



25-028

Arc Home LLC Wholesale Lending Announcement

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

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Updates for Edge and Access Product Suite & Appraisal Valuation Policy

Arc Underwriting Guide

The Arc Underwriting Guide has been updated to include the below updates for Edge and Access product suites. These changes are **effective for new registrations on or after April 23, 2025**.

Edge and Access Updates		
Topic	Current Guideline	New Guideline
Escrow Waivers	<p>Escrow accounts may be waived for taxes and hazard insurance on non HPML transaction loans if all of the following requirements are met:</p> <ul style="list-style-type: none"> • $DTI \leq 43\%$ and • The Representative credit score is ≥ 700 and • At least Six Months reserves from borrower's own funds (not including cash-out proceeds) are documented and • The LTV/CLTV of the loan does not exceed 70%; In California, LTV cannot exceed 90% 	<p>Escrow accounts may be waived for taxes and hazard insurance on non HPML transaction loans if all of the following requirements are met:</p> <ul style="list-style-type: none"> • The Representative credit score is ≥ 700 and • At least 12 Months reserves are documented (cash out proceeds allowed) and • The LTV/CLTV of the loan does not exceed 80%; In California, LTV cannot exceed 90%
Conflicts of Interest	<p>A conflict of interest exists when the borrower has multiple roles in the transaction. These include, but are not limited to, the below situations. The below situations when the borrower is also the following are NOT permitted:</p> <ul style="list-style-type: none"> • The builder; • The loan officer on the transaction; • The listing and selling agent (borrower cannot be both); • The owner/principal of a mortgage brokerage or correspondent lender may not originate their personal mortgage with their own company. 	<p>A conflict of interest exists when the borrower has multiple roles in the transaction. These include, but are not limited to, the below situations. The below situations are NOT permitted:</p> <ul style="list-style-type: none"> • The borrower is the builder; • The borrower is the loan officer on the transaction; • The borrower is the listing and selling agent (borrower cannot be both); • The borrower is the owner/principal of a mortgage brokerage or correspondent lender may not originate their personal mortgage with their own company. • The borrower cannot act in dual capacity (for example, borrower acting as broker/lender/appraiser/title company in the transaction). The borrower may act as

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		<p>the realtor as long as there is no other business affiliation.</p> <ul style="list-style-type: none"> • The broker/loan officer cannot act in dual capacity (for example, broker/loan officer and realtor or broker/loan officer and any other affiliation within the transaction). • When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.
Cash out Refinance Transactions	Silent	Section has been restructured to include a definition, eligibility requirements, ownership requirements and seasoning requirements.
Cash out Letter on Refinance Transactions	All cash-out transactions must include a signed letter of explanation from the borrower stating the purpose of the cash-out. The explanation must be detailed enough to understand if any cash-out proceeds will be used for personal (e.g., paying off personal debt, reserves, acquisition/maintenance/improvement of an owner-occupied property, including a second home, or other household usage, etc.) or business (e.g., acquisition/maintenance/improvement of rental properties, capital investment in or working capital to support a business) purposes. Cash out received on a Business Purpose loan must be used for business purposes.	Business Purpose loans/DSCR cash-out transactions must include a signed letter of explanation from the borrower stating the purpose of the cash-out. The explanation must be detailed enough to understand if any cash-out proceeds will be used for personal (e.g., paying off personal debt, reserves, acquisition/maintenance/improvement of an owner-occupied property, including a second home, or other household usage, etc.) or business (e.g., acquisition/maintenance/improvement of rental properties, capital investment in or working capital to support a business) purposes. Cash out received on a Business Purpose loan or DSCR loan must be used for business purposes only. Personal use is not allowed.
Acquisition to Cash Out Refinance Seasoning	If an existing first mortgage is being paid off through the transaction, it must be at least 6 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan. If the existing first lien mortgage was modified and the modification resulted in a	If an existing first mortgage is being paid off through the transaction, it must be at least 6 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan. If the existing first lien mortgage was modified and the modification resulted in a

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	new Note Date, the required seasoning starts from the new Note Date. The 6 months seasoning does not apply: <ul style="list-style-type: none"> to inherited properties or when buying out a co-owner pursuant to a legal agreement. 	new Note Date, the required seasoning starts from the new Note Date. The 6 months seasoning does not apply: <ul style="list-style-type: none"> to inherited properties to any existing subordinate liens being paid off through the transaction, or when buying out a co-owner pursuant to a legal agreement.
Cash Out to Cash Out Seasoning	Cash-out transactions are prohibited on properties where the borrower consummated a prior cash-out refinance less than twelve (12) months prior to the note date. If the existing lien(s) are seasoned less than 12 months, then the prior closing disclosure (CD) is required to verify the seasoning time frame and to verify if the previous refinance was a cash-out transaction.	If the prior transaction was a cash out refinance, then the 12 months seasoning may be reduced to 6 months if the appraisal provides evidence of improvements completed on the subject property in the most recent 12 months. A 5% LTV reduction from the max LTV/CLTV for the transaction and occupancy type is required. All comparables must have similar quality ratings.
Properties listed for sale	Rate term: Must be off market prior to application date and on Arc Access products, must have at least a 3-year Prepayment Penalty. Cash out: Must be off the market for 6 months or 1 day and 5% LTV reduction and, if investment, 3 year PPP.	Rate term: Must be off market prior to application date and on Arc Access products, must have at least a 1-year Prepayment Penalty. Cash out: Must be off the market for 6 months or 1 day, 5% LTV reduction from the max LTV/CLTV for the transaction and occupancy type and, if investment, 1 year PPP.
Interested Party Contributions	Primary or Second Home 6% Investment property 2%	Primary or Second Home 6% Investment property 6%
Non-Permanent Resident Aliens	Non-Permanent resident alien borrower must have a valid social security number and must be authorized to work in the United States with the likelihood of employment continuance for at least 3 years. The following Visa classifications are acceptable: <ul style="list-style-type: none"> E Series E-1, E-2, E-3, EB-5 G Series G-1 through G-5 H Series H-1B & C, H-2 through Spouse H-4 	Non-Permanent resident alien borrower must have a valid social security number and must be authorized to work in the United States with the likelihood of employment continuance for at least 3 years. Non-Permanent resident alien borrowers must have a 2 year credit history. The following Visa classifications are acceptable: <ul style="list-style-type: none"> E Series E-1, E-2, E-3, EB-5 G Series G-1 through G-5

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	<ul style="list-style-type: none"> L Series (L-1, L-1A, L-1B, Spouse L-2 with employment authorization) NATO Series (NATO 1 through 6 with employment authorization) O Series O-1 R-1 TN-1 & 2 Canadian (NAFTA) 	<ul style="list-style-type: none"> H Series H-1B & C, H-2 through Spouse H-4 L Series (L-1, L-1A, L-1B, Spouse L-2 with employment authorization) NATO Series (NATO 1 through 6 with employment authorization) O Series O-1 R-1 TN-1 & 2 Canadian (NAFTA)
Non-Occupant Co-Borrowers	<ul style="list-style-type: none"> Non-occupant co-borrower must be qualified based on 1 year or 2 year Full documentation only (Bank Statement/1099 Asset Utilization/Asset Qualifier not allowed) – See Product Matrices One of the following must be met: <ul style="list-style-type: none"> Occupying borrower must have a DTI ratio of 50% or less, exclusive of income and debts of the non-occupant Max 45% combined DTI and max 80% LTV 	<ul style="list-style-type: none"> Non-occupant co-borrower must be qualified based on 1 year or 2 year Full documentation or 24 month Bank Statement The following non-owner occupant co-borrower income types are not allowed: 12 month Bank Statement/1-2 year 1099/CPA Prepared P&L, Asset Utilization, Asset Qualifier One of the following must be met: <ul style="list-style-type: none"> Occupying borrower must have a DTI ratio of 50% or less, exclusive of income and debts of the non-occupant Max 45% combined DTI and max 80% LTV
LLC Vesting	<p>If the Entity is the sole mortgagor, the following will be required:</p> <ul style="list-style-type: none"> A personal guarantee must be provided by each member of the Entity Each Entity member providing a personal guarantee must: <ul style="list-style-type: none"> Complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guarantee needs 	<p>For Transactions where an Entity is the sole mortgagor, the following requirements apply:</p> <ul style="list-style-type: none"> At least 1 borrower must own 25% of the entity. A personal guarantee is required from all members on the application Each Guarantor must have authority to execute loan documents on behalf of the entity. Each Entity member providing a personal guarantee must: <ul style="list-style-type: none"> Complete a Form 1003 or similar credit application indicating clearly that such document is being

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	<p>to be reflected on the 1003 loan application. The application of each member providing a personal guarantee and their credit score, and creditworthiness will also be used to determine qualification and pricing.</p> <ul style="list-style-type: none"> Section on the 1003 labelled "Title will be held in what Name(s)" should be completed with only the Entity name. Sign the following documents as an authorized signatory of the Entity: <ul style="list-style-type: none"> Form 1003 All Disclosures (e.g., GFE, TIL, ECOA) Any state or federally required settlement statements Note, Deed of Trust/Mortgage, and all Riders 	<p>provided in the capacity of guarantor.</p> <ul style="list-style-type: none"> Only the debt appearing on the personal credit report of individual(s) providing a personal guarantee needs to be reflected on the 1003 loan application. The application and credit report of each member providing a personal guarantee will be used to determine both loan pricing and loan approval. Section on the 1003 labelled "Title will be held in what Name(s)" should be completed with only the Entity name. Sign the following documents as an authorized signatory of the Entity: <ul style="list-style-type: none"> Form 1003 All Disclosures (e.g., GFE, TIL, ECOA) Any state or federally required settlement statements Note, Deed of Trust/Mortgage, and all Riders
Vesting in the name of an Entity: Documentation for a Corporation	By-Laws (and all amendments) including provisions that permit the acquisition, improvement and/or maintenance of the property along with the ability to mortgage the property.	By-Laws (and all amendments) including provisions that permit the acquisition, improvement and/or maintenance of the property along with the ability to mortgage the property. If the corporation is a single member/owner and Secretary of State from the Corporation's home state does not require Bylaws, then an Officer's Certificate is required.
Vesting in an Entity	For Transactions where an Entity is the sole mortgagor, a Spousal Consent to Pledge is required for all loan amounts of \$1,000,000 or greater and with any personal guarantee from community property state (AK, AZ, ID, LA, NM, TX, WA, WI) regardless of loan amount.	For Transactions where an Entity is the sole mortgagor and both spouses do not own the Entity , a Spousal Consent to Pledge is required for all loan amounts of \$1,000,000 or greater.
Vesting in an Entity	For refinance transactions, all Entities must be established for a minimum of 90 days prior to application	No longer applies

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Maximum number of financed properties with Arc for 1 borrower	Max \$5MM or 10 Financed with Arc Home	Max \$7.5MM or 10 Financed with Arc Home
Non Warrantable Condo	<p><u>Hazard Insurance:</u> The maximum allowable deductible for all required property insurance perils is 10% of the property insurance coverage amount.</p> <p><u>Timeshares:</u> Condos with Timeshares are not allowed.</p> <p><u>Condotel/Condos with Hotel-Like Features:</u></p> <ul style="list-style-type: none"> For investment property transactions in established projects at least 25% of the total units in the project must be conveyed to primary residence or second home purchasers. Unit must have a minimum 500 square feet with at least one bedroom and a fully functioning kitchen with stove/oven (cooktop only not permissible) 	<p><u>Hazard Insurance:</u> The maximum allowable deductible for all required property insurance perils is 10% of the property insurance coverage amount. Actual cash value for the roof is allowed if the HOA has enough reserves to cover the cost of the roof replacement.</p> <p><u>Timeshares:</u> For condo projects located in Hawaii, a maximum of 20% of the units may be owned as a timeshare. The subject unit may not be a timeshare.</p> <p><u>Condotel/Condos with Hotel-Like Features:</u></p> <ul style="list-style-type: none"> For investment property transactions in established projects, 100% of the total units in the project may be investor occupied. Unit must have a minimum 500 square feet with at least one bedroom and a fully functioning kitchen with stove/oven (cooktop only not permissible)
Ineligible Property Types	<ul style="list-style-type: none"> Properties less than 500 square feet Properties and multi-units without at least one separate bedroom and a fully functioning kitchen with stove/oven. Cooktops only are not permissible. 	<ul style="list-style-type: none"> Properties less than 500 square feet Multi-unit properties with units less than 500 square feet Properties and multi-units without at least one separate bedroom and a fully functioning kitchen with stove/oven in each unit. Cooktops only are not permissible.
Tradelines	<p>All Borrowers are required to meet one of the following tradeline requirements:</p> <ul style="list-style-type: none"> 3 tradelines reporting 12 months 2 tradelines reporting 24 months 1 tradeline reporting 36 months 	<p>If all borrower(s) have 3 FICO scores, then all borrower(s) must have 1 tradeline currently reporting that is not an authorized user account.</p> <p>If any borrower has less than 3 FICOs, then the borrower must meet one of the following tradeline requirements:</p> <ul style="list-style-type: none"> 3 tradelines reporting 12 months

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Topic	Current Guideline	New Guideline
		<ul style="list-style-type: none"> 2 tradelines reporting 24 months 1 tradeline reporting 36 months <p>Non-Permanent resident alien borrowers must have a 2-year credit history.</p>
Undisclosed Debt Monitoring	An Undisclosed Debt Monitoring (UDM) system, soft pull or credit refresh from all 3 credit agencies is required to detect debts and inquiries opened during the origination process.	An Undisclosed Debt Monitoring (UDM) system, soft pull or credit refresh from 1 agency is required to detect debts and inquiries opened during the origination process.
Past Due Accounts	silent	All past due accounts (revolving and installment) must be brought current. This guideline does not apply to collections and charge-offs.
Derogatory Credit	A Derogatory Credit Event is defined as a short-sale (SS), deed-in-lieu (DIL), mortgage loan charge-off (MCO), pre-foreclosure, foreclosure (FCL), Chapter 7, 11, 13 Bankruptcy (BK), Notice of Default (NOD), or 120-day mortgage late payment. A modification due to default is a Derogatory Credit Event; however, a COVID or non-default modification is not a Derogatory Credit Event.	A Derogatory Credit Event is defined as a short-sale (SS), deed-in-lieu (DIL), mortgage loan charge-off (MCO), pre-foreclosure, foreclosure (FCL), Chapter 7, 11, 13 Bankruptcy (BK), non-COVID or disaster Forbearance , Notice of Default (NOD), or 120-day mortgage late payment. A modification due to default is a Derogatory Credit Event; however, a COVID or non-default modification is not a Derogatory Credit Event.
Tax Transcripts	IRS or third-party tax transcripts must be obtained for any income types that require tax returns. Transcripts are not required for wage earners.	IRS or third-party tax transcripts must be obtained for any income types that require tax returns. Transcripts are not required for wage earners.
CPA Definition	The term CPA is used generically to refer to a licensed Certified Public Accountant (CPA), Certified Tax Preparer, or Enrolled Agent.	<p>The term CPA is used generically to refer to the following:</p> <ul style="list-style-type: none"> Borrower's ownership percentage, length of ownership, or use of business funds for downpayment, closing costs, or reserves: may be verified by a CPA/EA/CTEC or a tax preparer with a PTIN. Validation of the license/PTIN is required. CPA Prepared P&L option or if using a third-party prepared expense statement to calculate the income:

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Edge and Access Updates		
Topic	Current Guideline	New Guideline
		the P&L statement and expense statement must come from 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.
Business Funds as Assets	The business funds must be sourced and seasoned for thirty days prior to application date	The business funds must be sourced or seasoned for thirty days prior to application date
Business Funds as Assets	The underwriter must multiply the available business funds by the borrower's ownership percentage to compute the business funds available for down payment, closing costs, and reserves.	The underwriter must multiply the available business funds by the borrower's ownership percentage to compute the business funds available for down payment, closing costs, and reserves. On DSCR transactions, when the loan is vesting in an entity and the entity funds are being used for down payment, closing costs and reserves, the borrower may use 100% of the funds if all other entity owners provide an access letter.
Gift Funds	LTV/CLTV greater than 80%: <ul style="list-style-type: none"> One Unit Primary Residence: A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift. Two- to Four Unit Primary Residence, Second Home, Investment Property Transactions: The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment and closing costs. 	LTV/CLTV greater than 80%: One- to Four Unit Primary Residence, Second Home, Investment Property Transactions: The borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment and closing costs.

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

Edge and Access Alt Income Updates

The Edge and Access Alt Income Matrix has been updated to include the below updates. These changes are **effective for new registrations on or after April 23, 2025**.

Edge and Access Updates		
Topic	Current Guideline	New Guideline
Additional Income	Additional income per FNMA guidelines can be used as a second source when Bank statements, 1099 or CPA Prepared P&L is the primary source.	Additional income per FNMA guidelines can be used as a second source when Bank statements, 1099, CPA Prepared P&L or Asset Utilization is the primary source
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 and YTD paystubs covering at least 30 days are required.	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.
1099 Income Calculations	1099 income calculation, the lesser of: <ul style="list-style-type: none"> 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 Profit Margin multiplied by the Borrower's year to date income, for the current year, converted into a monthly average. 	1099 income calculation, the lesser of: <ul style="list-style-type: none"> 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
Bank Statement and CPA Prepared P&L – Verification of the Borrower's Ownership Percentage	The borrower's ownership percentage and length of ownership must be verified with one of the following: <ul style="list-style-type: none"> Letter from licensed CPA with PTIN (preparer tax identification number). The term CPA is used generically to refer to a licensed CPA, certified tax preparer, or enrolled agent. 	The borrower's ownership percentage and length of ownership must be verified with one of the following: <ul style="list-style-type: none"> Letter from CPA/EA/CTEC or a tax preparer with a PTIN. Business Formation Documents (Articles of Incorporation, Bylaws, Charter, Articles of Association, DBA for a sole proprietor).

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

Edge and Access Updates		
Topic	Current Guideline	New Guideline
	<ul style="list-style-type: none"> Business Formation Documents (Articles of Incorporation, Bylaws, Charter, Articles of Association). <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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
Bank Statement Documentation Requirements	Accounts must be from a US financial institution.	Accounts must be from a US financial institution or a financial technology company insured by a US financial institution, FDIC member.
Bank Statement Documentation Requirements	12- or 24- month complete bank statements must be in the file. 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.	12- or 24- month complete bank statements must be in the file. 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.
CPA Exculpatory Language	No less than the most recent 12-month Profit & Loss Statement (P&L) prepared, signed, and dated by a CPA for a period ending within 60 days of closing. P&L must not contain any exculpatory language that may compromise the integrity of the information provided.	No less than the most recent 12-month Profit & Loss Statement (P&L) prepared, signed, and dated by a CPA for a period ending within 60 days of closing. P&L must not contain any exculpatory language that may compromise the integrity of the information provided.
Personal Bank Account Qualification – Business Distributions	Silent	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.

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

Edge and Access Updates		
Topic	Current Guideline	New Guideline
CPA Prepared - Documentation Requirements	<p>Either Arc's CPA Relationship Letter OR a signed and dated letter from the CPA on their firm's letterhead evidencing signer's contact information and confirming <u>all</u> the below:</p> <ul style="list-style-type: none"> Length of relationship with borrower. CPA must have an existing relationship with the borrower for at least one (1) year or have filed the borrower's most recent tax return. If the CPA did not file the borrower's last tax return, Arc Home will require: <ul style="list-style-type: none"> CPA 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 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 that did not file borrower's last tax return or has less than 1 year relationship with the borrower. Intent to file tax returns for the immediate tax year due Borrower's position/title Ownership percentage of company Business formation date Number of years borrower has been self-employed with the company Confirmation that the borrower is paid annually or throughout the year based on the net profit of the business Current status of the borrower's business Must not contain any exculpatory language that may 	<p>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.</p> <p>Either Arc's CPA Relationship Letter OR a signed and dated letter from the CPA on their firm's letterhead evidencing signer's contact information and confirming <u>all</u> the below:</p> <ul style="list-style-type: none"> Length of relationship with borrower. If the CPA did not file the borrower's most recent tax return, Arc Home will require: <ul style="list-style-type: none"> CPA 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 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 that did not file borrower's last tax return or has less than 1 year relationship with the borrower. Intent to file tax returns for the immediate tax year due Borrower's position/title Ownership percentage of company Business formation date Number of years borrower has been self-employed with the company Confirmation that the borrower is paid annually or throughout the year based on the net profit of the business Current status of the borrower's business

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Topic	Current Guideline	New Guideline
	compromise the integrity of the information provided.	<ul style="list-style-type: none"> Nature of business
Alt Income with Long term and Short term Rental Income	Purchase transactions: Rent Schedule Form 1007 or 1025 Departing Residences: Rent Schedule Form 1007 or 1025 OR the current lease agreement, security deposit, and 1 month's rent rental deposit reflected on the bank statements/cancelled checks/electronic proof.	Purchase transactions or Departing Residences: Rent Schedule Form 1007 or 1025 OR the current lease agreement, security deposit, and 1 month's rent rental deposit reflected on the bank statements/cancelled checks/electronic proof. Follow Fannie Mae guidelines for anything not addressed, including but not limited to calculating monthly qualifying rental income (or loss) must be followed.

Edge Alt Income LTV Matrix

The Edge Alt Income Matrix has been updated to include the below updates **effective for new registrations on or after April 23, 2025.**

Edge Updates		
Topic	Current Guideline	New Guideline
Edge CPA Prepared P&L	The average deposits from the 2 months of 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.	Edge CPA Prepared P&L allows 2 options for bank statements: <ul style="list-style-type: none"> Option 1 – No Bank Statements: 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. 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. 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,

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Edge Updates		
Topic	Current Guideline	New Guideline
		continuous bank statements may be added to the analysis until the tolerance is met.
Edge Alt Income	Primary Purchase and Rate/Term Transactions 1 unit: \$1,500,000 720 FICO @ 85%; Max 45% DTI	Primary Purchase and Rate/Term Transactions 1 unit: \$2,000,000 720 FICO @ 85%; Max 50% DTI
Edge Alt Income	Primary Cash-Out Transactions 1-4 units: \$1,500,000 700 FICO @ 80%; Max 50% DTI	Primary Cash-Out Transactions 1-4 units: \$2,500,000 700 FICO @ 80%; Max 50% DTI

Access Alt Income LTV Matrix

The Edge Alt Income Matrix has been updated to include the below updates **effective for new registrations on or after April 23, 2025.**

Access Updates		
Topic	Current Guideline	New Guideline
Access CPA Prepared P&L	Primary Purchase and Rate/Term Transactions: Max 90% LTV/CLTV	Primary Purchase and Rate/Term Transactions: Max 85% LTV/CLTV on purchase transactions Max 80% LTV/CLTV on rate term refinance transactions
Access Alt Income	Primary Purchase and Rate/Term Transactions: 1 unit: \$1,000,000 700 FICO @ 90%	Primary Purchase and Rate/Term Transactions: 1 unit: \$1,000,000 720 FICO @ 90%
Max DTI	DTI up to 55% may be considered on a case-by-case basis as approved by Credit Policy. Not eligible on Asset Utilization.	Max 50% DTI

Edge Agency Plus LTV Matrix

The Edge Agency Plus Matrix has been updated to include the below updates **effective for new registrations on or after April 23, 2025.**

Edge Agency Plus Updates		
Topic	Current Guideline	New Guideline
Edge Agency Plus LTV	Primary Purchase and Rate/Term Transactions: 1 unit: \$1,500,000 720 FICO @ 85%; Max 45% DTI	Primary Purchase and Rate/Term Transactions: 1 unit: \$2,000,000 720 FICO @ 85%; Max 50% DTI

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Access Agency Plus LTV Matrix

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Access Agency Plus Updates		
Topic	Current Guideline	New Guideline
Access Agency Plus	Second home Purchase and Rate/Term Transactions: 1 unit: \$3,000,000 700 FICO @ 75%	Second home Purchase and Rate/Term Transactions: 1 unit: \$3,000,000 700 FICO @ 75% 1 unit: \$3,500,000 720 FICO @ 65%
Access Agency Plus	Second Home Purchase and Rate/Term Transactions: 1 unit: \$2,500,000 700 FICO @ 80%	Second Home Purchase and Rate/Term Transactions: 1 unit: \$2,500,000 700 FICO @ 80% 1 unit: \$1,000,000 700 FICO @ 85%
Access Agency Plus	Investment Purchase and Rate/Term Transactions: 1-4 units: \$2,500,000 700 FICO @ 80%	Investment Purchase and Rate/Term Transactions: 1-4 units: \$2,500,000 700 FICO @ 80% 1-4 units: \$1,000,000 700 FICO @ 85%
Max DTI	DTI up to 55% may be considered on a case-by-case basis as approved by Credit Policy. Not eligible on Asset Utilization.	Max 50% DTI

Edge and Access DSCR Product Matrix

The Edge and Access DSCR Matrix has been updated to include the below updates. These changes are **effective for new registrations on or after April 23, 2025.**

Edge and Access Updates		
Topic	Current Guideline	New Guideline
Closing in an Intervivos Revocable Trust	Not allowed	Allowed per FNMA Intervivos Revocable Trust guidelines
DSCR Borrower Eligibility Requirements	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 prior to note date in the last 3 years. Experience can be documented by a letter of explanation (LOE) by the borrower/guarantor	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 prior to note date in the last 3 years. Examples of proof of landlord history include: third-party documentation such as DataVerify/Fraud

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

Edge and Access Updates		
Topic	Current Guideline	New Guideline
	detailing relevant real estate experience supported by a property profile report or other 3rd party documentation. Arc Home reserves the right to request specific documentation to validate investor experience.	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.
DSCR First Time Investors	<p>DSCR First Time Investors allowed on purchase only.</p> <ul style="list-style-type: none"> Min 680 credit score Min 1.00 DSCR score All borrowers must currently own and be obligated on a mortgage for at least 1 primary or second home in the United States for 12 months. 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. Borrowers currently living rent free are not allowed. Short term rental income is not allowed. 	<p>DSCR First Time Investors allowed on purchase and refinance transactions.</p> <ul style="list-style-type: none"> Min 680 credit score Min 1.00 DSCR score All borrowers must currently own and be obligated on a mortgage for at least 1 primary or second home in the United States for 12 months. 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. 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 not allowed.
DSCR Short Term Rental Income	<p><u>Purchase transactions:</u> Short-Term Rental Income (such as AirBNB/VRBO income): Provide either an AirDNA Report, short-term Comparable Rent Schedule Form 1007/1025, or short-term rental narrative completed by the appraiser within the comment section of the appraisal.</p>	<p><u>Purchase transactions:</u> Short-Term Rental Income (such as AirBNB/VRBO income): The monthly Gross Rents are determined by the appraiser's short-term market rental analysis (Comparable Rent Schedule Form 1007/1025, AMC specific form, or appraiser commentary). If the appraiser is unable to provide a short-</p>

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

Edge and Access Updates		
Topic	Current Guideline	New Guideline
	<ul style="list-style-type: none"> Min 1.50 DSCR with LTV at 75% Min 1.25 DSCR with LTV at 70% First time investor not allowed Subject property must in an area that is common for short term rentals AirDNA Rental Analysis provided by the broker or correspondent is allowed with the following parameters: <ul style="list-style-type: none"> Forecast period must cover 12 months from the Note date The occupancy rate must be >60% 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 <p><u>Refinance transactions:</u> Evidence that the property is actively listed as a short-term rental is required. Remittance statements from the renting entity covering the most recent 12-month period is required. The payout amount must be used for qualifying. Delayed financing with short term rental income is not allowed.</p>	<p>term market rental analysis, then an AirDNA/Opteon Rental Analysis may be used.</p> <ul style="list-style-type: none"> Min 1.50 DSCR with LTV > 75% Min 1.25 DSCR with LTV <= 75% First time investor not allowed Subject property must in an area that is common for short term rentals AirDNA/Opteon Rental Analysis is allowed with the following parameters: <ul style="list-style-type: none"> 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 <p><u>Refinance transactions:</u> Short-Term Rental Income (such as AirBNB/VRBO income):</p> <ul style="list-style-type: none"> Evidence that the property is actively listed as a short-term rental is required. Remittance statements from the renting entity are 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

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

Edge and Access Updates		
Topic	Current Guideline	New Guideline
		<p>commentary) may be used. If the appraiser is unable to provide a short-term market rental analysis, then an AirDNA/Opteon Rental Analysis may be used. A min 1.50 DSCR is required when the LTV > 75% and a min 1.25 DSCR is required when the LTV ≤ 75%. AirDNA/Opteon is allowed with the following parameters:</p> <ul style="list-style-type: none"> 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
DSCR Long Term Rental Income on Refinance Transactions	<p>On refinances, when the lease agreement is greater than the market rent from the 1007/1025, the lower of the lease agreement or 120% of the market rent may be used with 3 months current proof of receipt of the higher rental income. Provide a monthly, seasonal, or long-term (as available per market) Comparable Rent Schedule Form 1007 or 1025 and either:</p> <ul style="list-style-type: none"> When the property is currently occupied by a tenant, an executed lease agreement. For month-to-month lease agreements, a 12-month rental payment history must be documented. <ul style="list-style-type: none"> If a new lease agreement has been executed, it must commence within 60 days after the note date and proof of receipt of security deposit is required. 	<p>On refinances, when the lease agreement is greater than the market rent from the 1007/1025, the lower of the lease agreement or 120% of the market rent may be used with 2 months current proof of receipt of the higher rental income. Provide a monthly, seasonal, or long-term (as available per market) Comparable Rent Schedule Form 1007 or 1025 and either:</p> <ul style="list-style-type: none"> 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. <ul style="list-style-type: none"> If a new lease agreement has been executed, it must commence within 60 days after the note date and proof of receipt of security deposit is required.

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

Edge and Access Updates		
Topic	Current Guideline	New Guideline
	<ul style="list-style-type: none"> When the property is currently vacant, the market rent from 1007/1025 must be used to determine the monthly gross rent. 3rd party appraisal review is required when the LTV > 65%. Borrower must provide a letter of explanation for why the property is vacant. 	<ul style="list-style-type: none"> 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.
Access DSCR Purchase	1 unit at 80% LTV at 680 up to \$1,000,000 2-4 unit at 75% LTV at 680 up to \$1,000,000 1-4 unit at 75% LTV at 700 up to \$1,500,000	1-4 unit at 80% LTV at 680 up to \$1,000,000 1-4 unit at 80% LTV at 720 up to \$1,500,000
Access DSCR Purchase and Rate Term	1-4 unit: \$750,000 680 FICO @ 70% at .75 DSCR	1-4 unit: \$1,000,000 700 FICO @ 75% at .75 DSCR 1-4 unit: \$750,000 680 FICO @ 70% at .75 DSCR

Appraisal Valuation Updates

The Arc Underwriting Guide and Appraisal Valuation Requirements have been updated to include the below updates **effective for new registrations on or after April 23, 2025.**

Appraisal Valuation Requirements for all Conventional Loan Products		
Topic	Current Guideline	New Guideline
<ul style="list-style-type: none"> Standard FNMA & FHLMC GSE Products FNMA/FHLMC Second Home/Investment 	Transferred appraisals with an SSR score > 2.5 or no SSR score require Arc Home Loan Collateral review.	Transferred appraisals with an SSR score > 2.5 or no SSR score on a loan with an LTV >70% OR > \$1,000,000 require Arc Home Loan Collateral review.
<ul style="list-style-type: none"> Access Suite Edge Suite Foreign National 	<ul style="list-style-type: none"> All transferred appraisals require an Arc Home Loan Collateral review. Transferred appraisals with a no SSR score require Arc Home Loan Collateral review. Non-transferred appraisals with a no SSR score require an Arc Home Loan Collateral review. 	<ul style="list-style-type: none"> Transferred appraisals with an SSR score > 2.5 require an Arc Home Loan Collateral. Transferred appraisals with no SSR score on a loan with an LTV >70% OR > \$1,000,000 require Arc Home Loan Collateral review.

25-028

Arc Home LLC Wholesale Lending Announcement

Updates for Edge and Access Product Suite & Appraisal Valuation Policy

	<ul style="list-style-type: none"> The following transactions require a 3rd party review: <ul style="list-style-type: none"> Loan amounts > \$3,000,000. Properties in a Declining Market DSCR refinance transactions on properties that are currently vacant and have an LTV > 65% Transferred appraisals with an SSR score > 2.5 Non-Transferred appraisals with an SSR score > 3.5 	<ul style="list-style-type: none"> Non-transferred appraisals with no SSR score on a loan with an LTV >70% OR > \$1,000,000 require an Arc Home Loan Collateral review. 3rd party review is no longer required.
Elite Jumbo Prime Product	Non-transferred appraisals with a no SSR score require an Arc Home Loan Collateral review.	Non-transferred appraisals with no SSR score on a loan with an LTV >70% OR > \$1,000,000 require an Arc Home Loan Collateral review.