

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 December 4, 2023 ****

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 – 12/04/23
Purchase Transaction – Property Flipping Exclusions	<p>If the Seller is any of the following, then flipping guidelines do not apply:</p> <ul style="list-style-type: none"> • A local, state, or federal government agency • A person who acquired title on the property via foreclosure, deed-in-lieu of foreclosure, or other similar judicial or non-judicial procedure through that person's exercise of rights as the holder of a defaulted loan • A nonprofit entity as part of a local, state, or federal government program that lets nonprofits acquire title to single-family properties for resale from a seller who itself acquired title to the property through foreclosure, deed-in-lieu of foreclosure, or other similar judicial or nonjudicial procedure • A person who inherited the property or acquired it through a court-ordered dissolution of marriage, civil union, or domestic partnership, or through the partition of the seller's joint or marital assets • An employer or relocation agency in connection with an employee relocation • A service member, as defined in 50 U.S.C. appendix 511(1) 5, who received a deployment or permanent change of station order after purchasing the property 	<p>Removed person who acquired via foreclosure, deed-in-lieu of foreclosure, or other similar judicial/non-judicial procedure.</p> <p>If the Seller is any of the following, then flipping guidelines do not apply:</p> <ul style="list-style-type: none"> • A local, state, or federal government agency • A nonprofit entity as part of a local, state, or federal government program that lets nonprofits acquire title to single-family properties for resale from a seller who itself acquired title to the property through foreclosure, deed-in-lieu of foreclosure, or other similar judicial or nonjudicial procedure • A person who inherited the property or acquired it through a court-ordered dissolution of marriage, civil union, or domestic partnership, or through the partition of the seller's joint or marital assets • An employer or relocation agency in connection with an employee relocation • A service member, as defined in 50 U.S.C. appendix 511(1) 5, who received a deployment or permanent change of station order after purchasing the property
Cash-Out Refinance (Access, Edge)	<p>The property must have been purchased (or acquired) by the borrower at least six (6) months prior to the Note Date of the new mortgage except for the following, which are acceptable:</p> <ul style="list-style-type: none"> • Inherited Properties • Delayed Financing 	<p>At least one borrower must be on title at least six (6) months prior to the Note Date of the new mortgage except for the following, which are acceptable:</p> <ul style="list-style-type: none"> • Inherited Properties • Delayed Financing

Arc Underwriting Guide

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

Topic	Previous Guideline	New Guideline – 12/04/23
Properties Listed for Sale	For proof of subject property delisting, a copy of the cancelled listing along with a current Multiple Listing Service (MLS) search to verify that the property is not currently listed by a different real estate agency must be placed in the file.	Proof that the subject property listing agreement has been terminated is required. Provide a copy of the cancelled listing along with a current Multiple Listing Service (MLS) search to verify that the property is not currently listed by a different real estate agency.
Vesting in the Name of an Entity – Eligibility (Access, Edge)	<ul style="list-style-type: none"> At least one owner must complete the application (Form 1003) and, as applicable, may be subject to a full underwrite for credit, income, assets. The owner(s) completing the Form 1003 must, in the aggregate, directly and personally own at least 25% of the Entity. Section labelled “Title will be held in what Name(s)” should be completed with only the Entity name. The Note must be executed by all borrowers and the Entity (the borrower will sign on behalf of the Entity). The Deed and Security Instrument must be executed by the Entity (the borrower will sign on behalf of the Entity). An Accommodation Rider to the Security Instrument MUST be signed/executed by the Entity. 	<ul style="list-style-type: none"> Where the co-mortgagors are both the Entity and a natural person(s): <ul style="list-style-type: none"> At least one Entity owner must complete the application (Form 1003) and, as applicable, may be subject to a full underwrite for credit, income, assets. The Entity owner(s) completing the Form 1003 must, in the aggregate, directly and personally own at least 25% of the Entity. Section labelled “Title will be held in what Name(s)” should be completed with only the Entity name. The Note must be executed by all borrowers and the Entity (the borrower will sign on behalf of the Entity). The Deed and Security Instrument must be executed by the Entity (the borrower will sign on behalf of the Entity). In Delegated Correspondent, if the Entity is the sole mortgagor, the following is required: <ul style="list-style-type: none"> A personal guarantee must be provided by each member of the Entity Each Entity member providing a personal guarantee must: <ul style="list-style-type: none"> Complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guarantee needs to be reflected on the 1003 loan application. The application of each member providing a personal guarantee and their credit score, and creditworthiness will also be used to determine qualification and pricing. <ul style="list-style-type: none"> Section on the 1003 labelled “Title will be held in what Name(s)” should be completed with only the Entity name. Sign the following documents as an authorized signatory of the Entity: <ul style="list-style-type: none"> Form 1003 All Disclosures (e.g., GFE, TIL, ECOA) Any state or federally required settlement statements Note, Deed of Trust/Mortgage, and all Riders



Arc Underwriting Guide

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

Topic	Previous Guideline	New Guideline – 12/04/23
		<ul style="list-style-type: none"> ○ The guarantee should be executed at loan closing and dated the same date as the Note. ○ A Spousal Consent to Pledge is required for all loan amounts of \$1,000,000 or greater ○ A personal guarantee from community property state (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge. ○ A Business Loan Rider must be executed. No Correspondent Seller shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the members of the Entity.
LLC and Corporation Registered Agent (Access, Edge)	If the mortgaged property is not located in the LLC/Corporation home state, the LLC/Corporation shall appoint a registered agent to receive service of legal process in the state in which the property is located and provide evidence of such appointment.	Removed – no longer required.
Rural Property (Access, Edge, Elite)	<p>Rural properties as indicated by the appraisal are allowed. Rural properties must comply with the following criteria:</p> <ul style="list-style-type: none"> • Refer to the Product Matrix for any applicable LTV restrictions • The primary use must be residential; • The present use must be the “highest and best use” for the subject property; • The property must not be used for agricultural purposes, or otherwise providing a source of income to the Borrower or for the subject loan; • The photographs must include pictures of the inside of out-buildings; • The lot size and acreage must be typical for the area and similar to the surrounding properties; • The maximum acreage allowed is 20 acres; • The condition, quality and use of outbuildings may be considered in determining the market value of the subject property when the appraiser clearly supports the adjustments with similar comparable information; and • Subject property cannot be subject to any idle acreage tax benefit or other tax incentive program. 	<p>Removed idle acreage tax benefit/tax incentive program limitation.</p> <p>Rural properties as indicated by the appraisal are allowed. Rural properties must comply with the following criteria:</p> <ul style="list-style-type: none"> • Refer to the Product Matrix for any applicable LTV restrictions • The primary use must be residential; • The present use must be the “highest and best use” for the subject property; • The property must not be used for agricultural purposes, or otherwise providing a source of income to the Borrower or for the subject loan; • The photographs must include pictures of the inside of out-buildings; • The lot size and acreage must be typical for the area and similar to the surrounding properties; • The maximum acreage allowed is 20 acres; • The condition, quality and use of outbuildings may be considered in determining the market value of the subject property when the appraiser clearly supports the adjustments with similar comparable information; and
Warrantable Condominiums	Silent	HO-6 insurance policy must provide coverage, as determined by the insurer that is sufficient to repair the condominium unit to at least its condition prior to a loss claim event, typically this coverage is equal to 20% of the condominium unit’s appraised value.



Arc Underwriting Guide

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

Topic	Previous Guideline	New Guideline – 12/04/23
Non-Warrantable Condominiums (Access, Edge, Foreign National)	<u>Hazard Insurance</u> : The maximum allowable deductible for all required property insurance perils for one-to four-unit properties is 5% of the property insurance coverage amount.	<u>Hazard Insurance</u> : The maximum allowable deductible for all required property insurance perils for one-to four-unit properties is 10% of the property insurance coverage amount. (Warrantable limit: 5%)
Ineligible Property Types	Silent	<ul style="list-style-type: none"> • Properties less than 500 square feet • Properties without at least one (1) separate bedroom and a fully functioning kitchen with stove/oven (cooktop only not permissible) • Blanket mortgages, where multiple real estate properties are listed as collateral for one loan
Mortgage / Rental History	<ul style="list-style-type: none"> • All financed properties must be properly documented for the purpose of documenting satisfactory mortgage payment history(ies) <ul style="list-style-type: none"> ◦ Other Real Estate Owned (REO): If the loan is seasoned less than 12 months, evidence the existing loan has no 30-day lates since the inception of the loan and no 30-day lates or greater mortgage lates for any first mortgage loans are associated with the property and borrower(s) in the most recent 12 months. ◦ Mortgage history may be waived for the period in which the borrower owns or owned a property free and clear; the loan must include documentation to support the free and clear status of the property. ◦ If a Borrower is living with a spouse and is not obligated on the current mortgage for the current residence. Evidence must be provided that the Borrower is not obligated on the mortgage. If Borrower is listed on the mortgage, a payment history will be required. 	<ul style="list-style-type: none"> • All financed properties must be properly documented for the purpose of documenting satisfactory mortgage payment history(ies) <ul style="list-style-type: none"> ◦ Other Real Estate Owned (REO): If the loan is seasoned less than 12 months, evidence the existing loan has no 30-day lates since the inception of the loan and no 30-day lates or greater mortgage lates for any first mortgage loans are associated with the property and borrower(s) in the most recent 12 months. ◦ Mortgage history may be waived for the period in which the borrower owns or owned a property free and clear; the loan must include documentation to support the free and clear status of the property. ◦ If a Borrower is living with a spouse and is not obligated on the current mortgage for the current residence, review property records to verify that the borrower is not obligated on the note.
Derogatory Credit (Access, Edge, Foreign National)	A Derogatory Credit Event is defined as a short-sale (SS), deed-in-lieu (DIL), mortgage loan charge-off (MCO), foreclosure (FCL) or Chapter 7, 11 or Chapter 13 Bankruptcy (BK), Notice of Default (NOD). A modification is not a Derogatory Credit Event.	A Derogatory Credit Event is defined as a short-sale (SS), deed-in-lieu (DIL), mortgage loan charge-off (MCO), pre-foreclosure , foreclosure (FCL), Chapter 7, 11, 13 Bankruptcy (BK), Notice of Default (NOD), or 120-day late payment . A modification is not a Derogatory Credit Event. A written explanation for all derogatory credit is required.
Employment Gap	Silent	Gaps of employment greater than 90 days must be explained in writing by the borrower.



Arc Underwriting Guide

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

Topic	Previous Guideline	New Guideline – 12/04/23
Mortgage Credit Certificates (MCCs) as Income	Silent	Mortgage credit certificates (MCCs) enable an eligible first-time homebuyer to obtain a mortgage secured by their principal residence and to claim a federal tax credit for a specified percentage (usually 20% to 25%) of the mortgage interest payments. MCCs are not allowed as income.
Asset Verification	Full Asset verification is required for both funds to close and reserves. Assets must be seasoned for at least sixty (60) days, in accordance with Fannie Mae Verification of Deposits and Assets Guidelines. The most recent two (2) months' statements or the most recent quarterly statement is required.	Full Asset verification is required for both funds to close and reserves. Asset statements must cover 30 days of account activity , in accordance with Fannie Mae Verification of Deposits and Assets Guidelines. The most recent month statement or the most recent quarterly statement is required.
Business Funds (Access, Edge, Elite)	Business funds may be used for down payment, closing costs and reserves with the following documentation: <ul style="list-style-type: none"> The business funds must be sourced and seasoned for sixty (60) 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 firms 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/or reserves. 	Business funds may be used for down payment, closing costs and reserves with the following documentation: <ul style="list-style-type: none"> The business funds must be sourced and seasoned for thirty (30) 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 firms 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. 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. If business statements show payments being made to a loan, the loan terms must be provided to verify whether the business assets were used as collateral for the loan and verify that assets are allowed to be withdrawn for personal use, so that Arc Home's lien is not in 2nd lien position.
Credit Card Financing	Silent	Credit card financing for the payment of common and customary fees paid outside of closing is allowed up to a maximum of 2% of the loan amount. The borrower must have sufficient liquid funds (financial reserves) to cover these charges (in addition to funds needed for other closing costs and the down payment that they will be paying).



Arc Underwriting Guide

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

Topic	Previous Guideline	New Guideline – 12/04/23
Foreign Assets	<p>When the source of funds needed for down payment, closing costs or reserves is, or otherwise originates from, asset(s) located outside the United States and its territories, the funds must be transferred into a United States or State regulated financial institution at least ten (10) days prior to closing and the funds must be currently available to the borrower.</p> <p>All foreign currency amounts must be converted to U.S. dollars.</p>	<p>When the source of funds needed for down payment, closing costs or reserves is, or otherwise originates from, asset(s) located outside the United States and its territories, the funds must be transferred into a United States or State regulated financial institution or to the title company at least ten (10) days prior to closing and the funds must be currently available to the borrower.</p> <p>All foreign currency amounts must be converted to U.S. dollars using the current exchange rate.</p>
Gift Funds (Access, Edge, Elite)	<p>Gifts must be evidenced by a gift letter signed by the donor. The gift letter must:</p> <ul style="list-style-type: none"> • Specify the dollar amount of the gift, • Specify the date the funds were transferred, • Include the donor's statement that no repayment is expected, and • Indicate the donor's name, address, telephone number, and relationship to the borrower. 	<p>Removed requirement to specify the date of funds transfer.</p> <p>Gifts must be evidenced by a gift letter signed by the donor. The gift letter must:</p> <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.
Real Estate Commission as Asset	Not allowed	<p>When the borrower is acting as their own real estate agent, real estate commission earned from the sale of the subject property being purchased is an eligible source of funds for down payment and closing costs provided the borrower is a licensed real estate agent. The borrower may not be the listing and the selling agent. The following documentation is required:</p> <ul style="list-style-type: none"> • The settlement statement must reflect the commission earned by the borrower, and • The earned commission amount must be credited towards the mortgage loan.
Margin Accounts	Not allowed	<p>While Margin accounts are acceptable for down payment, closing costs and reserves as funds secured by an asset, funds that have been allocated as Margined/Pledged/Collateral assets are NOT allowed. Any funds required for closing must be liquidated. After liquidation, any funds still available to be borrowed (the value of the Margined/Pledged/Collateral asset reduced by the outstanding loan balances and accrued interest and fees) may be used for reserves.</p> <p>Funds secured by an asset/Margin/Margined/Pledged/Collateral assets/loans are not allowed to be used as income on Asset Utilization or Asset Qualification products.</p>



Alt Income Guideline Updates – Access, Edge & Elite ONLY

Access & Edge Non-QM and Elite QM – Alt Income (as applicable by product)		
Topic	Previous Guideline	New Guideline – 12/04/23
1099 Income (Access, Edge, Elite)	<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 may be in the borrower’s name or the borrower’s business name if the business does not have any employees (such as sole proprietor, single member LLC, DBAs, independent contractor). Partnerships, S-corporations, and Corporations are not allowed. The underwriter must review the file and notate on the 1008 whether the borrower has any employees. They can review for red flags, such as the borrower disclosing that they have employees, or the borrower’s employment industry doesn't make sense for a “gig economy” worker, or documentation from the CPA.</p> <p>Borrower must have a minimum 2-year history of 1099 employment:</p> <ul style="list-style-type: none"> • If the borrower is not self-employed, they must be employed at the same company for a minimum of two years. • If the borrower is self-employed and receiving the 1099 in their own name, then proof of business ownership is not required. • If the borrower is self-employed and receiving the 1099 in their business name, the borrower must be 100% owner. The borrower’s ownership percentage and length of ownership must be verified. • Letter from licensed CPA with PTIN (preparer tax identification number). • Business Formation Documents (DBA, Articles of Incorporation). 	<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.</p>
Business Narrative (Access, Edge, Elite)	<p>Arc’s Business Narrative must be completed by the Borrowers.</p> <p>However, in Delegated Correspondent, a similar form may be completed by the Borrowers in lieu of Arc’s Business Narrative.</p>	<p>Arc’s Business Narrative must be completed by the Borrowers.</p> <p>A similar form may be completed by the Borrowers in lieu of Arc’s Business Narrative.</p>
CPA Prepared P&L Documentation (Access, Edge)	<ul style="list-style-type: none"> • No less than the most recent 12-month Profit & Loss Statement (P&L) prepared, signed, and dated by a CPA for a period ending within 60 days of closing. • Either Arc Home’s CPA Relationship Letter OR a signed and dated letter from the CPA on their firm’s letterhead evidencing the signer’s contact information and confirming all requirements. • A minimum two (2) months of business bank statements covering the most recent two (2) month period. The two (2) months of business bank statements must support the gross receipts/sales reflected on the P&L statement prepared by the CPA. The average deposits from the bank statements must be greater than, or no less 	<p>Removed requirement for supporting bank statements to be from a business account.</p> <ul style="list-style-type: none"> • No less than the most recent 12-month Profit & Loss Statement (P&L) prepared, signed, and dated by a CPA for a period ending within 60 days of closing. • Either Arc Home’s CPA Relationship Letter OR a signed and dated letter from the CPA on their firm’s letterhead evidencing the signer’s contact information and confirming all requirements. • A minimum two (2) months of bank statements covering the most recent two (2) month period. The two (2) months of bank



Access & Edge Non-QM and Elite QM – Alt Income (as applicable by product)

Topic	Previous Guideline	New Guideline – 12/04/23
	than 10% below the average monthly sales. In the event the 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met.	statements must support the gross receipts/sales reflected on the P&L statement prepared by the CPA. The average deposits from the bank statements must be greater than, or no less than 10% below the average monthly sales. In the event the 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met.
CPA Prepared P&L Income Calculation (Access, Edge)	Perform a 12-month average calculation of net income from the provided profit and loss statement, multiplied by the borrower's percentage of ownership. Depreciation and W-2 wages are <u>not</u> added back into the net income.	<ul style="list-style-type: none"> Perform a 12-month average calculation of net income from the provided profit and loss statement, multiplied by the borrower's percentage of ownership. Depreciation and W-2 wages are <u>not</u> added back into the net income. If more than 12 months are provided, take the average net income from the provided profit and loss statement for all months provided, multiplied by the borrower's percentage of ownership. Depreciation and W-2 wages are <u>not</u> added back into the net income.
One Year Full Doc – Documentation Requirements – Wage Earner (Access, Elite)	Documentation is the same as Full documentation requirements per the Arc Underwriting Guide, except only the most recent year W-2, and YTD paystubs covering at least 30 days is required OR written VOE (Form 1005 or third-party service such as The Work Number) referencing prior year and most recent year-to-date income.	<p>The following reduced documentation is required:</p> <ul style="list-style-type: none"> Most recent year W-2 and YTD paystubs covering at least 30 days, OR Written VOE (Form 1005 or third-party service such as The Work Number) referencing prior year and most recent year-to-date income and most recent paystub.
Self-Employment History – Alt Income (Access, Edge, Elite)	<ul style="list-style-type: none"> Borrower must be self-employed for at least two (2) years and owned the business used in qualifying for at least two (2) years. The business used in qualifying must have existed/active for at least two (2) years. 	<ul style="list-style-type: none"> Borrower must be self-employed for at least two (2) years and owned the business used in qualifying for at least two (2) years. The business used in qualifying must have existed/active for at least two (2) years. Borrowers with less than two (2) years as self-employed may be eligible under one of the following options: <ul style="list-style-type: none"> Option 1: Must be self-employed for a minimum of 18 months and must have a minimum of three (3) years prior experience in the same line of business. <ul style="list-style-type: none"> Minimum 700 score Max 80% LTV on Primary Residence, max 75% LTV on Second Home, max 70% LTV on Investment Option 2: Self-employed borrowers in a licensed profession (i.e., Medical, Legal, Accounting) must be self-employed for a minimum of 12 months AND must have a minimum of three (3) years prior experience in the same line of business or education. <ul style="list-style-type: none"> Minimum 700 score



Access & Edge Non-QM and Elite QM – Alt Income (as applicable by product)

Topic	Previous Guideline	New Guideline – 12/04/23
		<ul style="list-style-type: none"> Max 80% LTV on Primary Residence, max 75% LTV on Second Home, max 70% LTV on Investment

DSCR Guideline Updates – Access & Edge ONLY

Access & Edge – DSCR Non-QM Matrix

Topic	Previous Guideline	New Guideline – 12/04/23
Credit/Payment History Requirements	Payment history requirements: 0x30x12 mortgage/rental history on the subject property and the borrower's primary residence.	Payment history requirements: 0x30x12 mortgage/rental history on the subject property and the borrower's primary residence; however, any mortgages reported on the credit report must reflect a 0x30x12 payment history.
Gift Funds	<p>Gift funds and gifts of equity are not permitted for down payment and closing costs or reserves.</p> <p>Large deposits do not need to be sourced on purchase or refinance transactions. However, if the large deposit appears to be a gift in nature, then a letter of explanation from the borrower is required to validate that the deposit is not a gift.</p>	<p>Gift funds are permitted for down payment and closing costs on purchase transactions with a 10% borrower contribution AND a minimum 1.00 DSCR. Gift funds are not permitted for reserves.</p> <p>Gifts of equity are not permitted for down payment, closing costs or reserves.</p> <p>Large deposits do not need to be sourced on purchase or refinance transactions.</p>
DSCR Calculation	<p>Lease Agreement:</p> <ul style="list-style-type: none"> Monthly Gross Rents are determined by the lower of the lease agreement amount or market rent from 1007/1025. The higher 12-month lease agreement amount may be used with evidence of 2-months of receipt and the lease agreement amount may not be greater than 125% of the market rent from the 1007/1025. <p>Short-Term Rental Income (such as AirBNB/VRBO income):</p> <ul style="list-style-type: none"> Monthly Gross Rents are determined by the lower of the 12-month average payout amount or market rent from 1007/1025. The higher 12-month average payout amount may be used provided it is not greater than 125% of the estimated market rent from the 1007/1025. 	<p>Lease Agreement:</p> <ul style="list-style-type: none"> Monthly Gross Rents are determined by the lower of the lease agreement amount or market rent from 1007/1025. On Refinance transactions, the higher 12-month lease agreement amount may be used with evidence of 2-months history of timely receipt and the lease agreement amount may not be greater than 125% of the market rent from the 1007/1025. <p>Short-Term Rental Income (such as AirBNB/VRBO income):</p> <ul style="list-style-type: none"> On Purchase transactions, monthly Gross Rents are determined by the higher of the short-term market rent from 1007/1025 or the 12-month average revenue multiplied by the occupancy rate from AirDNA as long as the AirDNA is not greater than 125% of the short-term market rent. If the 1007/1025 was completed with long-term rents, the 12-month average revenue from AirDNA may be used regardless of the higher percentage. On Refinance transactions, the monthly Gross Rents are determined by the 12-month average payout amount. If the property has not been rented 12 months, use the short-term market rent from 1007/1025.



Access & Edge – DSCR Non-QM Matrix

Topic	Previous Guideline	New Guideline – 12/04/23
DSCR Documentation – Purchase Transaction – Short-Term Rental Income	<p>For purchase transactions:</p> <ul style="list-style-type: none"> Short-Term Rental Income (such as AirBNB/VRBO income) is allowed with the following parameters: <ul style="list-style-type: none"> Use the nightly, weekly, monthly, or seasonal market rent from the Comparable Rent Schedule Form 1007 or 1025 (as available per market) OR an AirDNA Rentalizer report provided by the Broker or Correspondent. The AirDNA Rentalizer report must meet the following requirements: <ul style="list-style-type: none"> Forecast period must cover 12 months from Note Date The occupancy rate must be > 60% Must have five (5) comparable properties, all within the same ZIP code Must be similar in size, room count, amenities, availability, and occupancy Subject property must in an area that is common for short term rentals 1.50 DSCR required First time investor NOT allowed 	<p>For purchase transactions:</p> <ul style="list-style-type: none"> Short-Term Rental Income (such as AirBNB/VRBO income) is allowed with the following parameters: <ul style="list-style-type: none"> Use the nightly, weekly, monthly, or seasonal market rent from the Comparable Rent Schedule Form 1007 or 1025 (as available per market) OR an AirDNA Rentalizer report provided by the Broker or Correspondent. The AirDNA Rentalizer report must meet the following requirements: <ul style="list-style-type: none"> Forecast period must cover 12 months from Note Date The occupancy rate must be > 60% Must have five (5) comparable properties, all within the same ZIP code Must be similar in size, room count, amenities, availability, and occupancy Subject property must in an area that is common for short term rentals DSCR calculation: Projected revenue divided by 12 months 1.50 DSCR at 80% LTV 1.25 DSCR at 75% LTV First time investor NOT allowed
DSCR Documentation – Refinance Transaction	<p>All transactions require a landlord's insurance policy on the subject property.</p> <p>Provide a nightly, weekly, monthly, seasonal, or long-term (as available per market) Comparable Rent Schedule Form 1007 or 1025 and either:</p> <ul style="list-style-type: none"> Long-Term Rental Income (Any term between month to month and 12-months): When the property is currently occupied by a tenant, an executed lease agreement is required. For month-to-month lease agreements, a 12-month rental payment history must be documented. <ul style="list-style-type: none"> If a new lease agreement has been executed, it must commence within 60 days after the note date and proof of receipt of security deposit is required. When the property is currently vacant, a 10% LTV reduction from the program max that the borrower qualifies for is required. Borrower must provide a letter of explanation to address why the property is vacant. On a 2-4 unit property, only one unit may be vacant. Short-term renting entity (such as AirBNB/VRBO): Remittance statements from the renting entity covering the most recent 12-month period. 	<p>All transactions require a landlord's insurance policy on the subject property.</p> <p>Provide a nightly, weekly, monthly, seasonal, or long-term (as available per market) Comparable Rent Schedule Form 1007 or 1025 and either:</p> <ul style="list-style-type: none"> Long-Term Rental Income (Any term between month to month and 12-months): When the property is currently occupied by a tenant, an executed lease agreement is required. For month-to-month lease agreements, a 12-month rental payment history must be documented. <ul style="list-style-type: none"> If a new lease agreement has been executed, it must commence within 60 days after the note date and proof of receipt of security deposit is required. When the property is currently vacant, the market rent from 1007/1025 must be used to determine the monthly gross rent. A third-party appraisal review is required when LTV > 65%. Borrower must provide a letter of explanation to address why the property is vacant. Short-term renting entity (such as AirBNB/VRBO): Remittance statements from the renting entity covering the most recent 12-month period.



Access & Edge – DSCR Non-QM Matrix

Topic	Previous Guideline	New Guideline – 12/04/23
	<ul style="list-style-type: none"> ○ The payout amount must be used for qualifying. ○ Refer to DSCR LTV matrix for the minimum DSCR ○ Delayed financing with short-term rental income is not allowed. 	<ul style="list-style-type: none"> ○ The payout amount must be used for qualifying. ○ 1.00 DSCR required ○ Refer to DSCR LTV matrix for additional DSCR requirements ○ Delayed financing with short-term rental income is not allowed.

