Edge and Access 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.

Table of Contents

LTV Matrices **2**

Edge DSCR LTV Matrix **2**

Access DSCR LTV Matrix **3**

Product Specific Requirements **5**

Product Names **8**

Edge Products 8

Access Products 9

LTV Matrices

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

- Edge DSCR: Min 700 FICO, 1x30x12 payment history, min .80 DSCR, min 3 months reserves and 20 acre rural properties allowed
- Access DSCR: Min 640 FICO, 0x30x12 payment history, min .75 DSCR, min 3 months reserves and 20 acre rural properties allowed

Edge DSCR LTV Matrix
Fixed Rate (including IO)

Min DSCR[3,4,6,7]	Min FICO[4]	Max Loan Amount[3]	Purchase[2,3,4,5,7]	Rate & Term[2,3,4,5,7]	Cash-Out[1,3,7]
1.00	700	$3,000,000	70%	70%	65%
	700	$2,000,000	75%	75%	65%
	700	$1,500,000	80%	80%	75%
	680	$1,500,000	70%	70%	N/A
0.80	720	$1,500,000	75%	75%	70%

LTV Matrix Footnotes

1. **Cash-Out transactions**: When LTV > 65%: Maximum cash in hand of $1,000,000. When LTV <= 65%: Unlimited cash in hand. The cash-out letter must explain that all cash out proceeds will be used for business purposes.
2. **Non-Warrantable Condos**: Max 75% LTV.
3. **Non-Warrantable Condotel**: Max 75% LTV on purchases and max 65% LTV on rate/terms and cash-out refinance transactions. Max $1,000,000 loan amount. Minimum $150,000 loan amount. Minimum DSCR of 1.00.
4. **Interest only loans:** Minimum DSCR of 1.00. Minimum FICO of 700
5. **1x30x12 and Credit Events between 36-48 months**: Max 75% LTV.
6. **First Time Investors** require DSCR ≥ 1.00. Short term rental income is not allowed.
7. **Short term rental income**:
   a) The maximum LTV limits listed above are reduced by 5%
   b) When using the appraiser's short-term market rental analysis or AirDNA/Opteon Rental Analysis, a min 1.50 DSCR is required when the LTV > 70% and a min 1.25 DSCR is required when the LTV ≤ 70%. When using remittance statements to document rental income a min 1.00 DSCR is required.

Product Details

Amortization Type	Full Principal and Interest: • 30 Year Interest Only: • 30 Year and 40 Year Interest only Fixed Rate
Credit/Payment History Requirements	• 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 the borrower's primary residence; however, any mortgages reported on the credit report must reflect a max 1x30x12 payment history. All other REOs are not required to be disclosed on the 1003.
Declining Market	The following LTV reductions apply when the LTV > 65%:

Property Value	Demand	Market Time	Reduce LTV
Declining	Any	Any	5%

Minimum Loan Amount	Minimum $150,000 for LTV > 75% Minimum $100,000 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 product and loan amount 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**: • 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.

Access DSCR LTV Matrix
Fixed Rate and ARM (including IO)

Min DSCR[5,6,7]	Min FICO	Max Loan Amount	Purchase & Rate/Term[2,3,4]	Cash-Out[1,3]
DSCR ≥ 1.25	740	$2,500,000	70%	N/A
DSCR ≥ 1.0	740	$2,000,000	75%	70%
		$1,500,000	80%	75%
		$1,000,000	80%	75%
	720	$2,000,000	75%	N/A
		$1,500,000	80%	75%
		$1,000,000	80%	75%
	700	$2,000,000	70%	N/A
		$1,500,000	75%	N/A
		$1,000,000	80%	70%
	680	$2,000,000	65%	N/A
		$1,500,000	70%	N/A
		$1,000,000	80%	65%
	660	$2,000,000	60%	N/A
		$1,500,000	65%	N/A
		$1,000000	65%	65%
DSCR ≥ 1.25	640	$1,000,000	1 Unit – 70% 2-4 Units - 65%	N/A
DSCR < 1.0 ≥ 0.75	740	$2,000,000	70%	N/A
		$1,500,000	75%	70%
		$1,000,000	75%	70%
	720	$2,000,000	65%	N/A
		$1,500,000	70%	65%

		$1,000,000	75%	70%
	700	$2,000,000	65%	N/A
		$1,500,000	70%	65%
		$1,000,000	75%	65%
	680	$2,000,000	N/A	N/A
		$1,500,000	N/A	N/A
		$1,000,000	70%	60%
		$750,000	70%	60%
	660	$1,000,000	60%	60%

LTV Matrix Footnotes

1. **Cash-Out transactions**:
   - ≤ 60% LTV: Unlimited cash-in-hand
   - > 60% LTV: Max $500,000 cash-in-hand
2. **Warrantable Condos**: Max 75% LTV
3. **Non-Warrantable Condos, including condotels**: Max 75% LTV on purchase/rate and term and max 70% LTV on cash out transactions.
4. **Rural Properties**: Max 75% LTV
5. **Interest-Only loans** require DSCR ≥ 1.00
6. **First Time Investors** require DSCR ≥ 1.00, Minimum 700 FICO. Short term rental income is permitted.
7. **Short term rental income:** Purchase: 1.25 minimum DSCR is required when the LTV > 75% and a min 1.00 DSCR is required when the LTV ≤ 75%. Refinance: 1.00 minimum DSCR

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/Payment History Requirements	• 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: 0x30x12 mortgage/rental history on the subject property and the borrower's primary residence. 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.
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**: • 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 of $125,000 - $500,000 and </= 70% LTV: 3 months PITIA • Loan amount of $125,000 - $500,000 and > 70% LTV: 6 months PITIA • Loan amount > $500,000: 6 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 10% borrower contribution and minimum 1.00 DSCR. Gift funds are not permitted for reserves. Gift of equity are not permitted for down payment, closing costs or reserves. Large deposits do not need to be sourced on purchase or refinance transactions.
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.
	  ○ 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 3 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.

	○ 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. ○ Min 700 credit score ○ Min 1.00 DSCR score ○ All borrowers must currently own at least 1 primary or second home in the United States. ○ Evidence of a 0x30x12 payment history or that the property is owned free and clear is required. ○ Borrower may have sold their property in the most recent 3 months prior to application and currently be renting; however, they must provide proof that they either owned the property free and clear or had a 0x30x12 mortgage payment history prior to selling the property. Current rental payments may be included in the 12-month housing history when borrowers have recently sold or vacated a primary residence. ○ Borrowers currently living rent free are not allowed. ○ 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 • 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).
  - 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.
- 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 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.
  - When the property is currently vacant, the market rent from 1007/1025 must be used to determine the monthly gross rent. Borrower must provide a letter of explanation for why the property is vacant.
- 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 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:
Long-Term Rental income from permitted Accessory Dwelling Unit may be included in the gross rental income per the Long-Term documentation requirements above. 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. • For Arc Edge, Elite, Arc Access, and FNMA/FHLMC Primary Cash-Out,-Second Home-Investment Property Products, 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	
Edge Products	
Edge DSCR Full Principal and Interest Options	**Edge DSCR Interest Only Options**
30 YR FIXED EDGE DSCR	30 YR FIXED IO EDGE DSCR

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