Edge and Access Alt Income Product Matrix

This product is for strong credit quality borrowers who prefer to use alternative documentation (1-Year Tax Returns & Profit and Loss/W-2; 12 & 24 – Month Bank Statement; 1 & 2-Year 1099; CPA Prepared P&L; Asset Utilization; and Asset Qualifier) instead of the traditional 2-year full documentation income requirements.

Table of Contents

LTV Matrice.....2

Edge Alt Income LTV Matrix 3

Access Alt Income LTV Matrix 5

Product Income and Documentation Requirements 7

Overview For All Income Types 7

1-Year Full Doc (Tax Returns & P/Ls or W-2/Recent Paystubs or WVOE and Paystub) 9

12 & 24 month 1099.....10

12 & 24 – Month Bank Statement 11

CPA Prepared Profit and Loss (P&L) 19

Additional Income.....21

Asset Utilization 22

Asset Qualifier 24

Product Names.....26

LTV Matrices

This product offers 2 LTV Matrices with slightly different credit parameters and pricing:

- **Edge Alt Income**: All occupancy types, max 85% LTV, min 660 FICO, 3-year derogatory credit event seasoning, min 3 months reserves and 1x30x12 payment history. Allowable income documentation types: 12 & 24 – Month Bank Statement; 1 & 2-Year 1099; and CPA Prepared P&L.
- **Access Alt Income**: All occupancy types, max 90% LTV, min 660 FICO, 4-year derogatory credit event seasoning, min 3 months reserves and 0x30x12 payment history. Allowable income documentation types: 1-Year Tax Returns & Profit and Loss/W-2; 12 & 24 – Month Bank Statement; 1 & 2-Year 1099; CPA Prepared P&L; Asset Utilization; and Asset Qualifier.

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Edge Alt Income LTV Matrix Fixed Rate						
Occupancy	**Purpose**	**Maximum Loan Amount[5,8]**	**Units[1]**	**Min. FICO[2,8]**	**LTV/(H)CLTV[4,5,7,8]**	**Maximum DTI[9]**
Primary Residence	Purchase and Rate/Term	$2,000,000	1	720	85%	50%
Primary Residence, Second Home[1], Investment [2]	Purchase and Rate/Term	$3,000,000	1-4	680	75%	50%
		$2,500,000	1-4	680	80%	50%
		$2,000,000	1-4	660	70%	50%
	Cash-Out[6]	$3,000,000	1-4	680	75%	50%
		$2,500,000	1-4	700	80%	50%
		$2,000,000	1-4	680	75%	50%
		$2,000,000	1-4	660	70%	50%
Interest Only Fixed Rate						
Occupancy	**Purpose**	**Maximum Loan Amount[5,8]**	**Units[1]**	**Min. FICO[2,8]**	**LTV/(H)CLTV[5,8]**	**Maximum DTI[9]**
Primary Residence, Second Home[1], Investment[2]	Purchase and Rate/Term	$3,000,000	1-4	680	70%	50%
		$2,500,000	1-4	680	75%	50%
		$2,000,000	1-4	680	80%	50%
		$2,000,000	1-4	660	70%	50%
	Cash-Out[6]	$3,000,000	1-4	680	70%	50%
		$2,500,000	1-4	680	75%	50%
		$2,000,000	1-4	700	80%	50%
		$2,000,000	1-4	660	70%	50%

LTV Matrix Footnotes

Allowable income documentation types: 12 & 24 – Month Bank Statement; 1 & 2-Year 1099; and CPA Prepared P&L.

1. **Second Homes:** 1 unit only
2. **Investment Properties**: Min 700 FICO when LTV> 75%
3. **Warrantable Condo:** Max 85% LTV/CLTV
4. **Non-Warrantable Condo:** Max 80% LTV/CLTV
5. **Non-Warrantable Condotel:** Max 75% LTV/CLTV on purchases and max 65% LTV/CLTV on rate/terms and cash-out refinance transactions. Max $1,000,000 loan amount.
6. **Cash-Out transactions:** When LTV > 65%: Maximum cash in hand of $1,000,000. When LTV <= 65%: Unlimited cash in hand
7. **1x30x12 and Credit Events between 36-48 months**: Max 80% LTV
8. **CPA Prepared P&L Doc Type**:
   - With Bank Statements: Max LTV of 80%; Max LTV of 75% when FICO < 720
   - With No Bank Statements: Max Loan Amount of $1MM, Max 75% LTV, Minimum FICO of 700 required
9. **First-Time Homebuyer:** Max 45% DTI. Note: Borrower(s) who have 24 months rental history documented per the Arc Underwriting Guide are NOT subject to FTHB DTI restrictions.

Product Details

Amortization Type	Full Principal and Interest: • 30 Year Interest Only: • 30 Year and 40 Year Interest only Fixed Rate

<table>
<tr><td>Credit/Payment History Requirements</td><td>

No Derogatory Credit Event allowed within the last 36 months. Refer to the Arc Underwriting Guide for the Derogatory Credit Event definition and seasoning measurement.
All applicant(s) and co-borrowers must meet the credit score requirements individually.
Non-traditional credit report is not permitted.
Payment history requirements: 1x30x12 mortgage/rental history on the subject property and all financed REOs under the borrower's name.

</td></tr>
<tr><td>Declining Market</td><td>The following LTV reductions apply when the LTV > 65%:
<table>
<tr><th>Property Value</th><th>Demand</th><th>Market Time</th><th>Reduce LTV</th></tr>
<tr><td>Declining</td><td>Any</td><td>Any</td><td>5%</td></tr>
</table>
</td></tr>
<tr><td>Geographic Restrictions</td><td>None</td></tr>
<tr><td>Minimum Loan Amount</td><td>Minimum $150,000 for LTV > 80% Minimum $125,000 for LTV ≤ 80%</td></tr>
<tr><td>Occupancy</td><td>

Primary Residence
Second Home
Investment Property

</td></tr>
<tr><td>Prepayment Penalty</td><td>Allowed on Investment Property transactions, which are treated as 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.</td></tr>
<tr><td>Property Types</td><td>Eligible:

1-4 unit (Detached, Semi Detached, Attached)
PUD (Detached, Attached)
Warrantable Condominium (Detached, Attached)
Non-Warrantable Condominiums, including Condotels. Refer to the Arc Underwriting Guide for details.

Ineligible:
Refer to the Arc Underwriting Guide for ineligible property types.</td></tr>
<tr><td>Reserve Requirements</td><td>Reserve requirements are based on the PITIA of the subject property.

Loan amount < $1,000,000: 3 months reserves
Loan amount ≥ $1,000,000 to ≤ $1,500,000: 6 months reserves
Loan amount > $1,500,000: 9 months reserves

Cash-out funds are allowed to be used as reserves regardless of LTV.</td></tr>
</table>

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Access Alt Income LTV Matrix Fixed Rate and ARM (including IO)						
Occupancy	**Purpose**	**Maximum Loan Amount**	**Units**	**Min. FICO[1,6,7]**	**LTV/(H)CLTV[2,3,4,6,7,8]**	**Maximum DTI[1,6,7]**
Primary Residence	Purchase and Rate/Term	$3,500,000	1-4	740	65%	50%
		$3,500,000	1-4	720	60%	
		$3,000,000	1-4	720	75%	
		$3,000,000	1-4	700	70%	
		$3,000,000	1	680	65%	
		$2,500,000	1-4	720	80%	
		$2,500,000	1-4	700	75%	
		$2,500,000	1-4	660	70%	
		$2,000,000	1-4	740	85%	
		$2,000,000	1-4	700	80%	
		$2,000,000	1-4	660	75%	
		$1,500,000	1	700	85%	
		$1,500,000	1-4	680	80%	
		$1,500,000	1-4	660	75%	
		$1,000,000	1	720	90%	
		$1,000,000	2-4	700	85%	
		$1,000,000	1-4	660	80%	
	Cash-Out[5]	$3,000,000	1	720	70%	50%
		$3,000,000	2-4	720	65%	
		$3,000,000	1	700	65%	
		$3,000,000	2-4	700	60%	
		$2,500,000	1-4	720	70%	
		$2,500,000	1-4	700	65%	
		$2,500,000	1-4	680	60%	
		$2,000,000	1	700	75%	
		$2,000,000	2-4	740	75%	
		$2,000,000	1-4	680	65%	
		$2,000,000	1-4	660	60%	
		$1,500,000	1	680	80%	
		$1,500,000	1	660	70%	
		$1,500,000	2-4	700	75%	
		$1,500,000	2-4	680	70%	
		$1,000,000	2-4	740	80%	
Second Home	Purchase and Rate/Term	$3,500,000	1	720	60%	50%
		$3,000,000		700	70%	
		$2,500,000		700	75%	
		$2,500,000		680	70%	
		$2,500,000		660	65%	
		$2,000,000		700	80%	
		$2,000,000		680	75%	
		$2,000,000		660	70%	
		$1,500,000		680	80%	
		$1,500,000		660	75%	
		$1,000,000		700	85%	
		$1,000,000		660	80%	
	Cash-Out[5]	$3,000,000	1	700	60%	50%
		$2,500,000		700	65%	

		$2,000,000		700	70%	
		$2,000,000		680	65%	
		$2,000,000		660	60%	
		$1,500,000		720	75%	
		$1,500,000		660	70%	
		$1,000,000		700	75%	
		$1,000,000		660	70%	
Investment	Purchase and Rate/Term	$3,000,000	1-4	700	70%	50%
		$2,500,000		700	75%	
		$2,500,000		680	70%	
		$2,500,000		660	65%	
		$2,000,000		700	80%[3]	
		$2,000,000		680	75%	
		$2,000,000		660	70%	
		$1,500,000		680	80%	
		$1,500,000		660	75%	
		$1,000,000		700	85%	
		$1,000,000		660	80%	
	Cash-Out[5]	$3,000,000	1-4	700	60%	50%
		$2,500,000		700	65%	
		$2,000,000		700	70%	
		$2,000,000		680	65%	
		$2,000,000		660	60%	
		$1,500,000		720	75%	
		$1,500,000		660	70%	
		$1,000,000		700	75%	
		$1,000,000		660	70%	

LTV Matrix Footnotes

Allowable income documentation types: 1-Year Tax Returns & Profit and Loss/W-2, or Written VOE & Paystub; 12 & 24 – Month Bank Statement; 1 & 2-Year 1099; CPA Prepared P&L; Asset Utilization; and Asset Qualifier

1. **First Time Homebuyers (FTHB)**:
   - Min 680 FICO
   - Max 45% DTI
2. **Warrantable Condos**: Max 85% LTV/CLTV
3. **Rural property**: Max 75% LTV/**CLTV**
4. **Non-Warrantable Condos, including Condotels:** Max 80% LTV/CLTV
5. **Cash-Out transactions:**
   - LTV/CLTV≤ 60%: Unlimited cash-in-hand
   - LTV/CLTV >60%: Maximum $750k cash-in-hand
6. **Asset Utilization**: Min 660 FICO, Max 80% LTV/CLTV, Max 43% DTI
7. **Asset Qualifier**: Min 660 FICO, Max 80% LTV/CLTV, Max DTI does not apply.
8. **CPA Prepared P&L Doc Type**: Max 85% LTV on purchase transactions and max 80% LTV on rate term and cash-out refinance transactions.

Product Details

Amortization Type	Full Principal and Interest: • 15 Year and 30 Year Fixed Rate • 5/6m SOFR ARM, 7/6 SOFR ARM Interest Only: • 30 Year and 40 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/Payment History Requirements	• No Derogatory Credit Event allowed within the last 48 months. Refer to the Arc Underwriting Guide for the Derogatory Credit Event definition and seasoning measurement. • All applicant(s) and co-borrowers must meet the credit score requirements individually. • Non-traditional credit report is not permitted. • Payment history requirements: 0x30x12 mortgage/rental history on the subject property and all financed REOs under the borrower's name.
Declining Market	Refer to the Arc Underwriting Guide.
Geographic Restrictions	None
Occupancy	• Primary Residence • Second Home • Investment Property
Minimum Loan Amount	$125,000
Prepayment Penalty	Allowed on Investment Property transactions, which are treated as 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, including Condotels. Refer to the Arc Underwriting Guide for details. **Ineligible**: • 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 ≤ $1MM: 3 months • Loan Amount > $1MM ≤ $1.5MM: 6 months reserves • Loan Amount > $1.5MM ≤ $2MM: 9 months reserves • Loan Amount > $2MM: 12 months • 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 • Reserve requirements do not apply when the Asset Qualifier income type is being used to qualify the borrower.

Product Income and Documentation Requirements

Overview For All Income Types

This Overview section applies to all income types; for more specific documentation and income calculation requirements, refer to the specific income type:

- **1-Year Full Doc:** Borrowers may qualify with 1 year of tax returns, P&Ls, OR Paystubs & most recent W-2, OR written VOE and paystub.
- **1 & 2-Year 1099**: 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.

- 12 & 24 – Month Bank Statement: Self-employed borrowers may qualify using bank statements, in lieu of tax returns, to support self-employed income for qualification purposes.
- CPA Prepared Profit and Loss (P&L) Statement: Self-employed borrowers may qualify using a CPA prepared 12-month Profit & Loss (P&L) Statement for a period ending within 60 days of closing.
- Asset Utilization: Asset Utilization attributes qualifying income to a borrower by utilizing the liquid assets of the borrower over a 60-month period. Utilization of verified liquid assets over a 60-month period is done to ensure that income attributed to a borrower is stable and is reasonably expected to continue.
- Asset Qualifier: This product is for eligible Borrowers who have sufficient qualified assets to meet ability to repay requirements. A DTI ratio is not calculated as no other income type is allowed with this option.
- Additional Income: If the 1003 reflects additional income, such as alimony, child support or W-2 wages, that income must be considered per Fannie Mae guidelines.

Other than Asset Qualifier, different income types may be used to qualify each borrower so long as the documentation makes sense and does not conflict with each other. Documentation type and pricing are based on the documentation type of the primary wage earner (higher income). Below are examples including but not limited to:

- a Full Doc Tax return and Bank statement income for two borrowers filing separately or
- 1 borrower has 2 income streams such as self-employment and alimony or
- 1099 income and supplemental asset utilization

Use this chart to determine whether a CPA/EA/CTEC or tax preparer is allowed.	
Reason for Verification/Income Document	**Qualification**
Verification of: • Borrower's ownership percentage, • length of ownership in the business, or • negative impact of using business funds for downpayment, closing costs, or reserves	Must be verified by a CPA/EA/CTEC or tax preparer with a PTIN. Validation of the license/PTIN is required.
Either of the following income documents: • CPA Prepared Profit and Loss (P&L) or • Third-party prepared expense statement	Must be verified by a CPA/EA/CTEC. Tax Preparers who possess solely a PTIN without one of these designations are not allowed to prepare the P&L or expense statement. Validation of the CPA/EA/CTEC license is required.

Appraisal Requirement	• One appraisal is required for loan amounts ≤ $2,000,000. • Two appraisals are required for loan amounts > $2,000,000. • Follow the Arc Underwriting Guide for Collateral Review requirements.
Borrower Contribution	Gift funds are permitted for down payment and closing costs. Refer to the Arc Underwriting Guide. Asset Utilization and Asset Qualifier: Gifts funds and gifts of equity are not allowed.
Borrower Eligibility	**Eligible**: • US Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens • Non-Occupant Co-Borrowers (Non-Occupant Co-Borrower's income must not be verified using1 or 2 year 1099, 12 month Bank Statement, CPA Prepared P&L, Asset Utilization or Asset Qualifier). Refer to the Arc Underwriting Guidelines for Non-Occupant Co-Borrower guidelines. • LLCs and Corporations provided that the Vesting in the Name of an Entity requirements in the Arc Underwriting Guidelines are met. **Ineligible**: • Foreign National Borrowers

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 Underwriting 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. • For Arc Elite, Arc Access, Conventional Investment Property and FNMA/FHLMC Second Home-Investment Property Products, each borrower may not have more than either an aggregate unpaid principal balance amount of $7.5MM or more than 10 loans (including the subject property) financed with Arc Home Loans.
Occupancy	• Primary Residence • Second Home • Investment Property
Secondary Financing	Allowed
Transaction Types	**Eligible:** • Purchase • Rate/Term Refinance • Delayed Financing as a Rate/Term transaction • Cash Out Refinance • Texas 50(a)(6) Rate Term and Cash Out refinances (not available on Edge)
Underwriting	Manual underwriting required. AUS not allowed. Refer to the Arc Underwriting Guide for complete program requirements.

1-Year Full Doc (Tax Returns & P/Ls or W-2/Recent Paystubs or WVOE and Paystub) **Income Documentation/Calculation Requirements**	
Available Product	Access Alt Income only
1-Year Tax Returns & P/Ls	• Documentation is the same as Full documentation requirements per the Arc Underwriting Guide, except only the most recent year of Tax Returns, Schedules, and P/L is required. • Income is calculated by utilizing the past ONE year of tax returns, schedules and forms. • A cash flow analysis must be prepared for all self-employed borrowers. Use Fannie Mae Form 1084 and follow all instruction to document self-employed income. (Complete just one year of information rather than two).
1-Year W-2 & Paystub	• Documentation is the same as Full documentation requirements per the Arc Underwriting Guide, except only the most recent year W-2 (or year-end paystub if loan is closing in January) and YTD paystubs covering at least 30 days are required. • Borrower must have two (2) years history of employment in same industry and 1-year continuous employment at current job. • Capital gains income and borrowers employed by family members are not eligible. • Follow Fannie Mae guidelines for how to calculate income: https://www.fanniemae.com/content/guide/selling/b3/3.1/01.html
Written VOE (WVOE) & Paystub	• Documentation is the same as Full documentation requirements per the Arc Underwriting Guide, except only a 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 are required. • Borrower must have two (2) years history of employment in same industry and 1-year continuous employment at current job. • Capital gains income and borrowers employed by family members are not eligible. • Follow Fannie Mae guidelines for how to calculate income: https://www.fanniemae.com/content/guide/selling/b3/3.1/01.html

Documentation Type	1-Year Tax Returns & P/Ls and 1-Year W-2 & Paystub: Doc Type must reflect "1 Yr Tax Returns" Written VOE (WVOE) & Paystub: Doc Type must reflect "VOE"
Tax Transcripts	**1-Year Full Doc Tax-return:** A signed 4506-C and IRS Tax Transcripts for the most recent year must be obtained prior to clear to close. **1-Year Full Doc Wage Earner or when an additional W-2 is used:** A signed 4506-C is required. Transcripts are not required.

12 & 24 month 1099 **Income Documentation/Calculation Requirements**	
Available Products	Edge Alt Income and Access Alt Income
Employment Requirements	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 or, for Access loans, in the name of an LLC owned 100% by the Borrower. Borrowers must be in the same line of work for 2 years. Verbal verification of employment guidelines apply. Refer to the Arc Underwriting Guide.
Documentation	The Borrower must receive regular, ongoing compensation on a weekly, bi-weekly, bi-monthly, monthly, or quarterly basis. Do not provide tax returns. For a 12-month income calculation, provide the following: • 1 year of Form 1099 and • Either most recent paystub showing YTD income, statement, or similar documentation that also shows the Borrower's year-to-date earnings. The most recent documentation may be used if earnings over 30 consecutive calendar days are verified. For a 24-month income calculation, provide the following: • 2 years of Form 1099 and • Either most recent paystub showing YTD income, statement, or similar documentation that also shows the Borrower's year-to-date earnings. The most recent documentation may be used if earnings over 30 consecutive calendar days are verified.
Income Calculation	For a 12-month income calculation, the lesser of: • The income reported on the Borrower's 1099 tax forms for the Applicable Year* multiplied by the Profit Margin and then divided by 12 months, or • The income reported on the Borrower's 1099 tax forms for the Applicable Year* plus the Borrower's year to date income multiplied by the Profit Margin, converted into a monthly average. For a 24-month income calculation, the lesser of: • The average income reported on the Borrower's 1099 tax forms over the two Applicable Years* multiplied by the Profit Margin and then divided by 24 months, • The income reported on the Borrower's 1099 tax forms for the Recent Applicable Year* multiplied by the Profit Margin and then divided by 12 months, or • The income reported on the Borrower's 1099 tax forms for the Applicable Year* plus the Borrower's year to date income multiplied by the Profit Margin, converted into a monthly average. Profit Margin: For 1099 Income Documentation type, the borrower must provide a written explanation such as the Arc Business Narrative or a similar form on their 1099 employment including an expense factor that is related to their annual business. Arc Home will utilize a maximum of 90% Profit Margin. Borrowers who identify a higher profit margin must-provide a letter from a CPA, verifying the higher profit margin. *For the purposes hereof the Recent Applicable Year is the calendar year prior to the date of the Borrower's Initial Application unless the date of the Initial Application is in January, and the Borrower's 1099 tax forms for the calendar year prior to the date of the Borrower's Initial Application are

	unavailable, in which case the Recent Applicable Year is the calendar year two years prior to the date of the Initial Application; the Applicable Years are (i) the Recent Applicable Year and (ii) the calendar year prior to the Recent Applicable Year
Documentation Type	For 1 Year 1099: Doc Type must reflect "Other Bank Statement", then select "1099 – 12 months" in the Additional Doc Types field For 2 Year 1099: Doc Type must reflect "Other Bank Statement", then select "1099 – 24 months" in the Additional Doc Types field
Tax Transcripts	**1099**: A signed 4506-C and IRS 1099 Transcripts are required. The year-end paystub, statement, or similar documentation may be used in lieu of the transcript when no record is found on the transcripts. **When an additional W-2 is used:** A signed 4506-C is required. Transcripts are not required.

12 & 24 – Month Bank Statement **Income Documentation/Calculation Requirements**	
Available Products	Edge Alt Income and Access Alt Income

Employment Requirements	The wage earner must be self-employed as a for-profit business.
	• Borrower must be self-employed for at least two (2) years and owned the business used in qualifying for at least two (2) years. Refer to the Arc Underwriting Guide, for requirements when the borrower has been self-employed less than 2-years but more than 1-year.
	• The business used in qualifying must have existed/active for at least two (2) years. However, if a borrower is qualifying with less than two years but more than one year of self-employment, then the business should be established for the same length of time.
	• The business structure may change within two years if the new business provides the same product and services as the current business (i.e. Sole prop. To LLC).
	• The borrower's ownership percentage and length of ownership must be verified with one of the following:
	  ○ Letter from CPA/EA/CTEC or a tax preparer with a PTIN. Validation of the license/PTIN is required.
	  ○ Business Formation Documents (Articles of Incorporation, Bylaws, Charter, Articles of Association, DBA for a sole proprietor).
	  ▪ Any documents received must document that they have been filed properly with the state
	  ▪ Operating Agreement/Partnership Agreement
	  ▪ Must reflect all member-ownership interest in the business
	• Verbal verification of employment guidelines apply, refer to the Arc Underwriting Guide.

Documentation Requirements	Business bank accounts, personal bank accounts addressed to a DBA, or personal accounts with evidence of business expenses can be used for qualification. Accounts must be from a US financial institution or a financial technology company insured by a US financial institution, FDIC member. Regardless of the type of account (business or personal) the following apply:
	• 12- or 24- month complete bank statements must be in the file
	  ○ Bank statements must be consecutive and reflect the most recent months available per the Age of Documentation requirements in the Arc Underwriting Guide.
	  ○ If an account was closed and a new account was opened or if the borrower was using a personal account and switched to a business account, Arc will consider the bank statements to be consecutive if the bank statements reflect the switch and reflect continuity (no gaps). The new account must be opened for at least 3 months to validate stability. The 3 months requirement may be waived if the old account was closed due to fraud.
	  ○ Cannot mix and match different bank accounts from month to month (e.g.- January statement from personal, February statement from business, March from personal and so

	forth) ○ Every page including pages without transactions and advertisements must be present; transaction history printouts are not acceptable ○ Statements must support stable and generally predictable deposits. • Monthly income must be disclosed on the initial, signed 1003 • Deposits must be common and customary based on the nature of the business and how the borrower conducts their business. Unusual deposits must be sourced and documented; unacceptable deposits are not counted toward the income derived from bank statement deposits. • Months with no revenue must be explained by the borrower. The underwriter must validate the stability of the income based on the nature of the business and how the borrower conducts their business. • Foreign income is allowed if the CPA certifies that the income has been filed on US federal income tax returns for the last 2 years and if the business has a valid US business registration (EIN). • Non-Sufficient Funds (NSFs) must be reviewed on the bank statements used in qualifying the borrower. NSF/Overdraft is defined as a financial institution accepting a withdrawal which results in the account going into the negative and a fee is charged, or when a check/ACH is presented but cannot be covered by the balance in the account "bounced check" and a fee is charged. NSFs are allowed with the following restrictions: ○ If there are one (1) or more occurrences in the most recent three-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period. ○ For Edge loans, if there are zero (0) occurrences in the most recent three-month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable. ○ For Access loans, if there are zero (0) occurrences in the most recent three-month time period, up to six (6) occurrences in the most recent 12-month period are acceptable. ○ All NSFs in the most recent 12 months must be explained with an LOE from the borrower ○ Protected Overdrafts, where the borrower has sweep protection from another account or where the financial institution allows the account to go negative and does not charge a fee are NOT included in the NSF count. Validation that the sweep account belongs to the borrower is not required. ○ Reversed/refunded NSFs are NOT included in the NSF count. ○ Multiple NSF's and/or Overdrafts that occur on the same day will count as one occurrence
Business Narrative	A Business Narrative or a similar form, completed by the Borrower, is required when an expense ratio other than the standard 50% is to be utilized in the Income Calculation.
Disallowed Deposits	Disallowed deposits include transfers from other accounts credit lines, business loans, rental income, one-time only deposit in 12 months, cash advances from credit cards, returns/refunds, or income from other sources (on personal bank statements).

Personal Bank Account Qualification	**BUSINESS DISTRIBUTIONS:** If the borrower maintains separate bank accounts for personal and business use but pays themselves as a distribution/payroll into their personal bank account, those deposits into their personal bank account may be used for qualifying. In addition to the Employment Requirements and Documentation Requirements above, the following apply: • Borrower must own at least 25% of the business. • Two months of business bank statements must be provided to document the qualifying business is an operating entity and to verify transfers to the personal account. • The deposits into the personal bank account must exhibit the respective account number of the business bank account(s) provided (based on the provided 2 months of business bank statements). • If one personal bank statement is being used for multiple businesses, then the deposits must be clearly matched to each business so that we can validate the stability of each business and the borrower's ability to repay. • Significant and/or repeated transfers from a borrower's personal account to their business account should be scrutinized carefully as they may be indicators of poor financial health. • If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded. Calculation Method • Qualifying income is calculated using the total eligible deposits from the personal bank statements reviewed divided by the number of statements, minus any inconsistent or large deposits not justified. The most recent bank statement must be consistent with the qualifying income. • No expense factor is applied if business bank statements support operating activity with expenses being paid. Qualifying income **is calculated as follows:** (Total Deposits – Disallowed Deposits) divided by 12 or 24 months Income disclosed on the initial application (1003) should be reviewed for consistency with the income calculated from the bank statements. Large deviations should be evaluated and may require a written explanation from the borrower regarding their business and the income they earn and/or additional documentation to further support the calculated income.

Commingled Personal Bank Account Qualification	**COMMINGLED BANK ACCOUNT:** A comingled bank account is a personal account used by a borrower for both business and personal use. A separate business account is not required. Personal bank accounts are allowed to be comingled with income/expenses from only one business. Personal bank accounts may not be comingled with multiple businesses. Deposits must be common and customary based on the nature of the business and how the borrower accepts payments for their business. Unusual deposits must be sourced and documented as business revenue. These accounts will be treated as business accounts for purposes of determining income. In addition to the Employment Requirements and Documentation Requirements above, the following apply:
	• Must provide business expense documentation. Expense verification will differ based on the Calculation Option chosen (see each option below for details)
	• Statements should show a trend of ending balances that are stable or increasing over time.
	• Decreasing or negative ending balances must be explained and may result in the loan being denied
	• Business expenses must be reasonable for the type of business (examples of businesses with higher expense ratios include construction companies, builders, restaurants, and retail firms)
	• If the bank statements reflect payments being made on obligations that are not listed on the credit report or 1003, additional information must be obtained to determine if the liability should be included in the borrower's debt- to-income ratio.
	  ○ If the obligation does not belong to the borrower, supporting documentation is required.
	  ○ If the borrower is the obligor on an account statement a payment history must be obtained to review the account for acceptability. The payment must be included in the debt ratio.
	
	Comingled Bank Accounts may only be used by Sole Proprietors (Partnerships, S-corporations, and Corporations are not allowed):
	• Borrower and non-borrowing purchasing spouse with combined 100% ownership eligible; or
	• All credit qualifying borrowers on the loan own 100% of the business; or
	• an independent contractor dedicated to one occupation and receiving 1099 income

Business Bank Account Qualification	**BUSINESS BANK ACCOUNT:** In addition to the Employment Requirements and Documentation Requirements above, the following apply: • Must provide business expense documentation. Expense verification will differ based on the Calculation Option chosen (see each option below for details) • Borrower must own at least 25% of the business OR the combination of Borrowers own 100% of the same business. • Qualifying Income must be multiplied by the ownership percentage to determine the owner's portion of income allowed for the transaction • Multiple business bank accounts may be used for multiple businesses • Two business bank accounts may be used for the same business in situations where the borrower uses different accounts for different payment types, such as one account for cash or checks and another account for card transactions or 1 account is a checking account and another account is a savings account. The accounts may not be co-mingled. The reason for multiple bank accounts for one business must be clearly explained by the borrower. • Transfers from other business accounts may be acceptable and must be documented • Transfers from personal accounts to are not acceptable • Statements should show a trend of ending balances that are stable or increasing over time. • Decreasing or negative cash flow must be explained and may result in the loan being denied • Business expenses must be reasonable for the type of business (examples of businesses with higher expense ratios include construction companies, builders, restaurants, and retail firms)

Service vs Capital Intensive Industry (Business Bank Account or Commingled Bank Accounts)	Examples of the **Service** Industry Include (but are not limited to) the following:
	• Hospitality/Tourism
	  ○ The hospitality/tourism industry also includes hotels, but it typically includes tour guide companies, consultation services and travel-based event planning, as well. Individuals working in the tourism industry offer experiences, knowledge, consultation and management services to their customers.
	• Finance
	  ○ The finance industry includes banks, financial consulting firms and accounting roles. Those working in the finance industry often help clients apply for or set up investments, loans and bank accounts. They may also offer advice and consultation to customers.
	• Fitness
	  ○ The fitness service industry includes establishments such as gyms that offer users services such as personal training sessions, fitness classes and exercise education.
	• Beauty and wellness
	  ○ The beauty and wellness industry includes spas, hair salons, nail salons, makeup studios and dermatology practices. Individuals working in the beauty industry offer services such as haircuts, manicures, facials and makeup application to customers.
	• Mechanical
	  ○ The mechanical industry covers all businesses that offer repair or maintenance services. The services provided by individuals in the mechanical industry include mechanical expertise, repairs and sanitation.
	• Media and entertainment
	  ○ The media and entertainment industry includes television, film, theater, news outlets, music and live performances. The intangible products provided by those in the media and entertainment industry include experiences and entertainment.
	• Design
	  ○ The design industry includes all businesses and individuals who offer creation and design services to customers and clients. The services provided by individuals in this field include logo designs for companies, artwork for clients and home renovation and organization for homeowners.
	• Marketing and sales
	  ○ The marketing and sales sector includes professionals who offer promotional and sales services to businesses and clients. This type of work may include selling cars to prospective buyers, conducting marketing campaigns that effectively target a company's audience or listing houses for sale.
	• Education
	  ○ The education industry includes schools, universities and training facilities. The services provided by those working in education may include test preparation, general education

	that helps a student earn a degree and advice for a student's future educational or career path.
	• Healthcare
	  ○ The healthcare industry includes hospitals, care facilities and medical practices. Those working in healthcare provide services such as knowledge, advice, consulting, customer service and medical care to patients.
	• Public service
	  ○ The public service sector includes all fields dedicated to providing safety and maintaining the well-being of the general public. Individuals working in public service provide intangible goods such as safety, cleanliness, information, consultation and customer service.
	
	Examples of the Capital-Intensive Industries include (but are not limited to) the following:
	• Construction
	  ○ The Construction industry includes carpentry, road construction, bridge development, contractors, and home remodelers/builders/handyman.
	• Oil and Gas
	  ○ The Oil and Gas industry includes the business of oil and gas exploration and production: transportation and storage; and refining and marketing such as gas stations.
	• Manufacturing
	  ○ The Manufacturing industry includes moving raw materials, creating the goods, storing the finished products in a warehouse and shipping the products to customer. Examples include but are not limited to automobiles, household goods, toys, publishing/printing, fashion industry, and food industry such as ownership in a store, store chain, restaurant, food supplier.
	• Money Lenders
	  ○ The Money Lender Industry includes the business of lending money to people or other businesses.
	• Telecommunication
	  ○ The Telecommunication industry includes companies that make communication possible on a global scale, whether it is through the phone or the Internet, through airwaves or cables, through wires or wirelessly.
	• Transportation
	  ○ The Transportation industry includes airlines, railroads, trucking, and Uber/Lyft.
	• Healthcare
	  ○ The Healthcare industry includes companies owning hospitals, care facilities and medical practices.
	• Farming & Agricultural
	  ○ The Farming & agricultural industry includes small specialist producers and growers to large scale production of crops and livestock.

Calculation (Business Bank Account or Commingled Bank Accounts)	There are several options for deriving qualifying income from bank statements. All cases using Bank Statement income must include a completed Analysis spreadsheet found on Arc's website at https://business.archomellc.com/page/tools-and-calculators **To calculate qualifying income using Business Bank Statement Documentation, choose one of the two (2) options below:**
Calculation Option 1 (Fixed Expense Factor): (Business Bank Account or Commingled Bank Accounts)	This option uses a fixed expense ratio to determine qualifying income. Regardless of the Fixed Expense Ratio Chart, Arc reserves the right to request additional documentation to validate the expense ratio. Determine income as follows: 1. Determine the Average Allowable Monthly Deposits: $$\frac{\text{Total Deposits} - \text{Disallowed Deposits}}{\text{12 or 24 months}}$$

2. Determine the Business Net Income:
   Average Allowable Monthly Deposits x (100% - Expense Ratio)

   The Expense Ratio is determined by one of the two methods below:

   a) A fixed 50% Expense Ratio

   b) Use the Fixed Expense Ratio from the table below based on the type and size of business:

Fixed Expense Ratio			
Number of Employees/Contractors	0	1-10	10+
Service Business	20%	40%	60%
Capital Intensive Business	30%	50%	70%

3. Determine the Borrower's Monthly Qualifying Income = Multiply the Business Net Income by the Borrower's Percentage Ownership of the Business.

Income disclosed on the initial application (1003) should be reviewed for consistency with the income calculated from the bank statements. Large deviations should be evaluated and may require a written explanation from the borrower regarding their business and the income they earn and/or additional documentation to further support the calculated income.

Example: Average Allowable Monthly Deposits = $10,000
Borrower has 9 employees and is in a Service Business
Borrower owns 80% of the business
10,000 * (1 - 0.40) * 80% = $4,800
Monthly Qualifying Income is $4,800.

To determine the method that Arc will utilize to determine the applicant's qualifying income, Arc will utilize the most specific calculation method based on the information provided by the applicant/ company. Based on the information the applicant/company provides to Arc, Arc will utilize the most specific calculation option set forth above, or, to the extent provided by the applicant, the Expense Statement furnished by the applicant/company's CPA as set forth below.

Calculation Option 2 (Third-Party Prepared Expense Statement): (Business Bank Account or Commingled Bank Accounts)	For this option, Bank Statements are used for income then the expense ratio provided by the borrower's/ company's CPA is used to determine the qualifying income. The lowest acceptable expense ratio for qualifying in these industries is 15%. Documentation Requirements: • The Expense Statement must be prepared and signed by a third-party CPA indicating business expenses as a percentage of the gross annual sales/revenue. In this matrix, the term CPA is used generically to refer to a licensed CPA, certified tax preparer, or enrolled agent. • CPA must be verified. Determine Qualifying Income as follows: 1. Determine the Average Allowable Monthly Deposits: $$\frac{\text{Total Deposits} - \text{Disallowed Deposits}}{\text{12- or 24-months}}$$ 2. Determine the Business Net Income = Multiply the Average Monthly Qualifying Income by (100% - the Expense Ratio provided by the CPA). 3. Determine the Borrower's Monthly Qualifying Income = Multiply the Business Net Income by the Borrower's Percentage Ownership of the Business. Income disclosed on the initial application (1003) should be reviewed for consistency with the income calculated from the bank statements. Large deviations should be evaluated and may require a written explanation from the borrower regarding their business and the income they earn and/or additional documentation to further support the calculated income. **Example**: Average Allowable Monthly Deposits = $20,000 CPA provides expense factor of 50% Borrower owns 100% of the business $20,000 * 50% (expense ratio provided by CPA) * 100% (percent of business owned) = $10,000 Monthly Qualifying Income is $10,000.
Declining Income (Business and Personal Bank Account Qualification)	The Arc Home Underwriter must make a reasonable determination that the qualifying income is stable and likely to continue. If a review of the bank statement documentation suggests that the qualifying income has declined, the Arc Home underwriter must determine whether the income has stabilized. If the income has stabilized at its current level, then the current level of stable income can be utilized for qualifying. For example, if the 12-month bank statement qualifying income is $10,000 per month, but the most recent months have stabilized at $7,000 per month, then the stabilized income of $7,000 may be considered.
Documentation Type for Bank Statements	Business Bank Statements: For 12- Month Bank Statement: Doc Type must reflect "12 mo Business Bank Statement" For 24- Month Bank Statement: Doc Type must reflect "24 mo Business Bank Statement" Personal Bank Statements: For 12- Month Bank Statement: Doc Type must reflect "12 mo Personal Bank Statement" For 24-Month Bank Statement: Doc Type must reflect "24 mo Personal Bank Statement"
Tax Transcripts	**Bank Statements**: A signed 4506-C and IRS Tax Transcripts are not required. **When an additional W-2 is used:** A signed 4506-C is required. Transcripts are not required.

CPA Prepared Profit and Loss (P&L) **Income Documentation/Calculation Requirements**	
Available Products	Edge Alt Income and Access Alt Income
Employment Requirements	The borrower must be self-employed as a for-profit business. • Borrower must be self-employed for at least two (2) years and owned the business used in qualifying for at least two (2) years. Refer to the Arc Underwriting Guide, for requirements when the borrower has been self-employed less than 2-years but more than 1-year. • The business used in qualifying must have existed/active for at least two (2) years. However, if a borrower is qualifying with less than two years but more than one year of self-employment, then the business should be established for the same length of time. • The business structure may change within two years if the new business provides the same product and services as the current business (i.e. Sole prop. To LLC). • Borrower must own at least 50% of the business. • Foreign Income is not permitted. • The borrower's ownership percentage and length of ownership must be verified with one of the following: o Letter from licensed CPA/EA/CTEC preparing the P&L. o Business Formation Documents (Articles of Incorporation, Bylaws, Charter, Articles of Association, DBA for a sole proprietor). ▪ Any documents received must document that they have been filed properly with the state ▪ Operating Agreement/Partnership Agreement ▪ Must reflect all member-ownership interest in the business Verbal verification of employment guidelines apply, refer to the Arc Underwriting Guide.
Documentation Requirements	The following documentation is required for all Edge and Access CPA prepared P&L loans. No less than the most recent 12-month Profit & Loss Statement (P&L) prepared, signed, and dated by a CPA/EA/CTEC for a period ending within 60 days of closing. Profit and Loss statements may only come from a CPA/EA/CTEC. Tax Preparers who possess solely a PTIN without one of these designations are not allowed. A borrower prepared P&L will not be accepted. • Either Arc's CPA Relationship Letter OR a signed and dated letter from the CPA/EA/CTEC on their firm's letterhead evidencing signer's contact information and confirming <u>all</u> the below: o Length of relationship with borrower. If the CPA/EA/CTEC did not file the borrower's most recent tax return, Arc Home will require: ▪ CPA/EA/CTEC to confirm what documentation was reviewed to prepare the borrower's 12-month P&L. ▪ A letter from the borrower confirming intent to use the CPA/EA/CTEC to file the immediate tax year due and an explanation for switching tax preparers. ▪ Arc Home reserves the right to request additional information when accepting a letter and P&L from a CPA/EA/CTEC that did not file borrower's last tax return or has less than 1 year relationship with the borrower. o Intent to file tax returns for the immediate tax year due o Borrower's position/title o Ownership percentage of company o Business formation date o Number of years borrower has been self-employed with the company o Confirmation that the borrower is paid annually or throughout the year based on the net profit of the business o Current status of the borrower's business o Nature of business • Refer below to the bank statement requirements.

Edge Alt Income Bank Statement Requirement	Edge allows 2 options for bank statements: • **Option 1 – No Bank Statements**: Maximum loan amount of $2MM. No bank statements are required. An additional pricing hit applies and MLM must reflect that the product is a CPA P&L without bank Statements. On the Arc's CPA Relationship Letter or signed and dated letter from the CPA/EA/CTEC, they must attest that they have audited the business financial statements or reviewed working papers provided by the borrower in addition to the above documentation requirements. • **Option 2 – 2 Months of Bank Statements**: A minimum two (2) months of bank statements covering the most recent two (2) month period. The two (2) months of bank statements must support the gross receipts/sales reflected on the P&L statement prepared by CPA/EA/CTEC. 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.
Access Alt Income Bank Statement Requirement	In all cases, a minimum two (2) months of bank statements covering the most recent two (2) month period. The two (2) months of bank statements must support the gross receipts/sales reflected on the P&L statement prepared by 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.
Income Calculation	For income calculation: • 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 not 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 not added back into the net income. Income disclosed on the initial application (1003) should be reviewed for consistency with the income calculated from the bank statements. Large deviations should be evaluated and may require a written explanation from the borrower regarding their business and the income they earn and/or additional documentation to further support the calculated income.
Documentation Type	Doc Type must reflect "Other Bank Statement", then select either "CPA P&L with bank statements" and "CPA P&L without bank statements" in the Additional Doc Types field.
Tax Transcripts	**CPA Prepared P&L Income Verification:** A signed 4506-C is not required. Transcripts are not required. **When additional W-2 income is used:** A signed 4506-C is required. Transcripts are not required.

Additional Income **Income Documentation/Calculation Requirements**	
Available Products	Edge Alt Income and Access Alt Income
Bank Statement as the primary source and additional income as the second source	If the 1003 or bank statements reflect additional income, such as alimony, child support or W-2 wages, that income must be deducted from the bank statement calculation but may be considered per Fannie Mae guidelines. **Long term and Short term Rental Income**: Borrowers who meet the eligibility requirements for using Bank Statement Income Documentation and who receive rental income (either as a primary income source as a real estate investor or as a secondary income source), may qualify using rental income. ○ The borrower must fully complete the REO section of the loan application. ○ Short term rental property must in an area that is common for short term rentals. ○ Follow Fannie Mae guidelines for anything not addressed, including but not limited to calculating monthly qualifying rental income (or loss) must be followed. • **Documentation:** ○ Rental income may be considered on a subject property purchase transaction with the following documentation: ▪ Rental income identified on the 1007 rental schedule. ▪ 75% utilized for qualifying income. ○ Rental income may be considered on a departing residence with the following documentation: ▪ Copy of current lease agreement which states the monthly rental amount and terms of the lease, and ▪ Copies of the security deposit and first month's rent check with proof of deposit for new executed agreement ▪ A recently completed appraisal Form 1007 or 1025 (as applicable) can be used to determine gross market rent when a current lease, copies of security deposit and first month's rent check are not available ▪ Calculate using 75% of the lease agreement or market rent (if applicable) less PITIA. Rental income can only be used to offset the PITIA of the related property. • Positive income from departing residence will be included in overall qualifying income • Rental loss from departing residence will be included in liabilities ○ Rental income may be considered on a subject property refinance transaction and/or non-subject property with the following documentation: ▪ Copy of current lease agreement which states the monthly rental amount and terms of the lease, and ▪ Bank statements for the most recent 2 months to confirm regular receipt of the rental income. If rental receipt is being deposited into the same account being used to document self-employment income, then rental income cannot be used, the Borrower must qualify carrying the REO payment, and the PITIA for the property must be counted as a liability. ▪ Calculate income using 75% of the lease agreement less PITIA.

1099, CPA Prepared P&L and Asset Utilization as the primary source and additional income as the second source	If the 1003 reflects additional income, such as alimony, child support or W-2 wages, that income must be considered per Fannie Mae guidelines. **Long term and Short term Rental Income**: The borrower must fully complete the REO section of the loan application. Short term rental property must be in an area that is common for short term rentals. Follow Fannie Mae guidelines for anything not addressed, including but not limited to calculating monthly qualifying rental income (or loss) must be followed. • **Documentation**: ○ Purchase transactions: Rent Schedule Form 1007 or 1025 (the rental lease agreement is not required). ○ Departing Residences: Rent Schedule Form 1007 or 1025 or the current lease agreement AND security deposit, AND 1 month's rent rental deposit reflected on the bank statements/cancelled checks/electronic proof. ○ For subject refinance transactions and REO properties: ▪ Most recent Schedule E OR ▪ The current lease agreement AND most recent 2 months rental deposits reflected on the bank statements/cancelled checks/electronic proof OR ▪ remittance statements from the renting entity (AirBnB, VRBO, etc.) covering the most recent 12-month period. Rental income must be calculated by taking the payout amount (Gross booking amount minus deductions). • **Calculation**: ○ <u>Step 1: Determine the Gross Qualifying Rent:</u> ▪ Purchase transactions: Use the lesser of the actual or market rent on the Rent Schedule Form 1007 or 1025 ▪ Departing Residences: Use the lesser of the actual or market rent on the Rent Schedule Form 1007 or 1025 OR the lease agreement (if provided). ○ <u>Step 2: Determine the Net Qualifying Rent</u>: Add the gross monthly rental income into the Borrower(s) qualifying income and add the liabilities for the respective property into liabilities

Asset Utilization **Income Documentation/Calculation Requirements**	
Available Products	Access Alt Income only
Documentation Requirements	Two (2) months of account statements – all pages. All assets must be seasoned at least two (2) months prior to note date. • If assets from a joint account are being used to qualify and all parties are not on the loan, all non-borrowers (including spouses) must provide a letter (signed and dated) with specific authorization for full access. Among other requirements, there must be sufficient documentation to clearly demonstrate the amount of assets that the borrower(s) has direct liquidation access to; the file contents must be clear as determined at the discretion of the Arc Home underwriter that the dollar amount of assets used for qualifying are eligible to the borrower and are not impacted by withdrawals or other rights that other account holders may be able to claim on the account.

Qualified Assets (Eligible Percentages)	The qualifying assets must be liquid. Liquid assets are defined as any asset that can be converted into cash quickly with minimal impact to the price received. The amount of liquid assets used for qualification purposes are specific to the liquidity of such amounts and are set forth below:
	
	Eligible Qualifying Assets:
	• 100% of checking, savings, CDs, and money market accounts
	• 70% of the remaining value of stocks & bonds, mutual funds (including those held in Retirement/Annuity/Pension accounts if over age 59 ½ and, if the plan is an employer administered plan, the borrower is separated from service)
	• 50% of retirement funds (401k, IRA, Keogh, Government Annuity and Pension Income) if younger than age 59 ½ or if borrower is over age 59 ½ but is using an employer administered plan and the borrower is not separated from service
	• When using employer administered retirement plan accounts for borrowers that are younger than age 59 ½ or for which the borrower is over age 59 ½ but is not separated from service from the employer, the loan file should include sufficient plan account documents to determine that the borrower has the ability to liquidate the assets that are being used for determining ability to repay. The liquidation cannot be limited to "hardship" circumstances.
	Note: If an applicant requests that a Defined Benefit retirement plan(s) be considered, the file must contain sufficient plan account documents to determine that the borrower has the ability to liquidate the assets that are being used for determining ability to repay. The liquidation cannot be limited to "hardship" circumstances. For Defined Benefit retirement plan assets, this requirement must be satisfied regardless of either the borrower age or whether they are separated from service.
	
	Ineligible Qualifying Assets:
	• 529 or similar college fund
	• Business assets
	• Cash value of life insurance
	• Equity in real estate including current home
	• Funds held in foreign accounts or investments
	• Gift funds
	• Gift of equity
	• Funds that have been allocated as Margined/Pledged/Collateral assets/loans
	• Private securities or any non-publicly traded assets
	• Restricted stock units, stock options, non-vested stock
	• Stocks and bonds not publicly traded
	• The following trusts
	  ○ Blind trusts
	  ○ Irrevocable trust
	  ○ Land trusts
	  ○ Life estates

Calculations Requirements	A review of the account statements must be conducted to ensure that the borrower's asset profile has remained consistent over the two-month period prior to the note date. The Eligible Percentages should be applied to the ending balance reflected on the most recent statement. If the ending balance varies by more than 10% of the prior month, then the Lender or underwriting manager (in WHL and Non-Del) may ask for additional documentation to support the change in assets. **<u>Monthly Qualifying Income</u>** (Total Qualified Assets – down payment – closing costs – reserves) divided by 60.
Documentation Type	Doc Type must reflect "Asset Utilization"
Tax Transcripts	**Asset Utilization**: A signed 4506-C and IRS Tax Transcripts are not required.

Asset Qualifier **Income Documentation/Calculation Requirements**	
Available Product	Access Alt Income only
Documentation Requirements	Employment and Income are not required to be disclosed on the 1003. Two (2) months of account statements – all pages are required. All assets must be seasoned at least two (2) months prior to note date. • If assets from a joint account are being used to qualify and all parties are not on the loan, all non-borrowers (including spouses) must provide a letter (signed and dated) with specific authorization for full access. Among other requirements, there must be sufficient documentation to clearly demonstrate the amount of assets that the borrower(s) has direct liquidation access to; the file contents must be clear as determined at the discretion of the Arc Home underwriter that the dollar amount of assets used for qualifying are eligible to the borrower and are not impacted by withdrawals or other rights that other account holders may be able to claim on the account.

Qualified Assets (Eligible Percentages)	**Eligible Qualifying Assets:**
	• 100% of checking, savings, CDs, and money market accounts
	• 70% of the remaining value of stocks & bonds, mutual funds (including those held in retirement accounts if over age 59 ½ and, if the plan is an employer administered plan, the borrower is separated from service)
	• 50% of retirement funds if younger than age 59 ½ or if borrower is over age 59 ½ but is using an employer administered plan and the borrower is not separated from service
	• When using employer administered retirement plan accounts for borrowers that are younger than age 59 ½ or for which the borrower is over age 59 ½ but is not separated from service from the employer, the loan file should include sufficient plan account documents to determine that the borrower has the ability to liquidate the assets that are being used for determining ability to repay. The liquidation cannot be limited to "hardship" circumstances.
	Note: If an applicant requests that a Defined Benefit retirement plan(s) be considered, the file must contain sufficient plan account documents to determine that the borrower has the ability to liquidate the assets that are being used for determining ability to repay. The liquidation cannot be limited to "hardship" circumstances. For Defined Benefit retirement plan assets, this requirement must be satisfied regardless of either the borrower age or whether they are separated from service.
	
	Ineligible Qualifying Assets:
	• 529 or similar college fund
	• Annuity
	• Business assets
	• Cash value of life insurance
	• Equity in real estate including current home
	• Funds held in foreign accounts or investments
	• Gift funds
	• Gift of equity
	• Funds that have been allocated as Margined/Pledged/Collateral assets/loans
	• Private securities or any non-publicly traded assets
	• Restricted stock units, stock options, non-vested stock
	• Stocks and bonds not publicly traded
	• The following trusts
	  ○ Blind trusts
	  ○ Irrevocable trust
	  ○ Land trusts
	  ○ Life estates

Calculations Requirements	A review of the account statements must be conducted to ensure that the borrower's asset profile has remained consistent over the two-month period prior to the note date. The Eligible Percentages should be applied to the ending balance reflected on the most recent statement.
	If the ending balance varies by more than 10% of the prior month, then the Lender or underwriting manager (in WHL and Non-Del) may ask for additional documentation to support the change in assets.
	
	Option 1:
	Must document assets to cover all of the following:
	• Loan amount
	• Down payment
	• Closing costs and prepaids
	• Five years (60 months) of current monthly obligations
	
	Residual income must equal or exceed $2,000 per month.
	
	Option 2:
	The total post-closing assets must be >/= to 125% of the subject loan amount.
	Residual income must equal or exceed $3,500 per month for loan amounts <= $2,000,000 or $5,500 for loan amounts > $2,000,000.
	
	Residual income calculation for Option 1 and 2:
	Residual income is calculated as follows: (Total verified assets minus down payment minus closing costs & prepaids) / 60 - minus monthly obligations. Example:
	Borrower has $1,000,000 in assets.
	Down payment = $175,000
	Closing Costs/prepaids = $25,000
	Monthly debt obligations= $4,000
	(1,000,000 – 175,000 – 25,000) / 60 – 4,000 = 9,333
	
	Monthly Obligations Definition for Option 1 and 2:
	Documentation is required to show the borrower has at minimum, 60-months of their total monthly debts, including but not limited to:
	• Monthly debts reported on the credit report
	• Monthly PITIA on the subject property
	• Other real estate owned
	  ○ Each additional property owned must qualify using the full PITIA
	  ○ Rental income received is not eligible to be used to reduce, omit, and/or offset the payment
	• Debts being paid off or paid down for qualifying purposes is not permitted
	
	When qualifying using the Asset Qualifier documentation type, no other income type is allowed.

Documentation Type	Doc Type must reflect "Other Bank Statement", then select "Asset Qualifier" in the Additional Doc Types field
Tax Transcripts	**Asset Qualifier**: A signed 4506-C and IRS Tax Transcripts are not required.

Product Names	
Edge Products	
Edge Alt Income Full Principal and Interest Options	**Edge Alt Income Interest Only Options**
30 YR FIXED EDGE ALTERNATE INCOME 30 YR FIXED EDGE ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 30 YR FIXED EDGE ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 30 YR FIXED EDGE ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 30 YR FIXED EDGE ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 30 YR FIXED EDGE ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM	30 YR FIXED IO EDGE ALTERNATE INCOME 40 YR FIXED IO EDGE ALTERNATE INCOME 30 YR FIXED IO EDGE ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 40 YR FIXED IO EDGE ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 30 YR FIXED IO EDGE ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 40 YR FIXED IO EDGE ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 30 YR FIXED IO EDGE ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 40 YR FIXED IO EDGE ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 30 YR FIXED IO EDGE ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 40 YR FIXED IO EDGE ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 30 YR FIXED IO EDGE ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM 40 YR FIXED IO EDGE ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM
Access Products	
Access Alt Income Full Principal and Interest Options	**Access Alt Income Interest Only Options**
15 YR FIXED ACCESS ALTERNATE INCOME 30 YR FIXED ACCESS ALTERNATE INCOME 5/6m SOFR ARM ACCESS ALTERNATE INCOME 7/6m SOFR ARM ACCESS ALTERNATE INCOME 15 YR FIXED ACCESS ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 30 YR FIXED ACCESS ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 5/6m SOFR ARM ACCESS ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 7/6m SOFR ARM ACCESS ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 15 YR FIXED ACCESS ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 30 YR FIXED ACCESS ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 5/6m SOFR ARM ACCESS ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 7/6m SOFR ARM ACCESS ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 15 YR FIXED ACCESS ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM	30 YR FIXED IO ACCESS ALTERNATE INCOME 40 YR FIXED IO ACCESS ALTERNATE INCOME 5/6m SOFR ARM IO ACCESS ALTERNATE INCOME 7/6m SOFR ARM IO ACCESS ALTERNATE INCOME 30 YR FIXED IO ACCESS ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 40 YR FIXED IO ACCESS ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 5/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 7/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 1 YR PREPAY PENALTY TERM 30 YR FIXED IO ACCESS ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 40 YR FIXED IO ACCESS ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 5/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 7/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 2 YR PREPAY PENALTY TERM 30 YR FIXED IO ACCESS ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM

30 YR FIXED ACCESS ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 5/6m SOFR ARM ACCESS ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 7/6m SOFR ARM ACCESS ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 15 YR FIXED ACCESS ALTERNATE INCOME – 4 YR PREPAY PENALTY TERM 30 YR FIXED ACCESS ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 5/6m SOFR ARM ACCESS ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 7/6m SOFR ARM ACCESS ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 15 YR FIXED ACCESS ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM 30 YR FIXED ACCESS ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM 5/6m SOFR ARM ACCESS ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM 7/6m SOFR ARM ACCESS ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM	40 YR FIXED IO ACCESS ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 5/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 7/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 3 YR PREPAY PENALTY TERM 30 YR FIXED IO ACCESS ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 40 YR FIXED IO ACCESS ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 5/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 7/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 4 YR PREPAY PENALTY TERM 30 YR FIXED IO ACCESS ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM 40 YR FIXED IO ACCESS ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM 5/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM 7/6m SOFR ARM IO ACCESS ALTERNATE INCOME - 5 YR PREPAY PENALTY TERM