

AMF will not accept appraisals that are assigned from another lender.

The borrower must be provided a copy of the appraisal at least three days prior to closing.

All appraisals must be completed on the most current Agency appraisal forms as stipulated in the Manual and conform to Agency appraisal practices. Desktop Appraisals (Fannie Mae Form 1004 Desktop and Freddie Mac Form 70D) are not permitted. Property Inspection Waiver (PIW) and Fannie Mae 2075/Freddie Mac 2070, Appraisal waivers, hybrid appraisals and exterior-only inspections are not allowed.

- Single-family property appraisals must be completed on a Fannie Mae Form 1004 Uniform Residential Appraisal Report with an interior and exterior inspection.
- 2–4-unit property appraisals must be completed on a Fannie Mae Form 1025 Small Residential Income Property Appraisal Report with an interior and exterior inspection.
- Condominium appraisals must be completed on a Fannie Mae Form 1073 Individual Condominium Unit Appraisal Report with an interior and exterior inspection.
- Cooperative appraisals must be completed on a Fannie Mae Form 2090 Individual Cooperative Interest Appraisal Report with an interior and exterior inspection.

The appraisal must accurately reflect the condition of the property, site and marketplace where the property is located at the time the appraisal report is issued. In addition, the appraisal must:

- Include a Certification and Statement of Limiting Conditions signed by the appraiser.
- Include an exterior building sketch of the improvements indicating dimensions. A floor-plan sketch is required along with calculations demonstrating how the estimate for gross living area was determined for

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units in condominium projects. Interior perimeter unit dimensions for condominiums are required instead of exterior building dimensions.

- Include a street map showing the location of the subject property and all comparable properties used.
- Include original color photographs or digital color images of the front, street and rear views of the subject property.
- Include interior photos of the subject including the kitchen, all bathrooms, the main living area, any area with physical deterioration and any in-progress renovations/improvements.
- If the property is income-producing, include an Operating Income Statement on Fannie Mae Form 216.
- Include any other data as an attachment or addendum to the appraisal report form necessary to provide an adequately supported estimate of market value.
- Include an analysis of all agreements of sale, options or listings for the subject property as of the effective date of the appraisal.
- Include an analysis of all sales of the subject property that occurred within the three years prior to the effective date of the appraisal.
- Include a completed sales comparison approach in accordance with the form of appraisal required.
- Clearly describe any unfavorable conditions, such as adverse environmental or economic factors, and explain how those conditions impact the market value of the property and include comparable sales that are impaired by similar unfavorable conditions.
- Include a license certification from the appraiser.
- The appraisal report should be completed after a physical inspection of the property has been conducted.
- The appraisal of subject property must not be over 120 days old from the date of the note. If the appraisal is over 120 days old, an appraisal update on form 1004D is required. Appraisals dated over 12 months are not allowed.

11.5 Property Evaluation

Adequacy of the collateral is a critical element of the mortgage loan. AMF maintains standards for residential properties that are considered sound, reasonable and necessary to ensure quality. These standards are consistent with Fannie Mae property eligibility criteria, support AMF's corporate objectives and provide compliance with state laws and Fair Lending and Equal Credit Opportunity laws.

Each appraisal must be reviewed in detail to evaluate the following:

- Adequate support for the value of the property by the appraiser.
- Present and future marketability of the property.
- Completeness and correctness of the appraisal forms and exhibits.
- Applicability and timeliness of the data used to determine marketability.
- Consistency, logic and accuracy of the appraisal.
- Any and all narrative commentary on adverse or positive factors in assessing value.

All appraisal reports must be carefully analyzed to ensure that value is supported.

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11.6 Appraisal Review

It is critical to review and analyze the appraisal for every loan to ensure that the property value is supported. This review should be completed regardless of any AUS messaging received. A poor, inaccurate or incorrect appraisal report is not corrected by a reduction in the LTV/H/CLTV.

It is the Seller's responsibility to complete a thorough evaluation of the appraisal to ensure that the report is complete, accurate, consistent and that it provides a reasonable determination of the property value.

11.7 Third-Party Appraisal Review from Clear Capital CDA

AMF requires that the Seller order a Collateral Desktop Analysis (CDA) from Clear Capital® or an Appraisal Risk Review (ARR) from Pro Teck for each loan that does not include two appraisals.

If the desk review produces a value in excess of 10% negative variance to the appraised value, the loan is not eligible for purchase. The Seller has the option to ask to order a field review to support the appraised value. If the field review also produces a value in excess of a 10% negative variance to the appraised value, then the loan will remain ineligible for purchase.

All appraisals are reviewed for eligibility as well as value support. However, the use of an appraisal review product does not relieve the Seller of its representations and warranties relating to the property and the appraisal including the underwriting thereof.

11.8 Declining Market Value

If the appraiser indicated the market value of the subject property is declining, the maximum LTV/H/CLTV is restricted to the lesser of the maximum LTV/H/CLTV allowed by the program Guides or 70%.

11.9 Properties Located in a Natural Disaster Area

When a property is in an area impacted by a natural disaster, re-inspections and/or certifications may be required to ensure marketability, soundness of the structure and property value. Depending on the magnitude of the event and program selected, additional guidelines for employment and income may apply.

At a minimum, all properties in a federally declared disaster area are subject to the requirements below. The Seller is responsible for monitoring Federal Emergency Management Agency (FEMA) announcements for ongoing updates regarding disaster areas. AMF has no obligation to notify Seller of updates. The following outlines the minimum requirements for loans delivered to AMF that are in a disaster area. In addition to the requirements below, AMF reserves the right to suspend funding prior to the submission of any loan for properties located in any area while a disaster is occurring.

For loans with an appraisal completed on or before the Incident Period End Date, including on-going disasters where an Incident Period End Date has not been declared, an inspection must be completed to confirm the property value and condition have not been impacted by the disaster.

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The inspection must be obtained prior to loan purchase and must meet all of the following:

- Be completed on Fannie Mae Form 2055 Exterior-Only Inspection Residential Appraisal Report or similar Post Disaster Inspection (PDI) Report.
- Contain an exterior photo of the property, evidencing no damage.
- Include a certification from the appraise/inspector addressing the following:
  - Statement that the property is free from damage and is in no worse condition than when previously inspected and appraised.
  - Or, if negative conditions are observed, commentary concerning negative conditions that would impact marketability of the property.
  - 11.11 Condominium Project Requirements.

Should the Fannie Mae Form 2055 or PDI Report indicate potential damage and an interior inspection is recommended by the appraiser/inspector, a FNMA Form 1004D with Interior Inspection must be supplied confirming no damage.

11.10.1 Warrantable Condominium Projects

Units in projects that meet Fannie Mae or Freddie Mac warrantable condominium project requirements are eligible for purchase by AMF.

11.10.2 Non-Warrantable Condominium Requirements

- Eligible for Prime and Expanded products ONLY.
- Sellers must submit a completed questionnaire from the condominium managing agent or HOA.

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AMF's non-warrantable condominium requirements are outlined below:

Variable	Requirement
General Requirements	• Loans must be locked as a non-warrantable condominium with the applicable pricing adjustments applied. • Full project review required. • Only one non-warrantable feature permitted. • All other Fannie Mae condominium requirements must be met. • Condominium project's legal phase, including common elements of the project is substantially complete. • Ownership Interest – Fee Simple only.
Occupancy	Limited to primary residence and second homes.
Subject Unit Minimum Requirements	Minimum 400 square foot, full-size kitchen, minimum of one (1) bedroom.
New Projects	• Project or subject's legal phase along with other development phases must be complete. All common areas, elements, and amenities in the project or legal phase used by owners of units must be 100% complete. • Project may be subject to additional phasing. • HOA should be in control.
New or Converted Projects Presale	At least 50% of the units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied.
Concentration	Maximum ownership by one single entity for projects with more than 10 units — individual, partnership, LLC or corporation may own no more than 25% of the total units in the subject project. • Units owned by the developer, sponsor or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation. • Units currently leased, including units owned by the developer, sponsor or succeeding developer, must be included in the calculation. For projects consisting of 10 units or less the maximum is two units.
Investor Concentration	No more than 50% of the subject units may be owned by investors as investment properties.

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Commercial Space	• Commercial space greater than 35% but less than or equal to 50% owned and controlled by the HOA must be separate and distinct from the condominium project HOA. • Commercial space must be compatible with residential use (such as stores, offices, restaurants or bars, among other commercial spaces) and must compliment the neighborhood. The commercial space shall be deemed to include eligible spaces above and below grade, excluding parking.
Insurance Requirements	Must meet Fannie Mae guidelines.
Homeowner Association Income	Income other than HOA dues may not make up more than 35% of the total of the HOA's budgeted income.
Capital Reserve Requirements	The HOA's current annual budget must include an allowance for capital reserves of not less than 10% of the total expenditures included in the budget. If the HOA has a capital reserve equal to or greater than 50% of the expenditures in its annual budget, the capital reserve requirement is met and no other reserve requirement is required. For condo projects where replacement reserves are less than 10%, the following conditions must be met: • Less than 10% but no less than 7% replacement reserves are permitted if the current reserve balance exceeds 10% of the operating expense for the project. • Less than 7% replacement reserves are permitted if the current reserve balance exceeds 20% of the operating expenses. • Regardless of the replacement reserves percentage amount, the balance sheet must be provided, and the date of the balance sheet must be within 120 days of the Note date.
Homeowner Association Delinquency	No more than 15% of the total units within the condominium association may be delinquent more than 60 days on amounts due to the HOA. No units owned by the sponsor, developer or affiliates may be delinquent on amounts due to the HOA.

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Litigation	• The HOA cannot be a named defendant in litigation unless the potential liability is fully covered by insurance with the exception of the deductible, which can be put aside in a reserve account. • The litigation cannot impact marketability of the units. • AMF will not finance any condominium where there is pending litigation that alleges that there are hazardous or unsafe conditions associated with the condominium. • Litigation that involves minor matters are not considered ineligible projects; provided, that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. The following are defined to be minor matters: – Non-monetary litigation involving neighbor disputes or rights of quiet enjoyment. – Litigation for which the claimed amount is known, the insurance carrier has agreed to provide defense, and the amount is covered by the association's insurance; or – The HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA dues.
AMF Exposure	AMF will not finance more than 15% of the units in any project.
Ineligible Property Types	• Multifamily units. • Common interest or community apartment units. • Units offering daily, weekly or monthly rentals. • Units that are subject to transfer fees payable to any person or entity other than the HOA. • Units in a condominium where the sponsor owns and leases back to the HOA common areas or amenities. • Units in a condominium project that are managed as a hotel or motel. • Resort-type projects. • Projects that have failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications are not eligible. • Significant deferred maintenance and unsafe conditions. Loans secured by units in condominium projects with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible for purchase. The projects will remain ineligible until the required repairs have been made and documented. Acceptable documentation may include a satisfactory engineering or inspection report, certificate of occupancy or other substantially

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	similar documentation that shows the repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity or habitability concerns. Significant deferred maintenance includes deficiencies that meet any of the following criteria: • Full or partial evacuation of the building to complete repairs required for more than seven days or an unknown period of time. • The project has deficiencies, defects, substantial damage or deferred maintenance that: - Is severe enough to affect the safety, soundness, structural integrity or habitability of the improvements. - The improvements need substantial repairs and rehabilitation, including many major components, or - Impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to, the foundation, roof, load-bearing structures, electrical system, HVAC or plumbing. The policies do not apply to routine maintenance or repairs that a HOA undertakes to maintain or preserve the integrity and condition of its property. Also, if damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity or habitability of the improvements, then these project eligibility requirements do not apply. Examples of this scenario include water damage to a unit due to a leaky pipe that is isolated or damage from a small fire impacting the interior of a specific unit. However, if the subject property unit is affected, the standard requirements for property conditions apply.

11.11 Established Warrantable Cooperative Property

AMF will purchase units in projects that meet Fannie Mae- and Freddie Mac-established warrantable cooperatives (co-ops) located in New York's five boroughs and Nassau, Suffolk, Rockland and Westchester counties only. Owner-occupied and second homes only.

11.12 Ineligible Properties

The following properties are ineligible for purchase by AMF:

- Agriculturally zoned properties (if current/best use is working farm or ranch).
- Any property with health and safety, habitability or structural issues.
- Assisted living facilities.

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- Boarding rooms/houses or group homes.
- Builder model home leaseback.
- Commercial, industrial or business-zoned properties (where the highest and best use is not residential).
- Condotels or Condo Hotels.
- Geodesic/dome homes.
- Leasehold-estates.
- Live/work projects.
- Log homes.
- Manufactured homes/mobile homes (modular is allowed).
- Mixed-use properties, including, but not limited to, properties that have been modified to accommodate home businesses, such as catering, in-home day care, animal boarding facilities or auto repair.
- More than four units in dwelling.
- Motel conversions.
- Projects with property that is not real estate, such as houseboats.
- Properties appraised “as is” that are incomplete and/or require significant repairs.
- Properties appraised “subject to” without an Appraisal Update and/or Completion Certificate (Fannie Mae Form 1004D or Freddie Mac Form 442).
- Properties located in Guam, Puerto Rico, American Samoa, Northern Mariana Islands or the U.S. Virgin Islands.
- Properties located in Hawaii Lava Flow Hazard Zones 1 and 2 as determined by the U.S. Geological Survey’s Hawaiian Volcano Observatory.
- Properties located on Indian/Native American tribal land.
- Properties not readily accessible by roads that meet local standards.
- Properties not suitable for year-round occupancy regardless of location.
- Properties or projects that are owned or operated as continuing care facilities.
- Properties that are larger than 20 acres.
- Properties that don’t have full utilities installed to meet all local health and safety standards.
- Properties used for bed-and-breakfast lodging.
- Properties used for the cultivation, distribution, manufacture or sale of marijuana.
- Properties with a secured HERO or PACE loan.
- Properties with deed/resale restrictions.
- Properties with Equestrian Amenities.
- Properties with income-producing attributes (working and hobby farms).
- Properties with less than 400 square feet per unit.
- Properties with zoning violations.
- Property condition ratings of C5 and C6.
- Quality condition rating of Q6.

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- Refinance transactions where the property has been listed for sale within the prior six months.
- Rural zoned properties (DSCR only).
- Timeshare, fractional or segmented ownership units/projects.
- Unimproved land.
- Unique properties.
- Vacant or unimproved land.

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12.0 Insurance Requirements

For AMF to purchase a loan, the subject property must be insured against hazards and title defects. If the subject property is in a flood zone, the property must have flood insurance.

12.1 Hazard Insurance

For a loan to be eligible for sale to AMF, the improvements on the property securing the loan must be covered under a hazard insurance policy for the benefit of the lender and its assignees, with policy coverage of not less than the lower of:

- The full replacement cost of the improvements of the subject property; or
- The amount of the loan principal, which cannot be less than 80% of the replacement cost of the improvement of the subject property.
- For condominium properties – Borrowers must carry HO-6 insurance coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins and any improvements made to the unit.

In addition, the hazard insurance policy must conform to Fannie Mae's requirements for hazard insurance as well as the items outlined below:

- Deductibles may not exceed 5% of the face amount of the insurance policy.
- The policy must contain the borrower's name, the agent's name, the agent's company name and the full address of the subject property and be in effect at closing.
- The mortgage file must document payment of the premium for the hazard insurance.
- For purchases, the premium for one year from the day the borrower acquires the subject property must be paid in full. For refinances, the policy must be effective for at least 60 days after the date of the loan.
- The hazard insurance policy must be underwritten by a carrier that meets the following requirements:
  - Carriers rated by A.M. Best Company, Inc., must be rated B or better.
  - Carriers rated by Demotech, Inc., must have an "A" or better rating in Demotech's Hazard Insurance Financial Stability list.
  - Carriers rated by Standard & Poor's must have a "BBB" or better Insurer Financial Strength Rating in the Standard & Poor's Ratings Direct Insurance Service.
  - Carriers not rated by the A.M. Best Company, Inc., Demotech, Inc. or Standard & Poor's are ineligible and policies from such carriers may not be used to meet the hazard policy requirements.

12.2 Flood Insurance

The Seller needs to obtain and provide a flood certificate to determine if the subject property is located in a flood zone.

If the subject property is located within any area designated by FEMA as an Area of Special Flood Hazard, for the loan secured by the subject property to be eligible for sale to AMF, the subject property must be covered by flood insurance.

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If flood insurance is required, it must be escrowed unless the flood premium is documented as paid by a condominium or homeowners association.

If flood insurance is required, the amount of required insurance is the lesser of full replacement cost coverage for the improvements on the subject property or the maximum coverage available under the National Flood Insurance Administration program.

The flood insurance must conform to the flood insurance requirements of Fannie Mae and must also conform to all of the following requirements:

- Deductibles are permitted up to the maximum deductible available under the National Flood Insurance Program.
- The borrower's name and the subject property address must be on the flood insurance application and binder.
- The flood insurance policy must contain a mortgagee clause, naming the lender and its assignee as the loss payee.
- Evidence of coverage must be provided prior to purchase.

Borrowers may waive flood insurance under either of the following situations:

- The subject property improvements are not in Special Flood Hazard even though part of the land is in Flood Zone A or V.
- The borrower obtains a letter from FEMA stating that its maps have been amended so that the subject property is no longer in a Special Flood Hazard Zone.

12.3 Title Insurance or Title Guaranty Policy

For a loan to be eligible for sale to AMF, the subject property must be covered by a title insurance policy for the benefit of the mortgagee and their successors and assignees. The title policy must be equal to or more than the loan amount and must be dated within 90 days. The title insurance policy must conform to Fannie Mae's requirements for title insurance and to each of the following requirements:

- The title insurer must be licensed to do business in the state where the subject property is located.
- The premium for the title insurance must be paid in full prior to the disbursement of loan proceeds.
- The insurance must be in force and non-cancelable.
- The title policy must be written on one of the following forms:
  - The 2006 American Land Title Association (ALTA) standard form.
  - The ALTA short form.
  - The ALTA form with amendments required by state law in states where the 2006 ALTA has not yet been adopted.
- The title coverage must include an environmental protection lien endorsement (Alta 8.1-06 or equivalent state form).

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- The title report must include a 24-month chain of title, which was prepared not earlier than 90 days prior to the date of the loan and which includes the transfer date, names of buyers and names of Sellers for any conveyances within the past 24 months.
- The borrower's name must be indicated on the title commitment and must be identical to the borrower's name on the note and the mortgage without any variances for spelling, use of a middle name or use of a personal title.
- If the borrower's marital status appears to be different than on the 1003, the discrepancy must be addressed.
- The title insurer must provide a closing protection letter covering the closing settlement agent's errors, omissions, fraud, theft and embezzlement. New York state does not use a closing protection letter.
- The title insurance must include gap insurance covering liens and ownership transfer from the date of the loan to the recording of the security instrument establishing the loan's first-lien collateral interest in the subject property.
- If the loan is an ARM, the policy must include an adjustable-rate endorsement in a form acceptable to Fannie Mae.
- If the property is located in New York state, the file should contain an errors and omissions (E&O) policy from the closing agent.
- Any item that will include a Uniform Commercial Code (UCC) filing associated with the property and/or create an easement on the title is ineligible.
- Any existing tax or mechanic's liens must be paid in full through escrow.

If the title being insured is for a condominium unit, the following additional title policy requirements are applicable:

- An Alta 4-06 or 4.1-06 endorsement or equivalent must be attached and incorporated into the text of the policy.
- If the HOA owns the common areas or facilities of the project separately, the title insurance must insure such ownership.
- The title policy must provide for each of the following:
  - The mortgage must be superior to any lien for unpaid common expense assessments.
  - Insurance covers against any impairments or loss of title by any past, present or future violations of any covenants, conditions or restrictions of the master deed for the project.
  - The unit does not encroach on another unit or any of the common areas/facilities.
  - The mortgage is secured by a unit in the condominium project that has been created in compliance with applicable statutes.
  - The real estate taxes are assessable only against the condominium unit and its undivided interest in the common elements rather than the project as a whole.

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12.3.1 Ownership Title Vesting

Ownership must be Fee Simple only and must be in the name of the individual borrower or Inter Vivos Revocable (aka Living) Trust. Borrower may hold title as follows:

- Individual.
- Joint tenants.
- Tenants in common.
- Tenants by the entirety.
- Inter Vivos Revocable (aka Living) Trust.
- Limited Liability Corporation (LLC) allowed with the DSCR program only. Each borrower who is a legal person (LLC) must be organized under the laws of the 50 states or the District of Columbia, and the documents evidencing the formation of such borrowers must be included in the loan file.

12.3.2 Title Exceptions

AMF will purchase loans that have the following title exceptions if they are also permissible in accordance with Fannie Mae's title insurance requirements:

- Customary public utility subsurface easements, the location of which are fixed and can be verified.
- Above-surface public utility easements that extend along one or more property lines for distribution purposes or along the rear property line for drainage, provided they do not exceed more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements, or with the use of the subject property, and further that their violation will not result in forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the subject property.
- Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them.
- Encroachments on the subject property by improvements on adjoining property, provided these encroachments extend one foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements.
- Encroachments on adjoining properties by hedges or removable fences.
- Liens for real estate taxes and assessments not yet due and payable.
- Outstanding oil, water or mineral rights as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes.

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12.3.3 Cooperative Lien Search

Cooperative (co-op) loans are not real property and do not require title search or title insurance. A co-op lien search will be required on all co-ops to ensure that there are no liens on the stock and a continuation is updated until the day of closing. The borrower signs a UCC-1, which allows the bank to file a lien on the property. AMF will look for a UCC Search and the original of the UCC-1 financing statement with evidence of filing.

12.3.4 Recognition Agreement

Co-ops are not real property; the proprietary lease is what allows the borrower to live in their unit after the borrower closes on the co-op loan. Co-ops typically have a monthly maintenance fee which is determined by the size, location and view and the number of shares associated to the unit.

Prior to the loan closing, the borrower will need to have the board sign the recognition agreements and affix the corporate seal. This document requires that the board notify the lender if the borrower is in default of their maintenance payment.

12.3.5 Survey Requirements

If surveys are not commonly required in particular jurisdictions, the Seller must provide an Alta 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
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13.0 Escrows

13.1 Escrow Impounds

Escrows (impound accounts) may be established for funds collected and required to be paid under the security instrument. These funds include, but are not limited to, taxes, insurance (hazard, flood, and PMI) premiums and special assessments.

Escrow impounds for subject property real estate taxes and hazard insurance are required for all LTV/H/CLTVs greater than 80%; unless the requirement is prohibited by state law.

If the property is located in a Special Flood Hazard Area (SFHA), an escrow account must be established for flood insurance premiums and fees, except for loans for which flood insurance is provided by a condominium association, HOA or similar group.

Loans without escrows established or with only a partial escrow established may be subject to a price adjustment.

13.2 Escrow Holdback for Work Completion Items

Eligible only if escrow funds have been disbursed and an Appraisal Update and/or Completion Report (Fannie Mae Form 1004D) obtained prior to delivery of the loan to AMF.

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14.0 Power of Attorney

AMF will purchase loans that have been closed by power of attorney (POA) on purchase money transactions only provided that, at the time of purchase, AMF has an insured first lien on the subject property. If the use of the POA limits or restricts title insurance in any manner, the loan is ineligible for sale to AMF. A POA used to execute the note and the mortgage and other documents evidencing a loan to be sold to AMF must adhere to these guidelines:

- The Seller must confirm that the POA complies with all applicable state laws.
- Specific to the closing of the loan and, when applicable, associated real property purchase and for no other purpose transaction.
- Recorded with the Mortgage/Deed of Trust, except that in jurisdictions where recording POAs is prohibited or not in accordance with customary practice, POAs do not need to be recorded.
- Given and executed by the borrower who signed the initial 1003.
- Given to a party that has no nexus to the origination of the loan or the related real property transaction being financed by the loan, other than as a borrower or representative of a borrower (for example, a POA may not be a Seller of the subject property, a Realtor, title agent or employee of an affiliate of the Seller).

Utilizing POAs presents risk, and it is the Seller's responsibility to ensure that all associated risks have been carefully evaluated and vetted.

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15.0 Electronic Signatures

e-Signatures are not authorized or permitted from any party on the following documents or agreements due to the subject matter or purpose thereof or other legal restrictions:

- Documents or agreements that by their purpose or subject matter require handwritten signatures or require certification or acknowledgment by a notary or similar officer.
- Real property transaction documents, including, but not limited to, those for the transfer of title to real property are required to be recorded or acknowledged by a notary or similar officer.
- Agreements or documents related to AMF's security interest that by their nature are required to be recorded and/or acknowledged by a notary or similar officer.

Examples of documents not accepted for e-Signatures:

- Note.
- Mortgage/Deed of Trust.
- Notarized documents.
- Documents signed with a POA.
- Trust Documents if recording is required.

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Appendix A — Business Purpose & Occupancy Affidavit (the "Affidavit")

LOAN NO: _____ (the "Loan")

BORROWER(S) NAME: _____

BORROWER(S) ADDRESS: _____

PROPERTY ADDRESS: _____
(the "Property")

I, the undersigned borrower(s), hereby declare that the following is true and correct:

1. **I have applied for this Loan and am seeking financing for the Property, subject to the terms and conditions of certain documentation related to the Loan (the "Loan Documents"), for business purposes only.** I do not intend to use the proceeds of the Loan for personal, family, or household purposes.

2. **The proceeds of the Loan will be used to purchase, improve, or maintain the Property.** If I have not executed a lease with a tenant (or tenants) at orbefore closing of the Loan, I intend to, and will use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.

3. **Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding.** In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.

4. **I understand that Lender originating the Loan in reliance upon this Affidavit.** If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an event of default under the terms of this Loan and the related Loan Documents and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction and any other remedies allowable by law.

5. **I understand that the agreements and covenants contained herein shall survive the closing of the Loan.**

6. **I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non-owner-occupied real property.** I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending or other laws, including but not limited to the provisions of the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.

7. **I understand that any false statements, misrepresentations or material omissions I make in this Affidavit may result in civil and criminal penalties.**

Initial(s):	**The Property is not and will not be occupied by me or any family member, or if Borrower is an entity, any member or owner of the Borrower entity.**

Borrower(s) / Borrowing Entity Members:

[_____]

By:_____

Name:_____

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Title:_____
Date:_____

[_____]

By:_____

Name:_____
Title:_____
Date:_____

ACKNOWLEDGMENT

State of _____)
County of _____)

On _____ before me, _____(insert name and title of the officer) personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

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Appendix B — Business Narrative Form

Business name:

Date business organized:

Legal Structure (Sole Proprietorship, Partnership, Limited Liability Corporation, Corporation):

Business Type (product or service or both). If other, please describe:

Where do you conduct your business (i.e., home-based, office lease, warehouse, etc.)?

Main business address: _____

Owned or leased? _____ Associated rent or mortgage payment: $ _____

List any additional business site(s) or locations: _____

Owned or leased? _____Associated rent or mortgage payment: $ _____

Percent of your Ownership interest:

Principal Members:

Describe the profile of your business or what your business does:

Retail or commercial client base:

What market does your business address and how do you generate business?

Who are your customers?

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Number of employees/contractors?

- Full-Time:
- Part-Time:
- Contractors:

Total monthly payroll expense? $

Do you manufacture a product, such that you have a cost of goods sold for the product you ultimately sell? Yes or No
If Yes, please describe the estimated monthly cost of goods sold: $

Do you buy and then resell product? Yes or No
If Yes, describe in detail:

Please provide any additional business expenses not listed above: (Excluding Rent/Payroll/COG Sold).

Are any materials, trucks or equipment used to run your business?

Is there anything else you can tell us about your business that is important for us to know as we review your bank statements or IRS Form 1099, including sources of deposits and withdrawals? Any additional information that will help us understand your business?

NOTE to Seller: An internet search of the business is required with documentation to be included in the credit file to support the Business Narrative. Underwriter certification (or notation on the 1008) is required if there are not returns when attempting an internet search.

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Appendix C — Borrower Affirmation, Asset Depletion Program

Date: _____

Borrower Name: _____ Loan Number: _____

Borrower Name: _____

1. I understand that the [UNDERWRITER] will determine my Ability to Repay this mortgage loan, as it is required to do under existing law, solely on the basis of existing assets that I currently maintain.

2. I have eligible net qualifying assets in the amount of $ _____ which are sufficient to cover my total monthly expenses.

3. I understand that my monthly payment on this loan will be as follows:

My monthly payment is $ _____

For _____ years

If this period is less than 30 years, then I understand my payment may adjust (more than once) after the first _____ years.

4. I understand that my property taxes, insurance and mortgage insurance (if applicable) on this property will be approximately this amount per month $ (_____). These (may, may not) be impounded. If not impounded, I understand that I am responsible to pay them directly.

5. I believe I can afford to make the monthly payment on the loan.

6. I am not aware of anything in the future that will impact or affect my ability to make this loan payment.

NOTE: If there is a discrepancy between the terms in this document and the actual loan documents, the terms of the loan documents prevail.

I certify that the aforementioned information and the information on the final Uniform Residential Loan Application is true and correct as of this day and that it represents an accurate picture of my financial status.

Borrower Name _____ Date _____

Borrower Name _____ Date _____

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
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Appendix D — Borrower Affirmation, Bank Statement and IRS Form 1099 Programs

Date: _____

Borrower Name: _____ Loan Number: _____

Borrower Name: _____

1. In accordance with the disclosures, I received from _____, I understand that my monthly payment of principal and interest on this loan will be $_____ for _____ years.

2. That monthly payment amount of principal and interest MAY or WILL NOT adjust. If that amount may adjust, it may do so after the first _____years, and then every _____ months thereafter.

3. I understand that my property taxes and insurance on the secured property will be approximately $_____ per month. Those amounts WILL or WILL NOT be impounded and collected through monthly payments, in addition to my monthly payments for principal and interest as described above. If those amounts are not impounded, I understand that I am responsible for paying those amounts directly.

4. I certify that my average monthly income is $_____.

5. I believe I can afford to make the monthly payment on the loan.

6. I am not aware of anything that will affect my ability to make these loan payments in the future.

7. My loan program did not require that I submit my prior tax returns. I understand that if I had provided verifiable documentation of my income, such as my tax returns or W-2 wage statements or other documentation deemed necessary to support my income, I may have been able to qualify for a different loan program with different loan terms or conditions such as a lower interest rate.

The above information and the information on the final Uniform Residential Loan Application (Fannie Mae Form 1003) is true and correct to the best of my knowledge as of this day, it represents an accurate picture of my financial status and I have not withheld any information regarding my income or obligations that would materially affect my ability to make the payments on my loan.

NOTE: If there is a discrepancy between the terms in this document and the actual loan documents, the terms of the loan documents prevail.

_____ _____
Borrower Signature Date

_____ _____
Borrower Signature Date

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Version 5, Oct. 21, 2024

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Appendix E — Form of Personal Guarantee

GUARANTY

This **GUARANTY** (the "Guaranty") is made and dated as of _____, by _____

_____ ([each, a] "Guarantor")[1] for the benefit of _____ [Lender/Originator Name] ("Lender").

RECITALS

WHEREAS, on or about the date hereof, _____ [Borrower Entity Name] ("Borrower") and Lender entered into that certain _____ [Name of loan agreement] (as the same may be hereafter amended, restated, supplemented or otherwise modified pursuant to the terms thereof, the "Loan Agreement"), whereby Lender agreed to make a secured loan (the "Loan") available to Borrower for the acquisition of an investment or business purpose property.

WHEREAS, in connection with the Loan, Borrower has executed and delivered to Lender a Note in favor of Lender (as the same may be hereafter amended, restated, renewed, extended, supplemented or otherwise modified pursuant to the terms thereof, the "Note") in the principal amount of the Loan, payment of which is secured by a mortgage (the "Mortgage") and certain other loan documents (the "Loan Documents").

WHEREAS, [each] Guarantor is a [member/stockholder/partner][2] of Borrower.

WHEREAS, the execution and delivery of this Guaranty by [each] Guarantor is a condition precedent to the making of the Loan by Lender.

NOW, THEREFORE, intending to be legally bound, [each] Guarantor, in consideration of the matters described in the foregoing Recitals, which Recitals are incorporated herein and made a part hereof, and for other good and valuable consideration the receipt and sufficiency of which are acknowledged, hereby covenants, and agrees for the benefit of Lender and its respective successors, transferees and assigns as follows:

1. Each Guarantor, for itself, and its respective successors and assigns, jointly and severally, irrevocably, absolutely and unconditionally hereby guarantees the payment of all debts, liabilities, obligations or undertakings owed by Borrower to Lender and its successors, transferees and assigns, arising under or relating to the Loan Agreement, whether direct or indirect, absolute or contingent, due or to become due, voluntary or involuntary, whether now existing or hereafter arising, including (a) the full and prompt payment of the principal of and interest on the Note when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter; and (b) the full and prompt payment of all sums which may now be or may hereafter become due and owing under the Note, the Loan Agreement, the Mortgage or the Loan Documents (collectively and severally, the "Obligations"), whether or not such Obligations are from time to time reduced, or extinguished and thereafter increased or incurred and whether or not such Obligations may be or hereafter become otherwise unenforceable. This is a guaranty of performance and payment and not of collection and shall be enforceable directly against Guarantor without resorting to any action against Borrower. This Guaranty shall continue in full force and effect until all of the Obligations have been fully and irrevocably paid and discharged pursuant to the terms of the Note and Loan Agreement.

2. This is an absolute, present and continuing guaranty of payment and not of collection. Guarantor agrees that this Guaranty may be enforced by Lender without the necessity at any time of resorting to or exhausting any other security or collateral given in connection herewith or with the Note, Loan Agreement, Mortgage or any other Loan Documents through foreclosure or sale proceedings, as the case may be, under any Mortgage or otherwise, or resorting to any other guaranties, and Guarantor hereby waives any right to require Lender to join any Borrower in any action brought hereunder or to commence any action against or obtain any judgment against any Borrower or to pursue any other remedy or enforce any other right. Guarantor further agrees that nothing contained herein or otherwise shall prevent Lender from pursuing concurrently or successively all rights and remedies available to it at law and/or in equity or under the Note, Loan Agreement, any Mortgage or any other Loan Documents, and the exercise of any of its rights or the completion of any of its remedies shall not constitute a discharge of Guarantor's obligations hereunder, it being the purpose and intent of Guarantor that the obligations of Guarantor hereunder shall

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[1] Note to Draft: The Guarantor(s) shall be: (a) for Limited Liability Companies, the members, (b) for partnerships, the partners and (c) for Corporations, the stockholders. At minimum, each individual who controls the entity must provide such guarantee. The term "control" used in this definition means (a) the direct or indirect ownership of greater than 50% of the equity or beneficial interest of the entity; (b) the right to vote for or appoint a majority of the board of directors or other governing body of the entity; or (c) the power to direct or cause the direction of the management and policies of such party by any means.

[2] Note to Draft: To be updated to reflect the number and names of each Guarantor, as well as the type of owner each Guarantor is (dependent upon Borrower entity type).

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be absolute, independent and unconditional under any and all circumstances whatsoever. None of Guarantor's obligations under this Guaranty or any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of the Borrower under the Note, Loan Agreement, any Mortgage or other Loan Documents or by reason of the bankruptcy of the Borrower or by reason of any creditor or bankruptcy proceeding instituted by or against the Borrower. This Guaranty shall continue to be effective or be reinstated (as the case may be) if at any time payment of all or any part of any sum payable pursuant to the Note, Loan Agreement, any Mortgage or any other Loan Document is rescinded or otherwise required to be returned by Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower, or upon or as a result of the appointment of a receiver, intervenor, custodian or conservator of or trustee or similar officer for the Borrower or any substantial part of its property or otherwise, all as though such payment to Lender had not been made, regardless of whether Lender contested the order requiring the return of such payment. In the event of the foreclosure of any Mortgage and of a deficiency, Guarantor hereby promises and agrees forthwith to pay the amount of such deficiency notwithstanding the fact that recovery of said deficiency against Borrower would not be allowed by applicable law; however, the foregoing shall not be deemed to require that Lender institute foreclosure proceedings or otherwise resort to or exhaust any other collateral or security prior to or concurrently with enforcing this Guaranty.

3. Lender may, without notice to or the further consent of Borrower or Guarantor, transfer or assign this Guaranty in whole or in part to any person acquiring an interest in the Obligations. In the event Lender or any holder of the Note shall assign the Note to any lender or other entity for an amount not in excess of the amount which will be due, from time to time, from Borrower to Lender under the Note with interest not in excess of the rate of interest which is payable by Borrower to Lender under the Note, Guarantor will accord full recognition thereto and agree that all rights and remedies of Lender or such holder hereunder shall be enforceable against Guarantor by such lender or other entity with the same force and effect and to the same extent as would have been enforceable by Lender or such holder but for such assignment. This Guaranty and the liability and obligations of Guarantor hereunder are binding upon Guarantor and its successors and assigns, and this Guaranty inures to the benefit of and is enforceable by Lender and its successors, transferees and assigns. This Guaranty may not be assigned by the Guarantor without the express written consent of Lender.

4. Guarantor does hereby (a) waive notice of acceptance of this Guaranty by Lender and any and all notices and demands of every kind which may be required to be given by any statute, rule or law, (b) agree to refrain from asserting, until after repayment in full of the Loan, any defense, right of set-off or other claim which Guarantor may have against Borrower (c) waive any defense, right of set-off or other claim which Guarantor or the Borrower may have against Lender, or the holder of the Note, (d) waive any and all rights Guarantor may have under any anti-deficiency statute or other similar protections, (e) waive presentment for payment, demand for payment, notice of nonpayment or dishonor, protest and notice of protest, diligence in collection and any and all formalities which otherwise might be legally required to charge Guarantor with liability, and (f) waive any failure by Lender to inform Guarantor of any facts Lender may now or hereafter know about the Borrower, the Loan or the transactions contemplated by the Loan Agreement, it being understood and agreed that Lender has no duty so to inform and that Guarantor is fully responsible for being and remaining informed by Borrower of all circumstances bearing on the risk of nonperformance of Borrower's obligations. Credit may be granted or continued from time to time by Lender to Borrower without notice to or authorization from Guarantor, regardless of the financial or other condition of such Borrower at the time of any such grant or continuation. Lender shall have no obligation to disclose or discuss with Guarantor its assessment of the financial condition of such Borrower. Guarantor acknowledges that no representations of any kind whatsoever have been made by Lender. No modification or waiver of any of the provisions of this Guaranty shall be binding upon Lender except as expressly set forth in a writing duly signed and delivered by Lender.

Guarantor further agrees that Guarantor's liability as guarantor shall not be impaired or affected by any renewals or extensions which may be made from time to time, with or without the knowledge or consent of Guarantor of the time for payment of interest or principal under the Note or by any forbearance or delay in collecting interest or principal under the Note, or by any waiver by Lender under the Loan Agreement, any Mortgage or any other Loan Documents, or by Lender's failure or election not to pursue any other remedies it may have against Borrower or Guarantor, or by any change or modification in the Note, Loan Agreement, any Mortgage or any other Loan Document, or by the acceptance by Lender of any additional security or any increase, substitution or change therein, or by the release by Lender of any security or any withdrawal thereof or decrease therein, or by the application of payments received from any source to the payment of any obligation other than the Obligations even though Lender might lawfully have elected to apply such payments to any part or all of the Obligations, it being the intent hereof that, subject to Lender's compliance with the terms of this Guaranty, Guarantor shall remain liable for the payment of the Obligations, until the Obligations have been paid in full, notwithstanding any act or thing which might otherwise operate as a legal or equitable discharge of a surety. Guarantor further understands and agrees that Lender may at any time enter into agreements with Borrower to amend and modify the Note, Loan Agreement, any Mortgage or other Loan Documents, and may waive or release any provision or provisions of the Note, Loan Agreement, Mortgages and other Loan Documents or any thereof, and, with reference to such instruments, may make and enter into any such agreement or agreements as Lender and Borrower may deem proper and desirable, without in any manner impairing or affecting this Guaranty or any of Lender's rights hereunder or Guarantor's obligations hereunder.

5. This Guaranty shall be deemed to be made under and shall be governed by the laws of the State of New York, without reference to conflicts of laws principles. The terms and provisions hereof may not be waived, altered, modified or amended except in writing duly signed by Lender and Guarantor.

6. Guarantor further agrees that its liability hereunder shall be primary and that in any right of action which shall accrue to the Lender under the Loan Agreement, the Lender may, at its option, proceed against any Guarantor and the Borrower, jointly or severally, without first having commenced any action or obtained any judgment against Borrower.

7. Notwithstanding any payment or payments made by the Guarantor hereunder or any set-off or application of funds of the Guarantor by the Lender, the Guarantor shall not be entitled to be subrogated to any of the rights of the Lender against the Borrower or any other guarantor or any collateral security or

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guarantee or right of offset held by the Lender for the payment of the Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other guarantor in respect of payments made by the Guarantor hereunder, until all amounts owing to the Lender by the Borrower on account of the Obligations are paid in full. The Guarantor hereby subordinates all of its subrogation rights against Borrower to the full payment of Obligations due Lender. Any indebtedness of Borrower to Guarantor now or hereafter existing is hereby subordinated to the payment of the Obligations. Guarantor agrees that, until the Obligations have been paid in full, Guarantor will not seek, accept or retain for its own account, any payment from Borrower on account of such subordinated debt. Any payments to Guarantor on account of such subordinated debt shall be collected and received by Guarantor in trust for Lender and shall be paid over to Lender on account of the Obligations without impairing or releasing the obligations of Guarantor hereunder.

Any amounts received by Lender from any source on account of the Loan may be utilized by Lender for the payment of the Obligations and any other obligations of Borrower to Lender in such order as Lender may from time to time elect. Additionally, if the indebtedness guaranteed hereby is less than the full indebtedness evidenced by the Note, all rents, proceeds and avails of the underlying property, including proceeds of realization of Lender's collateral, shall be deemed applied on the indebtedness of Borrower to Lender that is not guaranteed by Guarantor until such unguaranteed indebtedness of Borrower to Lender has been fully repaid before being applied upon the indebtedness guaranteed by Guarantor.

8. Guarantor's obligations hereunder are independent of the obligations of Borrower, and a separate action or actions may be brought and prosecuted against Guarantor whether or not action is brought against Borrower or any such assignee or whether or not Borrower or any such assignee be joined in any such action or actions.

9. Guarantor shall not be released by any act or event (other than performance) which might, but for this provision of this Guaranty, be deemed a legal or equitable discharge of a surety, or by reason of any waiver, extension, modification, forbearance or delay or costs or by Lender's failure to proceed promptly or otherwise as against Borrower or Guarantor, or by reason of any action taken or omitted or circumstance which may or might vary the risk or affect the rights or remedies of Guarantor as against Borrower, or by reason of any further dealings between Borrower and Lender, whether relating to the Loan Agreement or otherwise, and Guarantor hereby expressly waives and surrenders any defense to its liability hereunder based upon any of the foregoing acts, omissions, things, agreements, waivers or any of them; it being the purpose and intent of this Guaranty that the obligations of Guarantor hereunder are absolute and unconditional under any and all circumstances.

10. Guarantor waives (a) any right to require Lender to (i) proceed against Borrower or any other person or entity; (ii) proceed against or exhaust any security held from Borrower or Guarantor; (iii) pursue any other remedy in Lender's power which Guarantor cannot itself pursue, and which would lighten its burden; (b) any defense based upon any legal disability of Borrower, or any assignee of the Loan Agreement, or any discharge or limitation of the liability of Borrower, or any assignee of the Loan Agreement, to Lender, whether consensual or arising by operation of law or any bankruptcy, reorganization, receivership, insolvency, or debtor-relief proceeding, or from any other cause; and (c) presentment, demand, protest and notice of any kind. Guarantor waives all demands upon and notices to Borrower, or any assignee of the Loan Agreement, and to Guarantor, including demands for performance, notices of non-performance, notices of nonpayment and notice of acceptance of this Guaranty.

11. In the event that any action, suit or other proceeding is instituted concerning or arising out of this Guaranty, the prevailing party shall recover all of such party's costs and attorneys' fees incurred in each and every such action, suit or other proceeding, including any and all appeals or petitions therefrom, from the non-prevailing party. As used herein, "attorneys' fees" shall mean the full and actual costs of any legal services actually rendered in connection with the matters involved, calculated on the basis of the usual fee charged by the attorneys performing such services.

12. **GUARANTOR AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHT UNDER THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR RELATING THERETO OR ARISING FROM THE LENDING RELATIONSHIP WHICH IS THE SUBJECT OF THIS GUARANTY AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.**

13. The parties hereto intend and believe that each provision in this Guaranty comports with all applicable local, state and federal laws and judicial decisions. However, if any provision or provisions, or if any portion of any provision or provisions, in this Guaranty is found by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision or public policy, and if such court should declare such portion, provision or provisions of this Guaranty to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties hereto that such portion, provision or provisions shall be given force to the fullest possible extent that they are legal, valid and enforceable, that the remainder of this Guaranty shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were not contained therein, and that the rights, obligations and interest of Lender or the holder of the Note under the remainder of this Guaranty shall continue in full force and effect.

14. Guarantor will take such further actions as may be reasonably requested by Lender from time to time to affect the purposes of this Guaranty, including without limitation the execution and delivery of all reasonably necessary documents.

15. This Guaranty may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument, and in making proof of this Guaranty it shall not be necessary to produce or account for more than one such counterpart.

[*Signature Page Follows*]

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Note: The following options are NOT available: Interest-only, Bank Statement, Asset Depletion, and DSCR (Debt Service Coverage Ratio) programs.
Any reference to these Alternative Income Documentation programs does not apply.

IN WITNESS WHEREOF, the undersigned have executed this Guaranty as of the date first above written.

[_____][3]

By:_____

Name:_____

Title:_____

By:_____

Name:_____

Title:_____

[3] **NOTE**: Form to be updated with additional signature blocks if there are multiple Guarantors.

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MORTGAGEFUNDING

Program Detail Comparison

NOTE: SECTIONS WITH PROGRAM REFERENCES SHOWN IN RED ARE NOT AVAILABLE.

Product and Guideline Comparison Matrix Version 5
Note: This matrix is a quick-reference tool only. See specific investor guidelines for eligibility requirements.

		AMF Expanded						AMF AUS Express						AMF Prime					
		Full Documentation and Alternative Income Documentation						Fannie Mae DU® and Freddie Mac LPA℠ AUS						Full Documentation					
		Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves	Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves	Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves
Primary Residence	Primary Residence 1-Unit Purchase or Rate/Term Refinance	1	$1,000,000	90%*	740	41%	12	1	$1,000,000	80%	700	50%	> AUS or 9	1	$1,000,000	90%*	740	41%	12
			$1,500,000	90%*	740	41%	12		$1,000,000	75%	680	50%	> AUS or 6		$1,500,000	90%*	740	41%	12
			$1,000,000	85%*	720	41%	12		$1,500,000	80%	700	50%	> AUS or 9		$1,000,000	85%*	720	41%	12
			$1,000,000	80%	700	50%**	9		$1,500,000	70%	680	50%	> AUS or 9		$1,000,000	80%	700	45%	9
			$1,000,000	75%	680	50%**	6		$2,000,000	80%	700	50%	> AUS or 9		$1,000,000	75%	680	45%	9
			$1,500,000	80%	700	50%**	9		$2,000,000	65%	680	50%	> AUS or 9		$1,500,000	80%	700	45%	9
			$1,500,000	70%	680	50%**	9		$2,500,000	75%	700	50%	> AUS or 12		$1,500,000	70%	680	45%	9
			$2,000,000	80%	700	50%**	9								$2,000,000	80%	700	45%	9
			$2,000,000	65%	680	50%**	9								$2,000,000	65%	680	45%	9
			$2,500,000	75%	700	50%**	12								$2,500,000	75%	700	45%	12
			$3,000,000	70%	740	50%**	12								$3,000,000	70%	740	45%	12
	Primary 1-Unit Cash-Out Refinance	1	$1,000,000	85%*	720	41%	12	1	$1,000,000	80%	700	50%	> AUS or 9	1	$1,000,000	80%	700	45%	6
			$1,000,000	75%	700	50%**	6		$1,000,000	70%	680	50%	> AUS or 6		$1,000,000	70%	680	45%	6
			$1,000,000	70%	680	50%**	6		$1,500,000	75%	700	50%	> AUS or 9		$1,500,000	75%	700	45%	9
			$1,500,000	75%	700	50%**	9		$1,500,000	65%	680	50%	> AUS or 9		$1,500,000	65%	680	45%	9
			$1,500,000	65%	680	50%**	9		$2,000,000	75%	700	50%	> AUS or 9		$2,000,000	75%	700	45%	9
			$2,000,000	75%	700	50%**	9		$2,000,000	60%	680	50%	> AUS or 9		$2,000,000	60%	680	45%	9
			$2,000,000	60%	680	50%**	9		$2,500,000	70%	700	50%	> AUS or 12		$2,500,000	70%	700	45%	12
			$2,500,000	70%	700	50%**	12								$3,000,000	65%	740	45%	12
			$3,000,000	65%	740	50%**	12												

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		AMF Expanded						AMF AUS Express						AMF Prime					
		Full Documentation and Alternative Income Documentation						Fannie Mae DU® and Freddie Mac LPA℠ AUS						Full Documentation					
		Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves	Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves	Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves
Primary Residence	Primary Residence 2–4 Unit Purchase or Rate/Term Refinance	2–4	$1,000,000	85%*	720	41%	12	2–4	$1,000,000	80%	700	45%	> AUS or 9	2–4	$1,000,000	80%	700	45%	9
			$1,000,000	80%	700	50%**	9		$1,500,000	80%	700	45%	> AUS or 9		$1,500,000	80%	700	45%	9
			$1,500,000	80%	700	50%**	9		$2,000,000	75%	700	45%	> AUS or 9		$2,000,000	75%	700	45%	9
			$2,000,000	75%	700	50%**	9		$2,500,000	70%	700	45%	> AUS or 12		$2,500,000	70%	700	45%	12
			$2,500,000	70%	700	50%**	12								$3,000,000	65%	740	45%	12
			$3,000,000	65%	740	50%**	12												
	Primary 2–4 Unit Cash-Out Refinance.	2–4	$1,000,000	75%	700	50%**	6	2–4	$1,000,000	75%	700	45%	> AUS or 6	2–4	$1,000,000	75%	700	45%	6
			$1,500,000	75%	700	50%**	9		$1,500,000	75%	700	45%	> AUS or 6		$1,500,000	75%	700	45%	9
			$2,000,000	70%	700	50%**	9		$2,000,000	70%	700	45%	> AUS or 9		$2,000,000	70%	700	45%	9
			$2,500,000	65%	700	50%**	12		$2,500,000	65%	700	45%	> AUS or 12		$2,500,000	65%	700	45%	12
			$3,000,000	65%	740	50%**	12								$3,000,000	65%	740	45%	12
FTHB	First-Time Homebuyer	1	$1,000,000	80%	700	50%**	9	1	$1,000,000	80%	700	45%	> AUS or 9	1	$1,000,000	80%	700	45%	9
			$1,500,000	80%	700	50%**	9		$1,500,000	80%	700	45%	> AUS or 9		$1,500,000	80%	700	45%	9
			$2,000,000	75%	700	50%**	9		$2,000,000	75%	700	45%	> AUS or 9		$2,000,000	75%	700	45%	9
Second Home	Second Home Purchase or Rate/Term Refinance	1	$1,000,000	80%	700	50%**	9	1	$1,000,000	80%	700	45%	> AUS or 9	1	$1,000,000	80%	700	45%	9
			$1,500,000	80%	700	50%**	9		$1,500,000	80%	700	45%	> AUS or 9		$1,500,000	80%	700	45%	9
			$2,000,000	75%	700	50%**	9		$2,000,000	75%	700	45%	> AUS or 9		$2,000,000	75%	700	45%	9
			$2,500,000	70%	700	50%**	12		$2,500,000	70%	700	45%	> AUS or 12		$2,500,000	70%	700	45%	12
	Second Home Cash-Out Refinance	1	$1,000,000	75%	720	50%**	6	1	$1,000,000	75%	720	45%	> AUS or 6	1	$1,000,000	75%	720	45%	9
			$1,500,000	75%	720	50%**	9		$1,500,000	75%	720	45%	> AUS or 9		$1,500,000	75%	720	45%	9
			$2,000,000	70%	720	50%**	9		$2,000,000	70%	720	45%	> AUS or 9		$2,000,000	70%	720	45%	9
			$2,500,000	65%	720	50%**	12		$2,500,000	65%	720	45%	> AUS or 12		$2,500,000	65%	720	45%	12
Investment 1-Unit	Investment 1-Unit Non-Owner-Occupied Purchase or Rate/Term Refinance	1	$1,000,000	80%	700	50%**	9	1	$1,000,000	80%	700	45%	> AUS or 6	1	$1,000,000	80%	700	45%	9
			$1,500,000	75%	700	50%**	9		$1,500,000	75%	700	45%	> AUS or 9		$1,500,000	75%	700	45%	9
			$2,000,000	70%	700	50%**	9		$2,000,000	70%	700	45%	> AUS or 9		$2,000,000	70%	700	45%	9
			$2,500,000	65%	700	50%**	12		$2,500,000	65%	700	45%	> AUS or 12		$2,500,000	65%	700	45%	12

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		AMF Expanded						AMF AUS Express						AMF Prime					
		Full Documentation and Alternative Income Documentation						Fannie Mae DU® and Freddie Mac LPA℠ AUS						Full Documentation					
		Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves	Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves	Units	Max. Loan Amount	Max. LTV/H/ CLTV	Min. Credit Score	Max. DTI	Reserves
Investment 1-Unit	Investment 1-Unit Non-Owner-Occupied Cash-Out Refinance	1	$1,000,000	75%	720	50%**	6	1	$1,000,000	75%	720	45%	> AUS or 6	1	$1,000,000	75%	720	45%	6
			$1,500,000	70%	720	50%**	9		$1,500,000	70%	720	45%	> AUS or 9		$1,500,000	70%	720	45%	9
			$2,000,000	65%	720	50%**	9		$2,000,000	65%	720	45%	> AUS or 9		$2,000,000	65%	720	45%	9
			$2,500,000	65%	720	50%**	12		$2,500,000	65%	720	45%	> AUS or 12		$2,500,000	65%	720	45%	12
Investment 2–4-Unit	Investment 2–4-Unit Non-Owner-Occupied Purchase or Rate/Term Refinance	2–4	$1,000,000	75%	700	50%**	6	2–4	$1,000,000	75%	700	45%	> AUS or 9	2–4	$1,000,000	75%	700	45%	6
			$1,500,000	70%	700	50%**	9		$1,500,000	70%	700	45%	> AUS or 9		$1,500,000	70%	700	45%	9
			$2,000,000	65%	700	50%**	9		$2,000,000	65%	700	45%	> AUS or 9		$2,000,000	65%	700	45%	9
			$2,500,000	65%	700	50%**	12		$2,500,000	65%	700	45%	> AUS or 12		$2,500,000	65%	700	45%	12
	Investment 2–4-Unit Non-Owner-Occupied Cash-Out Refinance	2–4	$1,000,000	70%	720	50%**	6	2–4	$1,000,000	70%	720	45%	> AUS or 6	2–4	$1,000,000	70%	720	45%	6
			$1,500,000	65%	720	50%**	9		$1,500,000	65%	720	45%	> AUS or 9		$1,500,000	65%	720	45%	9
			$2,000,000	65%	720	50%**	9		$2,000,000	65%	720	45%	> AUS or 9		$2,000,000	65%	720	45%	9
			$2,500,000	65%	720	50%**	12		$2,500,000	65%	720	45%	> AUS or 12		$2,500,000	65%	720	45%	12

* Greater than 80% LTV/H/CLTV limited to fixed-rate, fully amortizing offerings only.
** Over 45% DTI requires monthly residual income of $3,500.

		AMF Expanded	AMF AUS Express	AMF Prime
Additional Restrictions	Additional Loan-to-Value (LTV/H/CLTV) Requirements.	** For DTI over 45% requires monthly residual income of $3,500. For Alternative Income Documentation options the following is required: Maximum DTI for Asset Depletion and Bank Statment / IRS Form 1099 programs: 41% for LTV/H/CLTV > 80%, and 45% for LTV/H/CLTV < 80%. Full Doc: For the IO option the maximum LTV/H/CLTV is 90%, and any IO LTV/H/CLTV > 75% requires a minimum FICO score of 720. Asset Depletion: For both Asset Depletion and IO option the maximum LTV/H/CLTV is 85%. For an LTV/H/CLTV > 75% the minimum FICO is 720. 24-month Bank Statement, two (2) year IRS Form 1099 income, and IO option under this program the maximum LTV/H/CLTV is 85%. For an LTV/H/CLTV > 75% the minimum FICO score is 720. 12-month Bank Statement, one (1) year IRS Form 1099 income, and IO option under this program the maximum LTV/H/CLTV is 80%. For an LTV/H/CLTV > 75% the minimum FICO score is 720. Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify (Airbnb, VRBO)."	Non-Permanent Resident maximum LTV/H/CLTV is 70% and limited to single-family, owner-occupied primary residence. Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify (Airbnb, VRBO).	Greater than 80% LTV/H/CLTV limited to Purchase Money Transactions, and to fixed-rate, fully amortizing offerings only. Condominiums and co-ops maximum LTV/H/CLTV limited to 80%. IO option maximum LTV/H/CLTV limited to 80%. Non-Permanent Resident maximum LTV/H/CLTV is 70% and limited to single-family, owner-occupied primary residence. Non-warrantable condominiums maximum LTV/H/CLTV is the lower of the allowable LTV/H/CLTV or 80%. Reduce allowable LTV/H/CLTV by 5% when using short-term rental income to qualify (Airbnb, VRBO).

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		AMF Expanded	AMF AUS Express	AMF Prime
Eligibility		QM, Non-QM and Investor. Interest-Only (IO). Alternative Documentation options: Asset Depletion, 12- and 24-month Bank Statements and IRS Form 1099.	GSE Documentation using DU findings with AMF Overlays, QM eligibility.	Prime QM, Prime Investor and Prime Non-QM Interest-Only (IO).
	Documentation Types Offered	Full Documentation and Alternative Income Documentation.	Fannie Mae DU and Freddie Mac LPA AUS.	Full Documentation.
	Loan Types	10-, 15-, 20-, 25- and 30-Year Fixed Rate. 5-year/6-month, 7-year/6-month, and 10-year/6-month SOFR ARMs. 30-year IO Fixed-Rate or ARM Rate options with 10-year IO period. Qualifying payments based on 20-year amortization. 40-year IO Fixed-Rate or ARM Rate options with 10-year IO period. Qualifying payments based on 30-year amortization.	10-, 15-, 20-, 25- and 30-Year Fixed Rate. 5-year/6-month, 7-year/6-month, and 10-year/6-month SOFR ARMs. Interest Only not available.	10-, 15-, 20-, 25- and 30-Year Fixed Rate. 5-year/6-month, 7-year/6-month and 10-year/6-month SOFR ARMs. 30-year IO Fixed-Rate or ARM Rate options with 10-year IO period. Qualifying payments based on 20-year amortization and maximum LTV of 80%.
	Loan-to-Value	Greater than 80% LTV/H/CLTV limited to fixed-rate, fully amortizing offerings only.	Up to 80% LTV.	Greater than 80% LTV/H/CLTV limited to Purchase Money Transactions, and to fixed-rate, fully amortizing offerings only.
	Occupancy	Primary Residence (1–4 unit), Second Home (1-unit) and Investment Properties (1–4 unit).	Primary Residence (1–4 unit), Second Home (1-unit) and Investment Properties (1–4 unit).	Primary Residence (1–4 unit), Second Home (1-unit) and Investment Properties (1–4 unit).
	Purpose	Purchase, Rate and Term Refinance, Cash-Out Refinances and Delayed Financing.	Purchase, Rate and Term Refinance, Cash-Out Refinances and Delayed Financing.	Purchase, Rate and Term Refinance, Cash-Out Refinances and Delayed Financing.
	Minimum Loan Amount	$150,000	$300,000	$300,000
	Cash Out	Reduce allowable LTV/H/CLTV by 10% for cash-out > $500,000. Maximum cash-out limited to $1,000,000.	Maximum cash out proceeds ≤ 500,000. > $500,000 eligible to be considered on an exception basis.	Maximum cash out proceeds ≤ $500,000. > $500,000 eligible to be considered on an exception basis.
	Maximum Loan Amount	$3,000,000	$2,500,000	$3,000,000
	Eligible Properties	Single Family primary residences: 1–4 unit detached, attached, PUD, eligible condos and eligible New York co-ops. Second homes: 1-unit detached, attached, PUD and eligible condos, and Investment Properties: 1–4 unit detached, attached, PUD and eligible condos.	Single-family primary residences: 1–4-unit detached, attached, PUD, eligible condos and eligible New York co-ops. Second homes: 1-unit detached, attached, PUD and eligible condos and Investment Properties: 1–4-unit detached, attached, PUD and eligible condos.	Single-family primary residences: 1–4-unit detached, attached, PUD, eligible condos and eligible New York co-ops. Second homes: 1-unit detached, attached, PUD and eligible condos and Investment Properties: 1–4-unit detached, attached, PUD and eligible condos.
	Residency Status	Non-Permanent Resident maximum LTV/H/CLTV is 70% and limited to single-family, owner-occupied primary residence. Non-Permanent Residents are not allowed on AMF Expanded.		
Reserves	Additional reserves for each additional financed property owned. The additional reserves are based on the PITIA of the subject financed property.	When the borrower owns additional 1–4-unit financed residential properties that are financed, an additional two months' PITIA or ITIA reserves are required for each property, up to a total of 12 months of the subject property's reserves. The 12 months of total reserves includes the subject property's minimum required reserves.	Minimum reserve requirement > AUS or 6 months. For other 1–4-unit family real estate properties owned, follow the Agency requirements.	When the borrower owns additional 1–4-unit financed residential properties that are financed, an additional two months' PITIA or ITIA reserves are required for each property, up to a total of 12 months of the subject property's reserves. The 12 months of total reserves includes the subject property's minimum required reserves.
Credit History	Minimum FICO	680	680	680
	Mortgage Lates	0 x 30 for 12 months, 1 x 30 for 24 months. No rolling lates.	0 x 30 for 12 months.	0 x 30 for 24 months.
	First-Time Homebuyer and Rental History	0 x 30 for 12 months.	0 x 30 for 12 months.	0 x 30 for 24 months.
	Foreclosure	4 years.	Follow AUS.	7 years.
	BK, DIL of FC, Pre-FC Sale or Charge-Off of Mortgage	4 years.	Follow AUS.	7 years.
	Multiple Credit Events	Not allowed.	Not allowed.	Not allowed.
	Extenuating Circumstances	Not allowed.	Not allowed.	Not allowed.

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		AMF Expanded	AMF AUS Express	AMF Prime
Appraisals	Loan amounts > $1,500,000	Two appraisals.	Two appraisals.	Two appraisals.
	Third-Party Appraisal Review	Collateral Desktop Analysis (CDA) is required to be submitted on all loan transactions that don't include two appraisals.	Fannie Mae 2075/Freddie Mac 2070 not allowed in lieu of an appraisal. Property Inspection Waiver (PIW) not allowed. Seller must order a CDA. Loans with a collateral UW score of 2.5 or lower are exempt from this requirement.	Collateral Desktop Analysis (CDA) is required to be submitted on all loan transactions that don't include two appraisals.
	Declining Market	If the appraiser indicated the market value of the subject property is declining, the maximum HCLTV/H/CLTV is restricted to the lesser of the maximum LTV allowed by the program guides or 70%.	If the appraiser indicated the market value of the subject property is declining, the maximum HCLTV/H/CLTV is restricted to the lesser of the maximum LTV allowed by the program guides or 70%.	If the appraiser indicated the market value of the subject property is declining, the maximum HCLTV/H/CLTV is restricted to the lesser of the maximum LTV allowed by the program guides or 70%.
	Transferred Appraisals	Not allowed.	Not allowed.	Not allowed.

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