Clean Slate DSCR Product Matrix

This product is for business purpose loans on investment properties. Ability to repay is based solely on the income and debts associated with subject property.

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Clean Slate DSCR LTV Matrix Fixed Rate and ARM (including IO)				
DSCR	**Min FICO[6]**	**Max Loan Amount**	**Purchase Rate & Term[1,2,4,5]**	**Cash-Out[1,2,3,4,5]**
DSCR ≥ 1.0	740	$2,500,000	65%	60%
		$2,000,000	75%	70%
		$1,500,000	80%	75%
		$1,000,000	80%	75%
	720	$2,500,000	65%	60%
		$2,000,000	75%	70%
		$1,500,000	80%	75%
		$1,000,000	80%	75%
	700	$2,500,000	65%	60%
		$2,000,000	75%	70%
		$1,500,000	80%	75%
		$1,000,000	80%	75%
	680	$2,000,000	75%	65%
		$1,500,000	80%	75%
		$1,000,000	80%	75%
	660	$2,000,000	70%	60%
		$1,500,000	75%	70%
		$1,000,000	75%	70%
	640	$2,000,000	70%	60%
		$1,500,000	70%	60%
		$1,000,000	70%	60%

Clean Slate DSCR LTV Matrix *(Continued)*
Fixed Rate and ARM (including IO)

DSCR	Min FICO[6]	Max Loan Amount	Purchase Rate & Term[1,2,4,5]	Cash-Out[1,2,3,4,5]
DSCR < 1.0 Minimum 0 .75[1]	740	$2,500,000	60%	55%
		$2,000,000	70%	60%
		$1,500,000	70%	60%
		$1,000,000	70%	60%
	720	$2,500,000	60%	55%
		$2,000,000	70%	60%
		$1,500,000	70%	60%
		$1,000,000	70%	60%
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		$1,000,000	70%	60%
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		$1,500,000	70%	60%
		$1,000,000	70%	60%
	640	$2,000,000	70%	60%
		$1,500,000	70%	60%
		$1,000,000	70%	60%

LTV Matrix Footnotes

1. **Non-Warrantable Condos:**
    - Max LTV: 80% Purchase & 75% for all Refinance transactions
        - For properties in Florida, reduce the max LTV by 5%
    - Min DSCR: 1.0
2. **Rural Property:**
    - Max 75% LTV
3. **Cash-Out transactions:**
    - > 65% LTV: Max $500,000 cash-in-hand
    - ≤ 65% LTV: Unlimited cash-in-hand
4. **Short Term Rental:**
    - Max 75% LTV for Purchase Transactions
    - Max 70% LTV for all Refinance Transactions
    - Min 1.0 DSCR
5. **First Time Investors:**
    - Max 75% LTV for Purchase Transactions;
    - Max 70% for all Refinance Transactions;
    - Minimum 1.0 DSCR
6. **Interest-Only:**
    - Min FICO: 700

Product Details

Amortization Type	Full Principal and Interest: • 15 Year and 30 Year • 5/6m SOFR ARM, 7/6m SOFR ARM Interest Only: • 30 Year Interest only Fixed Rate • 5/6m SOFR IO ARM, 7/6m SOFR Interest only ARM
ARM Information	Caps: 2/2/5 Index: 30 Day SOFR Margin: 3.75% Floor: Margin
Credit Requirements	• All applicant(s) and co-borrowers must meet the credit score requirements individually. • Non-traditional credit report is not permitted.
Housing Payment History	Housing Payment History Requirements: • 1x30x12: eligible with no restrictions • 2x30x12: permitted with max LTV 65% and maximum loan amount of $1.5MM • Acceptable payment history is based on the mortgage/rental history for the subject property and the borrower's primary residence. • Consecutive/Rolling 30-day lates are counted as one 30-day late. • 0x60x12 required • All other mortgages on the credit report must be current. • All other REOs are not required to be disclosed on the 1003. • Any derogatory credit events reported on the credit report must meet seasoning requirements. • First-Time Investors: 0x30x12 Housing • For layered events (e.g. – Derogatory Credit Event + Housing Delinquency): credit approval is required by Credit Risk
Credit Event Seasoning	Borrowers with a derogatory credit event may be eligible if the event is within the following time frames: • >/= 36 months: eligible with no restrictions • 24-35 Months: eligible with max LTV 65% • Less than 24 Months: not permitted. • Refer to the Arc Underwriting Guide for the Derogatory Credit Event definition and seasoning measurement. • First-Time Investors: Min 48 Months seasoning for any derogatory credit event
Declining Market	Refer to the Arc Underwriting Guide.
Minimum Loan Amount	• Minimum $200,000 for LTV > 75% • Minimum $125,000 for LTV </= 75%
Prepayment Penalty	Allowed on Investment Property transactions, which are treated as and Business Purpose loans. May be subject to up to a five-year prepayment penalty or the maximum permitted by state law, whichever is lower. Refer to the Arc Underwriting Guide for state specific requirements.
Property Types	**Eligible:** • 1-4 unit (Detached, Semi Detached, Attached) • PUD (Detached, Attached) • Warrantable Condominium (Detached, Attached) • Non-Warrantable Condominiums - Refer to the Arc Underwriting Guide for details. • Condotels. Refer to the LTV Matrix for LTV restrictions. Refer to the Arc Underwriting Guide for details. • Maximum acreage is 20 acres. Acreage and land value must be typical and common for the subject's market. • Rural properties. **Ineligible**: • Vacant properties are not eligible for refinance

	• Mixed Use properties • Refer to the Arc Underwriting Guide for ineligible property types.
Reserve Requirements	Reserve requirements are based on the PITIA of the subject property. • Loan amount < $1,000,000: 3 months PITIA • Loan amount ≥ $1,000,000 to ≤ $1,500,000: 6 months PITIA • Loan amount > $1,500,000: 9 months PITIA Cash-out funds are allowed to be used as reserves regardless of LTV.

Product Specific Requirements	
Appraisal Requirement	• One appraisal is required for loan amounts ≤ $2,000,000. • Two appraisals are required for loan amounts > $2,000,000. • Form 1007 must be included with the appraisal for both Purchase and Refinance Transactions on one-unit properties. If the property is a 2-4 unit, Fannie Mae form 1025 must be utilized. • Follow the Arc Underwriting Guide for Collateral Review requirements.
Assets/Borrower Contribution	• Gift funds are permitted for down payment and closing costs on purchase transactions with a 5% borrower contribution • Gift funds are not permitted for reserves. • Gift of equity is not permitted for down payment, closing costs or reserves. • Large deposits do not need to be sourced
Attestations	All DSCR loans are “Business Purpose Loans”; therefore, to be eligible for the product, all cash out proceeds must only be used for business purposes (e.g., acquisition/maintenance/improvement of rental properties). Borrowers obtaining a loan under Arc’s DSCR Program must certify that they understand that consumer protection laws applicable to consumer loans will not apply to their business purpose loan and complete the Business Purpose Affidavit.

Borrower Eligibility	**Eligible**:
	• US Citizens
	• Permanent Resident Aliens
	• Non-Permanent Resident Aliens
	• LLC and Corporation provided that the Vesting in the Name of an Entity requirements in the Arc Underwriting Guidelines are met.
	• Inter vivos revocable trusts that meet Fannie Mae guidelines.
	• All borrowers must maintain a primary residence. Evidence of primary occupancy is required.
	  o Borrowers who own a primary residence must provide proof of ownership. The primary residence must meet one of the following:
	    ▪ Must be superior in value and/or appeal to subject property
	    ▪ Is not superior in value only due to the subject property being in a resort area or a 2-4 -unit property
	    ▪ Has been owned for 1 or more years prior to application date
	    ▪ If the primary residence does not meet one of the above reasons, then additional due diligence is required to validate that there is no occupancy fraud.
	  o Non-first-time investors who rent a primary residence must provide evidence of an active lease. The general appeal and location of primary residence must be superior to the subject property. If the primary residence is not superior to the subject property, then additional review by underwriting management is required.

	○ Non-first-time investors who are living rent free must provide proof of a 12-month ownership and landlord history prior to the note date on an REO property. An additional review by underwriting management is required. • For Professional Investors: Investors must have a history of owning and managing commercial or residential real estate in the United States for at least 12 months in the last 3 years prior to note date. Examples of proof of landlord history include: third-party documentation such as DataVerify/Fraud guard/MERS, a lease agreement that has been in effect for at least 12 months, 12 months of rental receipts, 12 months short term rental remittance statements, or Schedule E. Arc Home reserves the right to request specific documentation to validate investor experience. • **First Time Investors** (Any borrower who does not have a history of owning and managing a rental property for 12 months in last 3 years prior to note date.) are allowed on purchase and refinance transactions. ○ Max LTV: 75% Purchase /70% Refinance (all) ○ 0x30x12 and 48 months derogatory credit event seasoning ○ All borrowers must currently own a primary or second home ○ Evidence of a 0x30x12 payment history or that the property is owned free and clear is required. Current rental history may supplement the mortgage history. ○ Borrowers who sold their property and do not currently own another may be eligible with evidence of 0x30x12 in their current rental and previous mortgage. Evidence of free-and-clear ownership may be substituted for mortgage payments on the sold property. ○ Borrowers currently living rent-free may be eligible with evidence they met the housing payment and housing ownership requirements listed above prior to selling their property. ○ Borrower cannot meet the definition of a First-Time Homebuyer (see below). ○ Refinance transactions are allowed when the subject property was acquired within the last year or has been vacant due to recent renovations. For renovations, the appraisal must support that recent work has been completed and provide visual evidence. ○ Short term rental income is allowed Ineligible: • First Time Home Buyers (defined as not owning property within the last 5 years) • Foreign Nationals • Using a Power of Attorney when vesting in the name of an entity or on a cash-out transaction • If the tenant of the subject property is a family member of the borrower, then the transaction is not allowed.
Documentation Type	Doc Type must reflect "Debt Service Coverage (DSCR)"
DSCR Calculation	DSCR calculation: • Full Principal and Interest loans: Gross Income divided by PITIA of the subject rental. • Interest Only loans: Gross Income divided by ITIA of the subject rental. ○ ITIA is calculated using the note rate. Refer to the LTV matrix for minimum DSCR requirements.
DSCR Documentation	All transactions require a landlord's hazard insurance policy on the subject property. **For purchase transactions**: • Long-Term Rental Income (Any term between month to month and 12 months): Provide a long-term Comparable Rent Schedule Form 1007/1025. When the borrower has an executed lease agreement that will commence within 60 days after the note date, then a copy must be provided. When the property has a current tenant who will continue to occupy the property, the transferred lease agreement from the existing tenant/landlord is required. Monthly Gross Rents are determined by the lower of the lease agreement amount or market rent from 1007/1025. • Short-Term Rental Income (such as AirBNB/VRBO income): The monthly Gross Rents are determined by (one of the following): ○ The appraiser's short-term market rental analysis (Comparable Rent Schedule Form 1007/1025, AMC specific form, or appraiser commentary).

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- Seller History: 12-month rental history for the subject property from the rental platform (e.g. AirBNB/VRBO.) if the subject is currently rented on a short-term basis.
  - Minimum DSCR of 1.00 is required
- If the appraiser is unable to provide a short-term market rental analysis, then an AirDNA/Opteon Rental Analysis may be used.
  - Subject property must in an area that is common for short term rentals
  - AirDNA/Opteon Rental Analysis is allowed with the following parameters:
    - Forecast period must cover 12 months from the Note date
    - The occupancy rate must be >= 50%
    - Must have five (5) comparable properties, all within the same ZIP code or within 5 miles of the subject property
    - Must be similar in size, room count, amenities, availability, and occupancy
    - DSCR calculation: Projected Revenue divided by 12 months

For all refinance transactions:

- Long-Term Rental Income (Any term between month to month and 12 months): On refinances, when the lease agreement is greater than the market rent from the 1007/1025, the lease agreement rent may be used with 3 months current proof of receipt of the higher rental income (not including the security deposit). Provide a monthly, seasonal, or long-term (as available per market) Comparable Rent Schedule Form 1007 or 1025 and:
  - When the property is currently occupied by a tenant, an executed lease agreement. For month-to-month lease agreements, the most recent rental receipt must be documented. Receipt of rent is not required when market rent is equal to or greater than month-to-month lease.
    - 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.
  - If the property is vacant, the property is not eligible for a refinance transaction.
- Short-Term Rental Income (such as AirBNB/VRBO income):
  - 12-month remittance history from AirBNB, VRBO. Remittance statements from the renting entity are required.
  - Evidence that the property is actively listed as a short-term rental is required.
  - The monthly Gross Rents are determined by a 12-month average payout amount. A min 1.00 DSCR applies.
  - If the property has not been rented for 12 months due to it being acquired within the last year or being vacant due to renovations, the appraiser's short-term market rental analysis (Comparable Rent Schedule Form 1007/1025, AMC specific form, or appraiser commentary) may be used.
  - If the appraiser is unable to provide a short-term market rental analysis, then an AirDNA/Opteon Rental Analysis is allowed with the following parameters:
    - Forecast period must cover 12 months from the Note date
    - The occupancy rate must be >= 50%
    - Must have five (5) comparable properties, all within the same ZIP code or within 5 miles of the subject property
    - Must be similar in size, room count, amenities, availability, and occupancy
    - DSCR calculation: Projected Revenue divided by 12 months

Accessory Dwelling Unit (ADU) Income:
Both Long-Term and Short-Rental Income from permitted ADUs may be included in the total gross rental income. When using ADU income the following requirements apply:

- The type of rental income (long or short-term) should be the same for both the primary dwelling and the ADU. For example:
  - If both the primary dwelling and the ADU are rented on a long-term basis: then the ADU income can be included in the gross rent because both the primary dwelling and ADU are generating the same type of rental income.
  - However, if the primary dwelling is a long-term rental and the ADU is a short-term rental, then the ADU income is not eligible for consideration.

	• When the Primary Dwelling and ADU are generating different types of rental income, the DSCR must be calculated using only the income from the Primary Dwelling. • For long term rentals, security deposits that have been drawn by the landlord in lieu of one or more rental payments will not qualify as monthly rental payment. • Follow Fannie Mae for all appraisal requirements.
Employment/Income	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.
Impound/Escrow Accounts	Escrow funds/impound accounts may be waived for taxes and hazard insurance in accordance with the FICO, LTV, and reserve requirements in the Arc Selling Guide.
Lien Position	First
Number of Financed Properties	• A single borrower can have no more than 20 financed properties including subject property. All properties in which the borrower is personally obligated must be included in the financed property maximum. Properties vested in the name of the borrower's business and not on the borrower's credit report are not included in the max financed property limit. • Each borrower may not exceed either an aggregate unpaid principal balance amount of $7.5MM or 10 loans (including the subject property) financed with Arc Home Loans.
Occupancy	Investment only
Secondary Financing	Not allowed
State Licensing Requirements	Brokers, and the LO's 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. Permitted states: • 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, RI, SC, TX, VA, WA, WI, WV, and WY • TN is permitted when loan term is greater than 180 months. • Wholesale Only: Washington DC Brokers, and the LO's 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 provide a Real Estate Broker License for the representative agent originating the DSCR loan to Arc Home for review and approval.
Tax Transcripts	A signed 4506-C and IRS Tax Transcripts are not required during the loan process.
Transaction Types	**Eligible:** • Purchase • Rate/Term Refinance • Delayed Financing as a Rate/Term Refinance • Cash Out Refinance: At least one borrower must have been on title for at least six months prior to the note date of the new mortgage except for Delayed Financing transactions. • Properties inherited in the last 6 months are not permitted. **Ineligible**: • Non-Arm's Length Transactions • Paying off a land contract
Underwriting	Manual underwriting required. AUS not allowed. Refer to the Arc Underwriting Guide for complete program requirements.

Product Names	
Clean Slate DSCR Products	
Clean Slate DSCR Full Principal and Interest Options	**Clean Slate DSCR Interest Only Options**
15 YR FIXED ACCESS CLEAN SLATE DSCR 15 YR FIXED ACCESS CLEAN SLATE DSCR - 1 YR PREPAY PENALTY TERM 15 YR FIXED ACCESS CLEAN SLATE DSCR - 2 YR PREPAY PENALTY TERM 15 YR FIXED ACCESS CLEAN SLATE DSCR - 3 YR PREPAY PENALTY TERM 15 YR FIXED ACCESS CLEAN SLATE DSCR - 4 YR PREPAY PENALTY TERM 15 YR FIXED ACCESS CLEAN SLATE DSCR - 5 YR PREPAY PENALTY TERM	30 YR FIXED IO ACCESS CLEAN SLATE DSCR 30 YR FIXED IO ACCESS CLEAN SLATE DSCR - 1 YR PREPAY PENALTY TERM 30 YR FIXED IO ACCESS CLEAN SLATE DSCR - 2 YR PREPAY PENALTY TERM 30 YR FIXED IO ACCESS CLEAN SLATE DSCR - 3 YR PREPAY PENALTY TERM 30 YR FIXED IO ACCESS CLEAN SLATE DSCR - 4 YR PREPAY PENALTY TERM 30 YR FIXED IO ACCESS CLEAN SLATE DSCR - 5 YR PREPAY PENALTY TERM
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