

CUSTOMER ANNOUNCEMENT

CUA 2018-02 | Mar 16, 2018

- ▶ **Fannie Mae Announcement SEL-2018-02 – Selling Guide Updates Including HomeStyle Renovation, HomeStyle Energy and Loans Impacted by a Disaster**

The following is the position of Arch Mortgage Insurance Company (Arch MI) on the topics covered in Fannie Mae Announcement SEL-2018-02.

HomeStyle Renovation

- Effective immediately, Arch MI **will align** with or already allows the following changes:
 - Maximum LTV/CLTV increased to 97% for a 1-unit, primary residence purchase or rate/term refinance transactions underwritten in DU and meeting our EZ DecisioningSM/CU SwiftClose[®] requirements.
 - The limit on eligible renovation funds has been increased to 75% of:
 - The lesser of the acquisition plus renovation cost or the “as-completed” appraised value for a purchase transaction; or
 - The “as-completed” appraised value for a rate/term refinance.
 - Removing the requirement that the renovation has to add value to the property.
 - Funds may be used to construct accessory units on the subject property when in compliance with local zoning requirements.
 - Require licensed contractors or subcontractors only where licensing is required per the state or local regulations or for the work being completed.
 - Contingency reserves allowed up to 15%.
 - The *Appraisal Update and Completion Report* (Form 1004D) is required to document the completion of the renovation work.
- Arch MI will continue to **restrict** renovation loans for manufactured housing.
- The remainder of the changes do not affect Arch MI underwriting requirements.

HomeStyle Energy

- Effective immediately, Arch MI **will align** with or already allows the following changes:
 - Maximum LTV/CLTV increased to 97% for a 1-unit, primary residence purchase or rate/term refinance transactions underwritten in DU and meeting our EZ Decisioning/Credit Union SwiftClose requirements.
 - All newly approved uses for HomeStyle[®] Energy funds as announced within SEL-2018-02.
- Arch MI will continue to **restrict** renovation loans for manufactured housing.
- The remainder of the changes do not affect Arch MI underwriting requirements.

Loans Impacted by a Disaster

- Effective immediately, Arch MI **will align** with or already allows the following changes:
 - The Age of Documentation requirement for loans where the property is located in a FEMA-declared disaster area eligible for Individual Assistance will be increased from 120 days to 180 days.
 - Requirements for when a Property Inspection Waiver (PIW) may be exercised by the lender if a property was located in a FEMA-declared disaster area.

Arch MI Credit Union Underwriting Manual Update

There are two areas within the Arch MI Credit Union Underwriting Manual (the Manual) that will require updating upon the next release. However, as stated above, all requirements that we are aligning with are effective immediately. You may underwrite to the information in this announcement for the following items until the Manual is updated:

- We will update the Age of Documentation section to include the new requirement for loans impacted by a disaster area.
- We will remove the bullet from the Renovation section that states all work must be completed by a licensed contractor since we will be aligning with the Agencies' requirements.

For more information, please contact your Arch MI Account Manager.