

ARCH MI

Underwriting Manual

March 1, 2022



Summary of Underwriting Manual Updates

Arch MI's Underwriting Manual (the Manual) has been updated to reflect the changes announced in Customer Announcement CA 2022-02. The sections of the Manual that have been updated are indicated with a new revision date to the right of the section heading. See the details of the changes below.

Section 2.02, EZ Decisioning, Additional Underwriting Requirements.

- This section has been updated to allow a Desktop Appraisal (Fannie Mae Form 1004 Desktop/Freddie Mac Form 70D) when offered by Desktop Underwriter® (DU®) or Loan Product Advisor® (LPASM) and the loan meets all the Agency eligibility requirements for the Desktop Appraisal offering. As a reminder, our Standard Underwriting Requirements continue to require a full 1004 appraisal.

Section 3.03.02, Financed MI.

- The term total LTV has been changed to gross LTV, and the requirement has been revised to state that the gross LTV, which includes the base loan amount and financed MI, cannot exceed 103%. The reference to subordinate financing has been removed.

Section 3.05.03 Documentation Requirements for All Loans (Manually or Agency AUS Underwritten).

- When a desktop appraisal is offered by DU or LPA and exercised by the lender for a purchase transaction of a 1-unit primary residence, all Fannie Mae or Freddie Mac desktop appraisal requirements must be met.
- The requirement for a third-party field review appraisal or a second full URAR appraisal for loan amounts \$1,000,001 to \$1,500,000 has been updated to clarify that this requirement applies to 1-unit properties.

Section 3.06.02, Medical and Dental Professionals Program.

- Loan limits and reserve requirements have been updated.

Section 3.06.02.03, Medical and Dental Professionals Program, Additional Underwriting Requirements.

- A minimum borrower contribution of 3% is required for loan amounts up to \$850,000 (formerly \$750,000). A minimum borrower contribution of 5% is required for loan amounts greater than \$850,000 (formerly \$750,000).
- Construction loans are now allowed up to \$970,800 (formerly \$850,000).

COVID-19-Related Temporary Underwriting Requirements

Arch MI currently has COVID-19-related temporary underwriting requirements that are similar to the Agencies' COVID-19-related temporary underwriting requirements. We currently align with the Agencies' expiration dates for the temporary requirements and will align with any future extensions to the Agencies' expiration dates.

[Click here](#) to be forwarded to our customer announcements detailing the temporary underwriting requirements located on our website. Any updates to the temporary requirements will be published in future customer announcements posted on our website and supersede the requirements in the Manual until the temporary requirements expire.

Arch MI Loan Program Codes for Encompass

A Quick and Easy Reference Guide



Ensure your access to Arch MI's underwriting requirements and competitive pricing.

Always enter the exact Arch MI code for each loan program into the Encompass® system's **Special Loan Program** field.

LOAN PROGRAM	LTV/CLTV	MINIMUM CREDIT SCORE	ARCH MI CODE
Fannie Mae HomeReady®	97/105	620	HomeReady
Fannie Mae HomeStyle® Renovation Mortgage	N/A	620	HomeStyle
Fannie Mae RefiNow®	97/105	620	RefiNow
Freddie Mac Home Possible®	95/95	620	FHLMC Home Possible
Freddie Mac Home Possible Advantage SM	97/105	620	FHLMC Home Possible Advantage
Freddie Mac Refi Possible®	97/105	620	Refi Possible
HFA loan with an AUS approval	97/105	620	EZD-HFA
HFA loan with No AUS approval	97/105	620	STD-HFA
FHLB loan with Down Payment Assist and AUS approval	97/105	620	EZD-FHLB Down Pmt Assist
FHLB loan with Down Payment Assist with No AUS approval	97/105	620	STD-FHLB Down Pmt Assist

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

See section 3.01, [General Underwriting Requirements](#), for more information.

See section 3.03, [Loan Amount/LTV/Credit Score/DTI Requirements](#), for additional requirements that may apply.

3.03.03 Subordinate Financing and CLTV (January 14, 2022)

3.03.03.01 New Subordinate Financing (January 14, 2022)

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

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

Occupancy	Transaction Type	Property Type	Maximum		Maximum Loan Amount	Minimum Credit Score	Maximum DTI
			LTV	CLTV ¹			
Primary Residence (only)	Purchase and Rate/Term Refinance	1-Unit, SFD/SFA, Condos, Co-ops	97%	105%	\$647,200 ²	620	45%
			95%	100%	\$647,201–\$970,800	620	
		Manufactured Homes	90%	90%	\$647,200 ²	680	
		2-Unit	95%	100%	\$1,243,050	660	

¹ When the CLTV is greater than the maximum LTV, the subordinate financing must meet Fannie Mae's Community Seconds or Freddie Mac's Affordable Seconds requirements. The loan must be identified as an Affordable Housing loan within the MI submission.

² \$970,800 for properties located in AK or HI.

- **Ineligible:**

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

3.03.03.02 Existing Subordinate Financing (January 14, 2022)

3.03.03.02.01 Rate/Term Refinance (January 14, 2022)

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

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

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

CLTV exceeds the Maximum LTV for the Transaction Type:

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

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

See section 3.01, [General Underwriting Requirements](#), for more information.

See section 3.03, [Loan Amount/LTV/Credit Score/DTI Requirements](#), for additional requirements that may apply.

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

Occupancy	Transaction Type	Property Type	Maximum		Maximum Loan Amount	Minimum Credit Score	Maximum DTI
			LTV	CLTV			
Primary Residence (only)	Rate/Term Refinance (only)	1-Unit, SFD/SFA, Condos, Co-ops	97%	105%	\$647,200 ¹	620	45%
			95%	100%	\$647,201–\$970,800	620	
		2-Unit	95%	100%	\$1,243,050	660	

¹ \$970,800 for properties located in AK or HI.

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

3.03.03.02.02 Cash-Out Refinance (March 1, 2017)

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

3.03.04.03 CLTV — Definition (March 1, 2017)

The following is Arch MI's definition of CLTV:

- CLTV is the equivalent of all other acronyms (i.e., HCLTV, TLTV, etc.) used to describe the ratio of the combined loan amounts for the first-lien and subordinate lien(s) secured by the subject property, whether drawn or not, to the lesser of the sales price or appraised value.
- Example: A property is being refinanced with an appraised value of \$140,000. The borrower obtains a first-lien mortgage of \$120,000, and an existing Home Equity Line of Credit with an available line of \$10,000 and a balance of \$5,000 is re-subordinated.

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

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

See section 3.01, [General Underwriting Requirements](#), for more information.

See section 3.03, [Loan Amount/LTV/Credit Score/DTI Requirements](#), for additional requirements that may apply.

3.06 Products and Programs (June 7, 2021)

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

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

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

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

3.06.02 Medical and Dental Professionals Program (March 1, 2022)

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

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

3.06.02.01 Reduced Coverage Medical and Dental Professionals Program (March 1, 2022)

▪ MI Pricing and Coverages Available

- RateStarSM pricing, Lender-Paid MI (LPMI) Singles only.
 - Available Coverage:
 - 97.01–100% LTV — 12%.
 - 95.01–97% LTV — 8%.
 - 90.01–95% LTV — 6%.
 - MI coverage will be terminated by Arch MI upon the earlier of the scheduled or actual amortization of the loan amount down to an LTV less than 90%.
 - Prior to participation in the program, the lender must execute an acknowledgement form directing Arch MI to cancel coverage at the designated LTV level. Please contact your [Account Manager](#) to obtain the form.
- This program is not available for lenders with home offices in the following states: AK, HI, NY, OH and WA.
- **This program is designed for portfolio lenders only as the reduced coverage and early cancellation of coverage does not meet Agency MI requirements.**

▪ General Information

- When submitting a loan for MI or requesting a rate you **must** enter the program name: **Reduced Coverage Medical/Dental Program**.
- Other than the DTI ratio or credit score variances indicated in the grid below, **no exceptions** to the following requirements are allowed.

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

See section 3.01, [General Underwriting Requirements](#), for more information.

See section 3.03, [Loan Amount/LTV/Credit Score/DTI Requirements](#), for additional requirements that may apply.

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

RateStar Pricing Only							
Occupancy	Transaction Type	Property Type	LTV	Maximum Loan Amount	Minimum Credit Score ¹	Maximum DTI ¹	PITIA Reserves ²
Primary Residence (only)	Purchase and Rate/Term Refinance	1-Unit, SFD/SFA, Condos, Co-ops	97.01–100% ^{3, 4}	\$650,000	720	43%	2 Months
			Non-Delegated Only	\$650,001–\$850,000	740		
			90.01–97%	\$650,000	620	45%	2 Months
				\$650,001–\$850,000	680		
90.01–95%	\$850,001–\$1,000,000 ⁵	700	45%	6 Months			

¹ The 5% DTI variance and 10-point credit score variance as addressed in [section 3.03](#) of the Underwriting Manual are allowed for LTVs ≤ 97% only.

² See Additional Reserves below.

³ Pharmacists without a Pharm.D. and chiropractors are ineligible for LTVs > 97%.

⁴ Construction-to-permanent loans and renovation loans are ineligible for LTVs > 97%.

⁵ Construction-to-permanent loans and renovation loans are ineligible for loan amounts greater than \$970,800.

▪ **Additional Underwriting Requirements:**

- The additional underwriting requirements in [section 3.06.02.03](#) apply.

3.06.02.02 Standard Medical and Dental Professionals Program (March 1, 2022)

▪ **General Information**

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