Arc Access DSCR

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.

LTV Matrix

Fixed Rate and ARM (including IO)

Occupancy	Purpose	Units	Loan Amount Maximum	Credit Score Minimum	LTV	Minimum DSCR[3]
Investment	Purchase	1 Unit	$1,000,000	680[2]	80%[2]	1.00
	Purchase and Rate/Term	1-4 Units	$2,500,000[2]	740	70%[2]	1.25
			$2,000,000[2]	720	75%[2]	1.00
			$2,000,000[2]	700[2]	70%[2]	
			$1,500,000	700[2]	75%[2]	
			$1,000,000	680[2]	75%[2]	
			$1,000,000	640[2]	70% (1 unit)[2] 65% (2-4 unit)[2]	1.25
			$750,000	680[2]	70%	.75
	Cash-Out [1]	1-4 Units	$2,000,000[2]	740	70%[2]	1.00
			$1,500,000	720	70%[1,2]	
			$1,000,000	700[2]	70%[1,2]	
			$1,000,000	680	65%[1,2]	

1. **Cash-Out transactions**: Maximum cash in hand of $1MM. The cash-out letter must explain that all cash out proceeds will be used for business purposes.
2. **Non-Warrantable Condos, including condotels**: Max 75% LTV/CLTV on purchase/rate and term and max 65% LTV/CLTV on cash out transactions
3. **Interest-Only loans** require DSCR ≥ 1.00

Product Specific Requirements

Amortization Type	Full Principal and Interest: • 15 Year and 30 Year Fixed Rate • 5/6 SOFR ARM, 7/6 SOFR ARM Interest Only: • 30 Year Interest only Fixed Rate • 5/6 SOFR IO ARM, 7/6 SOFR Interest only ARM
ARM Information	Caps: 2/2/5 Index: 30 Day SOFR Margin: 3.75% Floor: Margin
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 Selling Guide for Collateral Review requirements.
Assets/Borrower Contribution	Gift funds and gifts 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. However, if the large deposit appears to be a gift in nature, then a letter of explanation from the borrower is required to validate that the deposit is not a gift.

Attestations	All DSCR loans are "Business Purpose Loans"; therefore, to be eligible for the product, the owner cannot occupy the property for more than 14 days during the coming year and 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 Selling Guidelines are met.
	• 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 review by underwriting management is required.
	  ○ Non-first time investors who rent a primary residence must provide evidence of an active lease. The primary residence must meet one of the following:
	  ▪ Geographically consistent with the borrower's place of employment
	  ▪ General appeal and location is superior to subject property
	  ▪ If the primary residence does not meet one of the above reasons, then additional review by underwriting management is required.
	• For Professional Investors: Investors must have a history of owning and managing commercial or residential real estate 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 borrower/guarantor 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.
	• First Time Investors (Borrowers who do not have a history of owning and managing a rental property for 12 months prior to note date in last 3 years.):
	  ○ Purchase Only
	  ○ Min 680 credit score
	  ○ All borrower must currently own and be obligated on 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. Borrowers currently living rent free are not allowed.
	Ineligible:
	• First Time Home Buyers
	• Foreign Nationals
	• Inter-Vivos trusts
	• Using a Power of Attorney when vesting in the name of an entity or on a cash-out transaction

Credit/Payment History Requirements	• No foreclosure/bankruptcy/short sale within last 48 months • 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. A payment history for all other REOs is not required. • In addition, all other REOs are not required to be disclosed on the 1003. • Any derogatory housing events reported on the credit report must meet seasoning requirements.

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. Lease agreement: Monthly Gross Rents are determined by the lower of the lease agreement amount or market rent from 1007/1025. The higher 12-month lease agreement amount may be used with evidence of 2-months of receipt and the lease agreement amount may not be greater than 125% of the market rent from the 1007/1025. Short term rental income (such as AirBNB/VRBO income): Monthly Gross Rents are determined by the lower of the 12-month average payout amount or market rent from 1007/1025. The higher 12-month average payout amount may be used provided it is not greater than 125% of the estimated market rent from the 1007/1025. DSCRs down to 0.75 are eligible, see LTV matrix for eligibility details.
DSCR Documentation	All transactions require a landlord's 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. • Short-Term Rental Income (such as AirBNB/VRBO income): Allowed with the following parameters: ○ Use the nightly, weekly, monthly, or seasonal market rent from the Comparable Rent Schedule Form 1007 or 1025 (as available per market) ○ Subject property must in an area that is common for short term rentals ○ 1.50 DSCR required ○ First time investor not allowed **For all refinance transactions**: • Provide a nightly, weekly, monthly, seasonal, or long-term (as available per market) Comparable Rent Schedule Form 1007 or 1025 and either: ○ Long-Term Rental Income (Any term between month to month and 12 months): When the property is currently occupied by a tenant, an executed lease agreement is required. For month-to-month lease agreements, a 12-month rental payment history must be documented. ▪ 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, then reduce the LTV by 10% LTV from the program max that the borrower qualifies for is required. The borrower must have a landlord's insurance policy. Borrower must provide a letter of explanation for why the property is vacant. On a 2-4 unit property, only 1 unit may be vacant. ○ Short-Term Rental Income (such as AirBNB/VRBO income): Remittance statements from the renting entity covering the most recent 12-month period is required. The payout amount must be used for qualifying. Refer to the LTV Matrix for the minimum DSCR. **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	Employment information must be completed on the 1003; however, the income must be blank.

Geographic Restrictions	Properties located in Georgia are not allowed. Hawaii is eligible for Delegated Correspondents only.
Impound/Escrow Accounts	Escrow funds/impound accounts may be waived for taxes and hazard insurance in accordance with the Arc Selling Guide.
Lien Position	First
Minimum Loan Amount	• Minimum $200,000 for LTV > 75% • Minimum $100,000 for LTV </= 75%
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. • For Arc Elite, Arc Access, Conventional Investment Property and FNMA/FHLMC Second Home-Investment Property Products, each borrower may not exceed either an aggregate unpaid principal balance amount of $5MM or 10 loans (including the subject property) financed with Arc Home Loans.
Occupancy	Investment only
Prepayment Penalty	May be subject to up to a five-year prepayment penalty or the maximum permitted by state law, whichever is lower.
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 Selling Guide for details. • Maximum acreage is 2 acres. Acreage and land value must be typical and common for the subject's market. **Ineligible**: • Refer to the Arc Selling Guide for ineligible property types.
Reserve Requirements	Reserve requirements are based on the PITIA of the subject property. • Loan amount ≤ $1,500,000: 6 months minimum reserves • Loan amount > $1,500,000: 9 months minimum reserves
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 a license as long as they are currently approved and active in at least one other state, as reflected in NMLS, as a Broker and Loan Officer respectively. For example, a Broker and LO licensed in California may originate a DSCR loan in Florida even if they aren't licensed as an LO in Florida. 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: CO, CT, FL, MA, MD, OH, SC, TX, VA, WA • Wholesale Only: Washington DC
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 **Ineligible**: • Texas 50(a)(6) Rate Term and Cash Out refinances
Underwriting	Manual underwriting required. AUS not allowed. Refer to the Arc Selling Guide for complete program requirements.

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