

Arc Guideline Update Summary



This summary provides a side-by-side comparison of the recent Arc Underwriting Guide and/or program matrix revisions, which are effective as noted below. This is intended to highlight the updates only – refer to the Arc Underwriting Guide and applicable product matrices for the complete guidelines and eligibility by program for Access Non-QM, Edge Non-QM, Foreign National, and Elite QM. **Important Note:** The most recent updates supersede any changes previously announced.

**** Effective for loans REGISTERED on or after March 11, 2024 ****

Guideline Updates – Access & Edge

Arc Underwriting Guide		
** Changes apply to Access, Edge, and Elite, unless guidelines indicate otherwise **		
Topic	Previous Guideline	New Guideline – 03/11/24
Consumer Credit Charge-Offs and Collections (Access, Edge)	For one-unit, principal residence properties, borrowers are not required to pay off outstanding collections or non-mortgage charge-offs – regardless of the amount. <ul style="list-style-type: none"> For two-to four-unit owner occupied and second home properties, collections and non-mortgage charge-offs totaling more than \$5,000 must be paid in full prior to or at closing. For investment properties, individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$1,000 must be paid in full prior to or at closing. Collections and non-mortgage charge-offs may remain open if the borrower has documented reserves covering the balance or the borrower can qualify with a calculated 5% payment added to the DTI. 	For one-unit, principal residence properties, borrowers are not required to pay off outstanding collections or non-mortgage charge-offs – regardless of the amount; however, the borrower must qualify with a calculated 5% payment added to the DTI. <ul style="list-style-type: none"> For two-to four-unit owner occupied and second home properties, collections and non-mortgage charge-offs totaling more than \$5,000 must be paid in full prior to or at closing. For investment properties, individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$1,000 must be paid in full prior to or at closing. If collections and non-mortgage charge-offs are not paid off prior to closing and will not become a lien that will cloud title, they may remain open if the borrower has documented reserves covering the balance or the borrower can qualify with a calculated 5% payment added to the DTI.
Business Funds as Assets (Access, Edge)	Business funds may be used for down payment, closing costs and reserves with all the following documentation. <ul style="list-style-type: none"> The business funds must be sourced and seasoned for thirty days prior to application date Evidence of borrower’s percentage of ownership must be provided The borrower must be the majority owner (at least 50% owner) or the controlling manager/administrator of the business account as evidenced by the firm’s operating agreement, CPA letter, or equivalent. The underwriter must multiply the available business funds by the borrower’s ownership percentage to compute the business funds available for down payment and closing costs. 	Business funds may be used for down payment, closing costs and reserves with all the following documentation. <ul style="list-style-type: none"> The business funds must be sourced and seasoned for thirty days prior to application date Evidence of borrower’s percentage of ownership must be provided The borrower must be at least 25% owner of the business account as evidenced by the firm’s operating agreement, CPA letter, or equivalent. The underwriter must multiply the available business funds by the borrower’s ownership percentage to compute the business funds available for down payment, closing costs and reserves.



Arc Underwriting Guide

** Changes apply to Access, Edge, and Elite, unless guidelines indicate otherwise **

Topic	Previous Guideline	New Guideline – 03/11/24
	<ul style="list-style-type: none"> When business funds are used for reserves, 100% of the funds may be used when all other business owners have provided a letter of explanation stating that the borrower has full access to the funds in the account. 	
Gift Fund Documentation <i>(Access, Edge)</i>	Gifts must be evidenced by a gift letter signed by the donor. The gift letter must: <ul style="list-style-type: none"> specify the dollar amount of the gift; include the donor's statement that no repayment is expected, and indicate the donor's name, address, telephone number, and relationship to the borrower. 	Gifts must be evidenced by a gift letter signed by the donor. The gift letter must: <ul style="list-style-type: none"> specify the actual or maximum dollar amount of the gift; include the donor's statement that no repayment is expected, and indicate the donor's name, address, telephone number, and relationship to the borrower.

Eligibility & Guideline Updates – Access & Edge

Access Non-QM & Edge Non-QM – Alt Income Matrix

** Changes apply to Access and Edge, unless indicated otherwise **

Topic	Previous Guideline	New Guideline – 03/11/24
Primary Residence – Edge Plus Eligibility Update Highlights – Fully Amortized	<u>Cash-Out – Fully Amortized Fixed Rate & ARM</u> <ul style="list-style-type: none"> \$3,000,000 loan amount to 70% LTV/CLTV with minimum 720 FICO \$2,000,000 loan amount to 70% LTV/CLTV with minimum 700 FICO \$1,500,000 loan amount to 75% LTV/CLTV with minimum 700 FICO 	<u>Cash-Out – Fully Amortized Fixed Rate & ARM</u> <ul style="list-style-type: none"> UPDATED eligibility for \$3,000,000 loan amount to 75% LTV/CLTV with minimum 720 FICO UPDATED eligibility for \$2,000,000 loan amount to 75% LTV/CLTV with minimum 700 FICO Combined \$1,500,000 eligibility with revised \$2,000,000 <p style="color: red;">**Refer to Edge Alt Income matrix for complete eligibility details**</p>
Primary Residence – Edge Plus Eligibility Update Highlights	<u>Purchase & Rate/Term – Interest Only Fixed Rate & ARM</u> <ul style="list-style-type: none"> \$3,000,000 loan amount to 65% LTV/CLTV with minimum 720 FICO \$2,499,000 loan amount to 70% LTV/CLTV with minimum 720 FICO <u>Cash-Out – Interest Only Fixed Rate & ARM</u> <ul style="list-style-type: none"> \$3,000,000 loan amount to 65% LTV/CLTV with minimum 720 FICO \$2,499,000 loan amount to 70% LTV/CLTV with minimum 720 FICO \$2,000,000 loan amount to 70% LTV/CLTV with minimum 700 FICO 	<u>Purchase & Rate/Term – Interest Only Fixed Rate & ARM</u> <ul style="list-style-type: none"> \$3,000,000 loan amount to 75% LTV/CLTV with minimum 720 FICO \$2,500,000 loan amount to 75% LTV/CLTV with minimum 720 FICO <u>Cash-Out – Interest Only Fixed Rate & ARM</u> <ul style="list-style-type: none"> \$3,000,000 loan amount to 70% LTV/CLTV with minimum 720 FICO \$2,500,000 loan amount to 75% LTV/CLTV with minimum 720 FICO \$2,000,000 loan amount to 75% LTV/CLTV with minimum 700 FICO Combined \$1,500,000 eligibility with revised \$2,000,000



Access Non-QM & Edge Non-QM – Alt Income Matrix

** Changes apply to Access and Edge, unless indicated otherwise **

Topic	Previous Guideline	New Guideline – 03/11/24
	<ul style="list-style-type: none"> \$1,500,000 loan amount to 75% LTV/CLTV with minimum 700 FICO 	<p style="color: red; text-align: center;">**Refer to Edge Alt Income matrix for complete eligibility details**</p>
All Occupancies – Edge Eligibility Update Highlights	<p><u>Purchase & Rate/Term – Fully Amortized Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$2,000,000 loan amount to 80% LTV/CLTV with minimum 680 FICO 	<p><u>Purchase & Rate/Term – Fully Amortized Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$2,500,000 loan amount to 80% LTV/CLTV with minimum 680 FICO <p style="color: red; text-align: center;">**Refer to Edge Alt Income matrix for complete eligibility details**</p>
All Occupancies – Edge Eligibility Update Highlights	<p><u>Purchase & Rate/Term – Interest Only Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$3,000,000 loan amount to 65% LTV/CLTV with minimum 680 FICO \$2,499,000 loan amount to 70% LTV/CLTV with minimum 680 FICO <p><u>Cash-Out – Interest Only Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$3,000,000 loan amount to 65% LTV/CLTV with minimum 680 FICO \$2,499,000 loan amount to 70% LTV/CLTV with minimum 680 FICO \$2,000,000 loan amount to 75% LTV/CLTV with minimum 680 FICO \$1,500,000 loan amount to 80% LTV/CLTV with minimum 700 FICO 	<p><u>Purchase & Rate/Term – Interest Only Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$3,000,000 loan amount to 70% LTV/CLTV with minimum 680 FICO \$2,500,000 loan amount to 75% LTV/CLTV with minimum 680 FICO <p><u>Cash-Out – Interest Only Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$3,000,000 loan amount to 70% LTV/CLTV with minimum 680 FICO \$2,500,000 loan amount to 75% LTV/CLTV with minimum 680 FICO Combined \$2,000,000 eligibility with revised \$2,500,000 \$2,000,000 loan amount to 80% LTV/CLTV with minimum 700 FICO <p style="color: red; text-align: center;">**Refer to Edge Alt Income matrix for complete eligibility details**</p>
Investment Properties (Edge)	<ul style="list-style-type: none"> Minimum 740 FICO when LTV > 75% 	<ul style="list-style-type: none"> Minimum 700 FICO when LTV > 75%
Warrantable Condo (Edge)	<ul style="list-style-type: none"> Max 80% LTV/CLTV 	<ul style="list-style-type: none"> Max 85% LTV/CLTV
Non-Warrantable Condo (Edge)	<ul style="list-style-type: none"> Max 75% LTV/CLTV 	<ul style="list-style-type: none"> Max 80% LTV/CLTV
Cash-Out Transactions (Edge)	<ul style="list-style-type: none"> If LTV/CLTV <= 65%, unlimited cash-in-hand If LTV/CLTV > 65%, \$500,000 maximum cash-in-hand 	<ul style="list-style-type: none"> If LTV/CLTV <= 65%, unlimited cash-in-hand If LTV/CLTV > 65%, \$1,000,000 maximum cash-in-hand
First Time Home Buyer (Edge)	No DTI restriction	Max 45% DTI



Access Non-QM & Edge Non-QM – Alt Income Matrix

** Changes apply to Access and Edge, unless indicated otherwise **

Topic	Previous Guideline	New Guideline – 03/11/24																												
Declining Market (Edge)	<p>The following LTV reductions apply when the LTV > 65%:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0056b3; color: white;">Property Value</th> <th style="background-color: #0056b3; color: white;">Demand</th> <th style="background-color: #0056b3; color: white;">Market Time</th> <th style="background-color: #0056b3; color: white;">Reduce LTV</th> </tr> </thead> <tbody> <tr> <td>Declining</td> <td>Shortage or In Balance</td> <td>Under 3 months or 3-6 months</td> <td>5%</td> </tr> <tr> <td>Declining</td> <td>Shortage</td> <td>3-6 months</td> <td>5%</td> </tr> <tr> <td>Declining</td> <td>In Balance</td> <td>3-6 months or Over 6 months</td> <td>10%</td> </tr> <tr> <td>Declining</td> <td>Over Supply</td> <td>Over 6 months</td> <td>10%</td> </tr> </tbody> </table>	Property Value	Demand	Market Time	Reduce LTV	Declining	Shortage or In Balance	Under 3 months or 3-6 months	5%	Declining	Shortage	3-6 months	5%	Declining	In Balance	3-6 months or Over 6 months	10%	Declining	Over Supply	Over 6 months	10%	<p>The following LTV reductions apply when the LTV > 65%:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0056b3; color: white;">Property Value</th> <th style="background-color: #0056b3; color: white;">Demand</th> <th style="background-color: #0056b3; color: white;">Market Time</th> <th style="background-color: #0056b3; color: white;">Reduce LTV</th> </tr> </thead> <tbody> <tr> <td>Declining</td> <td>Any</td> <td>Any</td> <td>5%</td> </tr> </tbody> </table>	Property Value	Demand	Market Time	Reduce LTV	Declining	Any	Any	5%
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1099 Income – Employment Requirements (Access, Edge)	<p>Borrowers who are independent contractors, freelancers, or otherwise self-employed in the “gig economy” may qualify with 1099 statements in lieu of tax returns, to support their income. 1099 statements must be in the borrower’s name. Borrowers must be in the same line of work for two (2) years.</p>	<p>Borrowers who are independent contractors, freelancers, or otherwise self-employed in the “gig economy” may qualify with 1099 statements in lieu of tax returns, to support their income. 1099 statements must be in the borrower’s name. Borrowers must be in the same line of work for two (2) years. Borrower must provide a signed and dated letter explaining their employment.</p>																												

Access Non-QM & Edge Non-QM – DSCR Matrix

** Changes apply to Access and Edge, unless indicated otherwise **

Topic	Previous Guideline	New Guideline – 03/11/24
Edge Eligibility Update Highlights	<p><u>Purchase & Rate/Term – Fully Amortized & Interest Only</u></p> <ul style="list-style-type: none"> \$1,500,000 loan amount to 80% LTV with minimum 740 FICO (1-unit) Minimum 1.00 DSCR for all transactions <p><u>Cash-Out – Fully Amortized & Interest Only</u></p> <ul style="list-style-type: none"> Minimum 1.00 DSCR for all transactions 	<p><u>Purchase & Rate/Term – Fully Amortized & Interest Only</u></p> <ul style="list-style-type: none"> \$1,500,000 loan amount to 80% LTV with minimum 700 FICO (1-unit) NEW eligibility for \$1,500,000 loan amount to 75% LTV with minimum 720 FICO and minimum .80 DSCR <p><u>Cash-Out – Fully Amortized & Interest Only</u></p> <ul style="list-style-type: none"> NEW eligibility for \$1,500,000 loan amount to 75% LTV with minimum 720 FICO and minimum .80 DSCR <p>**Refer to Edge DSCR matrix for complete eligibility details**</p>
Cash-Out Transactions (Edge)	<ul style="list-style-type: none"> If LTV/CLTV <= 65%, unlimited cash-in-hand If LTV/CLTV > 65%, \$500,000 maximum cash-in-hand 	<ul style="list-style-type: none"> If LTV/CLTV <= 65%, unlimited cash-in-hand If LTV/CLTV > 65%, \$1,000,000 maximum cash-in-hand
Non-Warrantable Condos (Edge)	<ul style="list-style-type: none"> Max 75% LTV 	<ul style="list-style-type: none"> Max 75% LTV Minimum 1.00 DSCR



Access Non-QM & Edge Non-QM – DSCR Matrix

** Changes apply to Access and Edge, unless indicated otherwise **

Topic	Previous Guideline	New Guideline – 03/11/24																												
Non-Warrantable Condotels <i>(Edge)</i>	<ul style="list-style-type: none"> Max 75% LTV on purchase and max 65% LTV on rate/term and cash-out refinance Max \$1,000,000 loan amount 	<ul style="list-style-type: none"> Max 75% LTV on purchase and max 65% LTV on rate/term and cash-out refinance Max \$1,000,000 loan amount Minimum \$150,000 loan amount Minimum 1.00 DSCR 																												
Declining Market <i>(Edge)</i>	<p>The following LTV reductions apply when the LTV > 65%:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #0056b3; color: white;"> <th>Property Value</th> <th>Demand</th> <th>Market Time</th> <th>Reduce LTV</th> </tr> </thead> <tbody> <tr> <td>Declining</td> <td>Shortage or In Balance</td> <td>Under 3 months or 3-6 months</td> <td>5%</td> </tr> <tr> <td>Declining</td> <td>Shortage</td> <td>3-6 months</td> <td>5%</td> </tr> <tr> <td>Declining</td> <td>In Balance</td> <td>3-6 months or Over 6 months</td> <td>10%</td> </tr> <tr> <td>Declining</td> <td>Over Supply</td> <td>Over 6 months</td> <td>10%</td> </tr> </tbody> </table>	Property Value	Demand	Market Time	Reduce LTV	Declining	Shortage or In Balance	Under 3 months or 3-6 months	5%	Declining	Shortage	3-6 months	5%	Declining	In Balance	3-6 months or Over 6 months	10%	Declining	Over Supply	Over 6 months	10%	<p>The following LTV reductions apply when the LTV > 65%:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #0056b3; color: white;"> <th>Property Value</th> <th>Demand</th> <th>Market Time</th> <th>Reduce LTV</th> </tr> </thead> <tbody> <tr> <td>Declining</td> <td>Any</td> <td>Any</td> <td>5%</td> </tr> </tbody> </table>	Property Value	Demand	Market Time	Reduce LTV	Declining	Any	Any	5%
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Employment/Income Requirements <i>(Access, Edge)</i>	<p>Employment information must be completed on the 1003; however, the income must be blank.</p>	<p>In Illinois, the employment information must be completed on the 1003; however, the income must be blank. For all other states, the employment information may be blank.</p>																												
State Licensing Requirements – New York <i>(Access, Edge)</i>	<p>Brokers, and the Loan Officers authorized to represent those brokers, may originate DSCR (business purpose) loans for properties that are in the Permitted States below without any applicable state license as a Broker and Loan Officer respectively. The same logic would be applicable to loan originators selling loans to Arc on either a Non-Delegated or Delegated Correspondent basis.</p> <p><u>Permitted States</u></p> <ul style="list-style-type: none"> Wholesale and Correspondent: AK, AL, AR, CO, CT, DE, FL, GA, HI, IN, KS, KY, LA, ME, MA, MD, MO, MS, MT, NE, NH, NM, OH, OK, SC, TX, VA, WA, WI, WV, and WY Wholesale Only: Washington, D.C. <p>Brokers, and the Loan Officers authorized to represent those brokers, may originate DSCR (business purpose) loans for properties located in Michigan, New Jersey, New York and Pennsylvania without an applicable state license as a Broker and Loan Officer respectively; however, they must submit a Real Estate Broker License to Arc Home for review and approval for the representative agent originating the DSCR loan.</p>	<p>Brokers, and the Loan Officers authorized to represent those brokers, may originate DSCR (business purpose) loans for properties that are in the Permitted States below without any applicable state license as a Broker and Loan Officer respectively. The same logic would be applicable to loan originators selling loans to Arc on either a Non-Delegated or Delegated Correspondent basis.</p> <p><u>Permitted States</u></p> <ul style="list-style-type: none"> Wholesale and Correspondent: AK, AL, AR, CO, CT, DE, FL, GA, HI, IN, KS, KY, LA, ME, MA, MD, MO, MS, MT, NE, NH, NM, NY, OH, OK, SC, TX, VA, WA, WI, WV, and WY Wholesale Only: Washington, D.C. <p>Brokers, and the Loan Officers authorized to represent those brokers, may originate DSCR (business purpose) loans for properties located in Michigan, New Jersey, and Pennsylvania without an applicable state license as a Broker and Loan Officer respectively; however, they must submit a Real Estate Broker License to Arc Home for review and approval for the representative agent originating the DSCR loan.</p>																												



Eligibility & Guideline Updates – Edge Only

Edge Non-QM – Agency Plus Matrix

Topic	Previous Guideline	New Guideline – 03/11/24
All Occupancies – Eligibility Update Highlights	<p><u>Purchase & Rate/Term – Fully Amortized Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$2,000,000 loan amount to 80% LTV/CLTV with minimum 680 FICO and maximum 45% DTI <p><u>Cash-Out – Fully Amortized Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$1,500,000 loan amount to 80% LTV/CLTV with minimum 700 FICO and maximum 45% DTI 	<p><u>Purchase & Rate/Term – Fully Amortized Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$2,500,000 loan amount to 80% LTV/CLTV with minimum 680 FICO and maximum 50% DTI <p><u>Cash-Out – Fully Amortized Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$2,500,000 loan amount to 80% LTV/CLTV with minimum 700 FICO and maximum 50% DTI <p>**Refer to Edge Agency Plus matrix for complete eligibility details**</p>
All Occupancies – Eligibility Update Highlights	<p><u>Purchase & Rate/Term – Interest Only Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$3,000,000 loan amount to 65% LTV/CLTV with minimum 680 FICO and maximum 50% DTI \$2,499,000 loan amount to 70% LTV/CLTV with minimum 680 FICO and maximum 50% DTI \$2,000,000 loan amount to 80% LTV/CLTV with minimum 680 FICO and maximum 45% DTI <p><u>Cash-Out – Interest Only Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$3,000,000 loan amount to 65% LTV/CLTV with minimum 680 FICO and maximum 50% DTI \$2,499,000 loan amount to 70% LTV/CLTV with minimum 680 FICO and maximum 50% DTI \$2,000,000 loan amount to 75% LTV/CLTV with minimum 680 FICO and maximum 50% DTI \$1,500,000 loan amount to 80% LTV/CLTV with minimum 700 FICO and maximum 45% DTI 	<p><u>Purchase & Rate/Term – Interest Only Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$3,000,000 loan amount to 70% LTV/CLTV with minimum 680 FICO and maximum 50% DTI \$2,500,000 loan amount to 75% LTV/CLTV with minimum 680 FICO and maximum 50% DTI \$2,000,000 loan amount to 80% LTV/CLTV with minimum 680 FICO and maximum 50% DTI <p><u>Cash-Out – Interest Only Fixed Rate & ARM</u></p> <ul style="list-style-type: none"> \$3,000,000 loan amount to 70% LTV/CLTV with minimum 680 FICO and maximum 50% DTI \$2,500,000 loan amount to 75% LTV/CLTV with minimum 680 FICO and maximum 50% DTI Combined \$2,000,000 eligibility with revised \$2,500,000 \$2,000,000 loan amount to 80% LTV/CLTV with minimum FICO and maximum 50% DTI <p>**Refer to Edge Agency Plus matrix for complete eligibility details**</p>
Investment Properties	<ul style="list-style-type: none"> Minimum 740 FICO when LTV > 75% 	<ul style="list-style-type: none"> Minimum 700 FICO when LTV > 75%
Non-Warrantable Condo	<ul style="list-style-type: none"> Max 75% LTV/CLTV 	<ul style="list-style-type: none"> Max 80% LTV/CLTV
Cash-Out Transactions	<ul style="list-style-type: none"> If LTV/CLTV <= 65%, unlimited cash-in-hand If LTV/CLTV > 65%, \$500,000 maximum cash-in-hand 	<ul style="list-style-type: none"> If LTV/CLTV <= 65%, unlimited cash-in-hand If LTV/CLTV > 65%, \$1,000,000 maximum cash-in-hand
1x30x12 or Credit Events 36-48 Months	<ul style="list-style-type: none"> Max 75% LTV/CLTV 	<ul style="list-style-type: none"> Max 80% LTV/CLTV
First Time Home Buyer	No DTI restriction	Max 45% DTI



Edge Non-QM – Agency Plus Matrix

Topic	Previous Guideline	New Guideline – 03/11/24		
Declining Market	The following LTV reductions apply when the LTV > 65%:			
	Property Value	Demand	Market Time	Reduce LTV
	Declining	Shortage or In Balance	Under 3 months or 3-6 months	5%
	Declining	Shortage	3-6 months	5%
	Declining	In Balance	3-6 months or Over 6 months	10%
Declining	Over Supply	Over 6 months	10%	
	The following LTV reductions apply when the LTV > 65%:			
	Property Value	Demand	Market Time	Reduce LTV
	Declining	Any	Any	5%

**** Effective for loans REGISTERED on or after February 12, 2024 ****

Guideline Update – Access, Edge, & Elite

Arc Underwriting Guide		
** Changes apply to Access, Edge, and Elite, unless guidelines indicate otherwise **		
Topic	Previous Guideline	New Guideline – 02/12/24
New York Subprime Home Loans (Access, Edge, Elite)	Arc Home abides by all NY state statutes. Loans originated under the Edge, Access or Elite products may not be considered “Subprime Home Loan” under New York Banking Law.	<p><u>Wholesale</u> Arc Home abides by all NY state statutes. Loans originated under the Edge, Access or Elite products may not be considered “Subprime Home Loan” under New York Banking Law.</p> <p><u>Delegated and Non-Delegated Correspondent</u> Arc Home does not purchase loans subject to the Home Ownership and Equity Protection Act of 1994 (HOEPA), also known as “federal high-cost” mortgages. Arc Home does not purchase mortgage loans that meet the definition of “high cost,” “high risk,” “covered,” “subprime,” or any similar designation under state or local law. Arc Home will purchase loans originated under the Edge, Access or Elite products that comply with N.Y. Banking Law § 6-M (New York Subprime). Arc Home abides by all NY state statutes.</p>



**** Effective for ALL loans ****

Guideline Updates – Access, Edge, & Elite

Arc Underwriting Guide		
** Changes apply to Access, Edge, and Elite, unless guidelines indicate otherwise **		
Topic	Previous Guideline	New Guideline – 02/12/24
Impound/Escrow Accounts <i>(Access, Edge, Elite)</i>	On purchase transactions, taxes should be based on the full tax estimate without any exemptions.	On purchase transactions, exemptions may be applied if fully verified and documented, and the exemptions still apply to the borrower (for example, Primary Residence homestead exemption on an owner-occupied purchase). Proof of the exemption amount from the county must be in the loan file. An underwriter or processor certification is acceptable.
Non-Permanent Resident Aliens <i>(Access, Edge, Elite)</i>	An EAD must include a copy of the current Visa or I-94 for any EAD C-category. Refer to the below list of acceptable EAD categories. The following EAD categories are allowed: <ul style="list-style-type: none"> • C Categories: C07, C09, C10, C14, C16, C19, C20, C22, C24 with either an acceptable Visa or I-94. • Other Categories: All other categories are allowed with an acceptable Visa from the list above. 	<ul style="list-style-type: none"> • An EAD must include a copy of the current Visa. • Borrowers who are residents of countries which participate in the Department of Homeland Security’s Visa Waiver Program (VWP) will not be required to provide a valid Visa. Participating countries can be verified through the U.S. Department of State website: https://www.dhs.gov/visa-waiver-program-requirements

**** Effective for loans REGISTERED on or after February 12, 2024 ****

Eligibility Updates – Access ONLY

Access Non-QM – Agency Plus Matrix		
Topic	Previous Guideline	New Guideline – 02/12/24
Cash-Out Transactions	<ul style="list-style-type: none"> • If LTV/CLTV <= 70%, \$1,000,000 maximum cash-in-hand • If LTV/CLTV > 70%, \$750,000 maximum cash-in-hand 	<ul style="list-style-type: none"> • If LTV/CLTV <= 60%, unlimited cash-in-hand • If LTV/CLTV > 60%, \$750,000 maximum cash-in-hand
Non-Warrantable Condo, including Condotel	<ul style="list-style-type: none"> • Max 80% LTV/CLTV for Purchase and Rate/Term • Max 75% LTV/CLTV for Cash-Out 	<ul style="list-style-type: none"> • Max 80% LTV/CLTV for Purchase, Rate/Term and Cash-Out
Reserve Requirements	<ul style="list-style-type: none"> • Loan amount <= \$1,500,000: <ul style="list-style-type: none"> ○ LTV <= 85%: 6 months PITIA ○ LTV > 85%: 12 months PITIA • Loan amount > \$1,500,000 to <= \$2,500,000: 9 months PITIA • Loan amount > \$2,500,000: 12 months PITIA • Cash-out proceeds may be used to satisfy reserve requirements up to a 70% LTV/CLTV 	<ul style="list-style-type: none"> • Loan amount <= \$1,000,000: <ul style="list-style-type: none"> ○ LTV <= 70%: 3 months PITIA ○ LTV > 70%: 6 months PITIA • Loan amount > \$1,000,000 to <= \$2,000,000: 9 months PITIA • Loan amount > \$2,000,000: 12 months PITIA • Two (2) months of PITIA is required for each additional financed property



Access Non-QM – Agency Plus Matrix

Topic	Previous Guideline	New Guideline – 02/12/24
		<ul style="list-style-type: none"> Cash-out proceeds may be used to satisfy reserve requirements, regardless of LTV/CLTV

Access Non-QM – Alt Income Matrix

**** Changes apply to Bank Statements, One Year Full Doc, 1099s, CPA Prepared P&L, Asset Utilization, and Asset Qualifier, unless guidelines indicate otherwise ****

Topic	Previous Guideline	New Guideline – 02/12/24
Asset Utilization & Asset Qualifier Eligibility	<p>Currently, the Asset Utilization and Asset Qualifier documentation types have their own LTV matrices with the following eligibility:</p> <p><u>Asset Utilization</u></p> <ul style="list-style-type: none"> Max \$3,000,000 loan amount Up to 80% LTV/CLTV Minimum 660 FICO Primary Residence, Second Home, and Investment allowed Purchase, Rate/Term, and Cash-Out allowed <p><u>Asset Qualifier</u></p> <ul style="list-style-type: none"> Max \$2,500,000 loan amount Up to 70% LTV/CLTV Minimum 640 FICO Primary Residence, Second Home, and Investment allowed Purchase and Rate/Term allowed 	<p><i>Asset Utilization and Asset Qualifier eligibility incorporated within Access Alt Income matrix.</i></p> <p>Asset Utilization and Asset Qualifier documentation types now follow the same LTV matrix as Access Alt Income (Bank Statements, 1099s, One Year Full Doc, and CPA Prepared P&L), <u>except</u> for the 80% maximum LTV/CLTV and minimum 660 credit score restrictions.</p> <p><u>Asset Utilization</u></p> <ul style="list-style-type: none"> Max \$3,500,000 loan amount Up to 80% LTV/CLTV Minimum 660 FICO Primary Residence, Second Home, and Investment allowed Purchase, Rate/Term, and Cash-Out allowed <p><u>Asset Qualifier</u></p> <ul style="list-style-type: none"> Max \$3,500,000 loan amount Up to 80% LTV/CLTV Minimum 660 FICO Primary Residence, Second Home, and Investment allowed Purchase, Rate/Term, and Cash-Out allowed
Primary Residence – Eligibility Update Highlights	<p><u>Purchase & Rate/Term</u></p> <ul style="list-style-type: none"> Maximum \$3,000,000 loan amount \$2,500,000 loan amount to 70% LTV/CLTV with minimum 680 FICO \$2,000,000 loan amount to 85% LTV/CLTV with minimum 720 FICO \$1,500,000 loan amount to 85% LTV/CLTV with minimum 680 FICO Separate 1-unit and 2-4 unit eligibility, in most cases <p><u>Cash-Out</u></p> <ul style="list-style-type: none"> \$1,000,000 loan amount to 70% LTV with minimum 660 FICO Separate 1-unit and 2-4 unit eligibility, in most cases 	<p><u>Purchase & Rate/Term</u></p> <ul style="list-style-type: none"> NEW eligibility for \$3,500,000 loan amount to 65% LTV/CLTV with minimum 740 FICO NEW eligibility for \$3,500,000 loan amount to 60% LTV/CLTV with minimum 720 FICO UPDATED eligibility for \$2,500,000 loan amount to 70% LTV/CLTV with minimum 660 FICO UPDATED eligibility for \$2,000,000 loan amount to 85% LTV/CLTV with minimum 740 FICO NEW eligibility for \$1,500,000 loan amount to 85% LTV/CLTV with minimum 700 FICO UPDATED eligibility for \$1,500,000 loan amount to 80% LTV/CLTV with minimum 680 FICO Combined 1-unit and 2-4 unit eligibility, in most cases



Access Non-QM – Alt Income Matrix

** Changes apply to Bank Statements, One Year Full Doc, 1099s, CPA Prepared P&L, Asset Utilization, and Asset Qualifier, unless guidelines indicate otherwise **

Topic	Previous Guideline	New Guideline – 02/12/24
		<p><u>Cash-Out</u></p> <ul style="list-style-type: none"> NEW eligibility for \$2,500,000 loan amount to 70% LTV/CLTV with minimum 720 FICO NEW eligibility for \$2,500,000 loan amount to 60% LTV/CLTV with minimum 680 FICO NEW eligibility for \$2,000,000 loan amount to 75% LTV/CLTV with minimum 740 FICO for 2-4 unit NEW eligibility for \$1,500,000 loan amount to 75% LTV/CLTV with minimum 700 FICO for 2-4 unit NEW eligibility for \$1,000,000 loan amount to 80% LTV/CLTV with minimum 740 FICO UPDATED eligibility for \$1,000,000 loan amount to 75% LTV/CLTV with minimum 700 FICO Combined 1-unit and 2-4 unit eligibility, in most cases <p style="color: red;">**Refer to Access Alt Income matrix for complete eligibility details**</p>
Second Home – Eligibility Update Highlights	<p><u>Purchase & Rate/Term</u></p> <ul style="list-style-type: none"> Maximum \$2,500,000 loan amount Maximum 80% LTV/CLTV <p><u>Cash-Out</u></p> <ul style="list-style-type: none"> Maximum \$2,000,000 loan amount Maximum 70% LTV/CLTV 	<p><u>Purchase & Rate/Term</u></p> <ul style="list-style-type: none"> NEW eligibility for \$3,500,000 loan amount to 60% LTV/CLTV with minimum 720 FICO NEW eligibility for \$3,000,000 loan amount to 70% LTV/CLTV with minimum 700 FICO NEW eligibility for \$2,500,000 loan amount to 70% LTV/CLTV with minimum 680 FICO NEW eligibility for \$2,500,000 loan amount to 65% LTV/CLTV with minimum 660 FICO NEW eligibility for \$2,000,000 loan amount to 75% LTV/CLTV with minimum 680 FICO NEW eligibility for \$1,000,000 loan amount to 85% LTV/CLTV with minimum 700 FICO NEW eligibility for \$1,000,000 loan amount to 80% LTV/CLTV with minimum 660 FICO <p><u>Cash-Out</u></p> <ul style="list-style-type: none"> NEW eligibility for \$3,000,000 loan amount to 60% LTV/CLTV with minimum 700 FICO NEW eligibility for \$2,500,000 loan amount to 65% LTV/CLTV with minimum 700 FICO NEW eligibility for \$1,500,000 loan amount to 75% LTV/CLTV with minimum 720 FICO



Access Non-QM – Alt Income Matrix

** Changes apply to Bank Statements, One Year Full Doc, 1099s, CPA Prepared P&L, Asset Utilization, and Asset Qualifier, unless guidelines indicate otherwise **

Topic	Previous Guideline	New Guideline – 02/12/24
		<ul style="list-style-type: none"> NEW eligibility for \$1,000,000 loan amount to 75% LTV/CLTV with minimum 700 FICO NEW eligibility for \$1,000,000 loan amount to 70% LTV/CLTV with minimum 660 FICO <p style="color: red; font-weight: bold;">**Refer to Access Alt Income matrix for complete eligibility details**</p>
Investment – Eligibility Update Highlights	<p><u>Purchase & Rate/Term</u></p> <ul style="list-style-type: none"> Maximum \$2,000,000 loan amount Maximum 80% LTV/CLTV Separate 1-unit and 2-4 unit eligibility, in most cases <p><u>Cash-Out</u></p> <ul style="list-style-type: none"> Maximum \$2,000,000 loan amount Maximum 70% LTV/CLTV Separate 1-unit and 2-4 unit eligibility, in most cases 	<p><u>Purchase & Rate/Term</u></p> <ul style="list-style-type: none"> NEW eligibility for \$3,000,000 loan amount to 70% LTV/CLTV with minimum 700 FICO NEW eligibility for \$2,500,000 loan amount to 75% LTV/CLTV with minimum 700 FICO NEW eligibility for \$2,500,000 loan amount to 70% LTV/CLTV with minimum 680 FICO NEW eligibility for \$2,500,000 loan amount to 65% LTV/CLTV with minimum 660 FICO NEW eligibility for \$1,500,000 loan amount to 75% LTV/CLTV with minimum 660 FICO NEW eligibility for \$1,000,000 loan amount to 85% LTV/CLTV with minimum 700 FICO NEW eligibility for \$1,000,000 loan amount to 80% LTV/CLTV with minimum 660 FICO Combined 1-unit and 2-4 unit eligibility, in all cases <p><u>Cash-Out</u></p> <ul style="list-style-type: none"> NEW eligibility for \$3,000,000 loan amount to 60% LTV/CLTV with minimum 700 FICO NEW eligibility for \$2,500,000 loan amount to 65% LTV/CLTV with minimum 700 FICO NEW eligibility for \$1,500,000 loan amount to 75% LTV/CLTV with minimum 720 FICO NEW eligibility for \$1,500,000 loan amount to 70% LTV/CLTV with minimum 660 FICO NEW eligibility for \$1,000,000 loan amount to 75% LTV/CLTV with minimum 700 FICO Combined 1-unit and 2-4 unit eligibility, in all cases <p style="color: red; font-weight: bold;">**Refer to Access Alt Income matrix for complete eligibility details**</p>
2-4 Unit Property	<ul style="list-style-type: none"> Max 80% LTV/CLTV 	<ul style="list-style-type: none"> Max 85% LTV/CLTV
Warrantable Condo	<ul style="list-style-type: none"> Max 90% LTV/CLTV 	<ul style="list-style-type: none"> Max 85% LTV/CLTV
Rural Property	<ul style="list-style-type: none"> Max 75% LTV/CLTV for Purchase and Rate/Term Max 70% LTV/CLTV for Cash-Out 	<ul style="list-style-type: none"> Max 75% LTV/CLTV for Purchase, Rate/Term and Cash-Out



Access Non-QM – Alt Income Matrix

** Changes apply to Bank Statements, One Year Full Doc, 1099s, CPA Prepared P&L, Asset Utilization, and Asset Qualifier, unless guidelines indicate otherwise **

Topic	Previous Guideline	New Guideline – 02/12/24
Non-Warrantable Condo, including Condo/Hotel	<ul style="list-style-type: none"> Max 75% LTV/CLTV for Purchase and Rate/Term Max 70% LTV/CLTV for Cash-Out 	<ul style="list-style-type: none"> Max 80% LTV/CLTV for Purchase, Rate/Term and Cash-Out
Cash-Out Transactions	<ul style="list-style-type: none"> If LTV/CLTV \leq 70%, \$1,000,000 maximum cash-in-hand If LTV/CLTV $>$ 70%, \$750,000 maximum cash-in-hand 	<ul style="list-style-type: none"> If LTV/CLTV \leq 60%, unlimited cash-in-hand If LTV/CLTV $>$ 60%, \$750,000 maximum cash-in-hand
Reserve Requirements	<ul style="list-style-type: none"> Loan amount \leq \$1,500,000: <ul style="list-style-type: none"> LTV \leq 85%: 6 months PITIA LTV $>$ 85%: 12 months PITIA Loan amount $>$ \$1,500,000 to \leq \$2,500,000: 9 months PITIA Loan amount $>$ \$2,500,000: 12 months PITIA Cash-out proceeds may be used to satisfy reserve requirements up to a 70% LTV/CLTV 	<ul style="list-style-type: none"> Loan amount \leq \$1,000,000: <ul style="list-style-type: none"> LTV \leq 70%: 3 months PITIA LTV $>$ 70%: 6 months PITIA Loan amount $>$ \$1,000,000 to \leq \$2,000,000: 9 months PITIA Loan amount $>$ \$2,000,000: 12 months PITIA Two (2) months of PITIA is required for each additional financed property Cash-out proceeds may be used to satisfy reserve requirements, regardless of LTV/CLTV Note: Above reserve requirements do not apply for Asset Qualifier documentation type.

Access Non-QM – DSCR Matrix

Topic	Previous Guideline	New Guideline – 02/12/24
Purchase and Rate/Term for 1-4 Unit	Eligibility up to \$2,000,000 loan amount: <ul style="list-style-type: none"> 75% LTV with minimum 720 FICO and 1.0 DSCR 70% LTV with minimum 700 FICO and 1.0 DSCR 	Added NEW eligibility up to \$2,000,000 loan amount. <ul style="list-style-type: none"> 75% LTV with minimum 720 FICO and 1.0 DSCR 70% LTV with minimum 700 FICO and 1.0 DSCR 65% LTV with minimum 680 FICO and 1.0 DSCR 60% LTV with minimum 660 FICO and 1.0 DSCR
Purchase and Rate/Term for 1-4 Unit	Eligibility up to \$1,500,000 loan amount: <ul style="list-style-type: none"> 75% LTV with minimum 700 FICO and 1.0 DSCR 	Added NEW eligibility up to \$1,500,000 loan amount. <ul style="list-style-type: none"> 75% LTV with minimum 700 FICO and 1.0 DSCR 70% LTV with minimum 680 FICO and 1.0 DSCR 65% LTV with minimum 660 FICO and 1.0 DSCR
Cash-Out for 1-4 Unit	Eligibility up to \$1,500,000 loan amount: <ul style="list-style-type: none"> 70% LTV with minimum 720 FICO and 1.0 DSCR 	Eligibility up to \$1,500,000 loan amount: <ul style="list-style-type: none"> 75% LTV with minimum 720 FICO and 1.0 DSCR
Cash-Out for 1-4 Unit	Eligibility up to \$1,000,000 loan amount: <ul style="list-style-type: none"> 70% LTV with minimum 700 FICO and 1.0 DSCR 65% LTV with minimum 680 FICO and 1.0 DSCR 	Eligibility up to \$1,000,000 loan amount: <ul style="list-style-type: none"> 70% LTV with minimum 700 FICO and 1.0 DSCR 65% LTV with minimum 660 FICO and 1.0 DSCR
Cash-Out Transactions	Maximum cash-in-hand of \$1,000,000, regardless of LTV.	<ul style="list-style-type: none"> If LTV \leq 60%, unlimited cash-in-hand If LTV $>$ 60%, \$500,000 maximum cash-in-hand
Warrantable Condo	<ul style="list-style-type: none"> Max 80% LTV 	<ul style="list-style-type: none"> Max 75% LTV



Access Non-QM – DSCR Matrix

Topic	Previous Guideline	New Guideline – 02/12/24
Non-Warrantable Condo, including Condotel	<ul style="list-style-type: none"> Max 75% LTV for Purchase and Rate/Term Max 65% LTV for Cash-Out 	<ul style="list-style-type: none"> Max 75% LTV for Purchase and Rate/Term Max 70% LTV for Cash-Out
Rural Property	Allowed, subject to the following: <ul style="list-style-type: none"> Maximum 2 acres Max 80% LTV 	Allowed, subject to the following: <ul style="list-style-type: none"> Maximum 2 acres Max 75% LTV
Reserve Requirements	Reserve requirements are based on the PITIA of the subject property. <ul style="list-style-type: none"> Loan amount \leq \$1,500,000: 6 months reserves Loan amount $>$ \$1,500,000: 9 months reserves Cash-out funds are allowed to be used as reserves up to a 70% LTV 	Reserve requirements are based on the PITIA of the subject property. <ul style="list-style-type: none"> Loan amount \leq \$500,000 AND \leq 70% LTV: 3 months PITIA Loan amount \leq \$500,000 AND $>$ 70% LTV: 6 months PITIA Loan amount $>$ \$500,000: 6 months PITIA Cash-out proceeds may be used to satisfy reserve requirements, regardless of LTV/CLTV

**** Effective for loans REGISTERED on or after February 1, 2024 ****

Guideline Updates – Access, Edge, Elite & Foreign National

Arc Underwriting Guide		
** Changes apply to Access, Edge, Elite, and Foreign National, unless guidelines indicate otherwise **		
Topic	Previous Guideline	New Guideline – 02/01/24
Geographic Restrictions <i>(Access, Edge, Elite, Foreign National)</i>	Hawaii is eligible for Delegated Correspondents only.	Hawaii is eligible for Wholesale, Non-Delegated Correspondents, and Delegated Correspondents.
New Jersey Prepayment Penalty <i>(Access, Edge)</i>	<p><u>Wholesale</u> A prepayment penalty in New Jersey is only allowed when closing in the name of an entity, subject to applicable entity vesting requirements.</p> <p><u>Correspondent</u> A prepayment penalty in New Jersey is not allowed.</p>	<p><u>Wholesale</u> A prepayment penalty in New Jersey is only allowed for Access and Edge Debt Service Coverage Ratio (DSCR) products when closing in the name of an entity, subject to applicable entity vesting requirements.</p> <p><u>Correspondent</u> A prepayment penalty in New Jersey is only allowed for Access and Edge Debt Service Coverage Ratio (DSCR) products when closing in the name of an entity, subject to applicable entity vesting requirements.</p>



**** Effective for ALL loans ****

Eligibility Update – Edge ONLY

Edge – Agency Plus		
Topic	Previous Guideline	New Guideline – 01/26/24
Second Home & Investment – Max LTV	Maximum 85% LTV allowed for Second Home & Investment transactions.	Maximum 80% LTV allowed for Second Home & Investment transactions.

