

## Closed End Second Product Matrix

These products are for strong credit quality borrowers looking for a second lien. These loan products are subordinate to the first lien.

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### Closed End Seconds Matrix

Transaction Type	Minimum FICO	Max CLTV		
		Owner Occupied	2nd Home	Investment
Rate term and Cash out	740	80%	75%	75%
	700	80%	75%	70%
	680	80%	70%	65%
	660	70%	N/A	N/A
	640	65%	N/A	N/A

### Closed End Seconds Product Details

Amortization	<ul style="list-style-type: none"> <li>• Stand-Alone Second Liens</li> <li>• Fixed rate terms: 10, 15, 20, &amp; 30 years</li> </ul>
Appraisal Requirements / Valuation	<ul style="list-style-type: none"> <li>• AVM within 60 days of note date with Exterior Inspection or Traditional Full Appraisal within 120 days of note date.</li> <li>• AVM's must be provided from one of the below vendors, with an acceptable score as indicated:                             <ul style="list-style-type: none"> <li>○ Black Knight Collateral Analytics – FSD &lt; 0.26</li> <li>○ Clear Capital – FSD &lt; 0.13</li> <li>○ CoreLogic/Cotality – FSD &lt; 0.22</li> <li>○ Any provider from Clear Capital's AVM Cascade</li> <li>○ House Canary – FSD &lt; 0.14</li> <li>○ Homegenius Real Estate/Red Bell Real Estate, LLC – FSD &lt; 0.17</li> <li>○ Veros/Verovalve – FSD &lt; 0.16</li> </ul> </li> <li>• All Higher priced mortgage loans, regardless of loan amount, must have full standard appraisal as specified by FNMA Guidelines.</li> <li>• When a full interior appraisal shows "SUBJECT TO", a 1004D from the same appraiser who completed the appraisal is required to certify that any required repairs or improvements mentioned in the appraisal have been completed.</li> </ul>
ATR/QM and HPML	<p>All loans must comply with the ATR/QM rule</p> <ul style="list-style-type: none"> <li>• Loans may be QM safe harbor, QM rebuttable presumption, or Non-QM, but all must meet ATR requirements in 12 CFR Part 1026.43.</li> <li>• Arc Home will not originate High-Cost loans                             <ul style="list-style-type: none"> <li>○ High Cost defined as secondary/subordinate financing with an APR 8.5% ≥ above the APOR</li> <li>○ Includes loans classified as High-Cost mortgages under any state law</li> </ul> </li> <li>• Arc Home will originate Higher Priced Mortgage Loans (HPML) that comply with all regulatory compliance.                             <ul style="list-style-type: none"> <li>○ HPML defined as secondary/subordinate financing with an APR 3.5% ≥ above the APOR</li> </ul> </li> </ul>

Credit/Payment History Requirements	<ul style="list-style-type: none"> <li>• A full tri-merge credit report is required. The middle score will be used (or the lowest of the two when only two scores are available).</li> <li>• Non-traditional credit is not permitted</li> <li>• Credit report must show a max of one 30-day late in the last 12 months for all mortgage tradelines.</li> <li>• Client must be current at the time of closing and cannot be in a forbearance.</li> <li>• Per Fannie Mae Selling Guide for all other credit requirements.</li> </ul>
Loan Amounts	<ul style="list-style-type: none"> <li>• Minimum Loan Amount: \$25,000</li> <li>• Maximum Loan Amount: \$500,000</li> </ul>
Maximum Total Financing	<ul style="list-style-type: none"> <li>• Owner-Occupied - Limited to \$3,000,000 (total amount of 1st and 2nd lien combined)</li> <li>• Second Homes - Limited to \$2,000,000 (total amount of 1st and 2nd lien combined)</li> <li>• Investment Properties - Limited to \$2,000,000 (total amount of 1st and 2nd lien combined). Limited to 10 Financed Properties</li> </ul>
Property Types	<p><u>Eligible:</u></p> <ul style="list-style-type: none"> <li>• SFR</li> <li>• Condo (Fannie Mae warrantable)</li> <li>• PUD</li> <li>• 2-4 Unit Properties</li> </ul> <p><u>Ineligible:</u></p> <ul style="list-style-type: none"> <li>• Income producing buildings or land</li> <li>• Mobile or manufactured homes</li> <li>• Condotels</li> <li>• Cooperatives</li> <li>• Timeshares</li> <li>• Houseboats</li> <li>• Vacant Land</li> <li>• Rural</li> <li>• Properties with more than 20 acres</li> </ul>
<b>Closed End Second Underwriting Requirements</b>	
Age of Documents	<p>Expiration Dates are based on the Note Date of the Loan:</p> <ul style="list-style-type: none"> <li>• Credit Report – 120 Days</li> <li>• Income documents – 120 Days</li> <li>• Asset documents – 120 Days</li> <li>• Title – 90 Days</li> <li>• AVM and Appraisal: See above Appraisal Requirements / Valuation section for each product</li> </ul>
Assumptions	Not Assumable
Borrowers: Eligible	<ul style="list-style-type: none"> <li>• US Citizens</li> <li>• Must have a valid SSN</li> <li>• Permanent Residents</li> <li>• Non-Permanent Residents: <ul style="list-style-type: none"> <li>○ Primary Residence Only</li> <li>○ 2-year US employment history</li> </ul> </li> </ul>
Borrowers: Ineligible	<ul style="list-style-type: none"> <li>• Borrowers with ITIN's</li> <li>• Non-occupying co-borrowers</li> <li>• Guarantors or Co-Signers</li> <li>• Use of power of attorney not permitted</li> <li>• Properties titled in Irrevocable Trusts are not permitted</li> <li>• Properties titled in Land Trusts are not permitted</li> <li>• Non-individual legal entities such as corporations, general partnerships, limited partnerships, real estate syndications, or investment trusts</li> <li>• Foreign nationals</li> </ul>

	<ul style="list-style-type: none"> <li>• Individuals classified under diplomatic immunity, temporary protected status, deferred enforced departure (including DACA) or humanitarian parole</li> <li>• Borrowers party to a lawsuit in which they have any personal financial liability</li> </ul>
DTI	Max 50% DTI
Eligible First Lien Programs	<ul style="list-style-type: none"> <li>• Agency &amp; Government Fixed Rate and ARM's with initial fixed rate term &gt; 5 years</li> <li>• Non-Conforming Fixed Rate and ARM's with initial fixed rate terms &gt; 5 years</li> </ul>
Flood Certificates	<ul style="list-style-type: none"> <li>• Obtain a flood cert to ensure the property is not in a flood zone. If the property is in a flood zone, then obtain flood insurance so that the DTI can be calculated accurately.</li> <li>• Follow Fannie Mae requirements if Flood Insurance is required.</li> </ul>
Geographic Restrictions	<ul style="list-style-type: none"> <li>• Closed End Second loans are not eligible in Hawaii and Texas</li> </ul>
Homeowner's Insurance	<p>Proof of existing coverage is required.</p> <ul style="list-style-type: none"> <li>• Maximum loan amounts less than \$250,000: Use of existing coverage amount is permitted. Replacement cost estimator or increases in coverage are not required regardless of outstanding lien amounts</li> <li>• Maximum loan amounts greater than or equal to \$250,000: Existing coverage amount must be equal to the lesser of the following: <ul style="list-style-type: none"> <li>○ 100% of the insurable value of the improvements, as established by the property insurer; OR</li> <li>○ The unpaid principal balance of all existing liens against the subject property, plus the new Maximum Line Amount</li> </ul> </li> </ul>
Ineligible Senior Lien	<p>Senior liens with high-risk features which can include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Tax and judgement liens</li> <li>• Loans in active forbearance or deferment</li> <li>• Negative amortization mortgages</li> <li>• Balloon mortgages</li> <li>• Partial claim due to a loan modification</li> <li>• Reverse Mortgages</li> <li>• Interim Construction loans</li> <li>• Private Mortgages opened within the past 12 months</li> <li>• Texas 50(a)(6)</li> <li>• HELOC in the draw period</li> </ul>
Maximum Total Financing	<ul style="list-style-type: none"> <li>• Owner-Occupied - Limited to \$3,000,000 (total amount of 1st and 2nd lien combined)</li> <li>• Second Homes - Limited to \$2,000,000 (total amount of 1st and 2nd lien combined)</li> <li>• Investment Properties - Limited to \$2,000,000 (total amount of 1st and 2nd lien combined). Limited to 10 Financed Properties</li> </ul>
MERS	Loans will be assigned through MERS.
Mortgage Insurance	Not required
Occupancy	<ul style="list-style-type: none"> <li>• Primary</li> <li>• Second Home</li> <li>• Investment</li> </ul>
Prepayment Penalty	N/A
Reserves	If Cash-Out, no reserves required. If Rate & Term, 3 months reserves are required
Lien Position	<ul style="list-style-type: none"> <li>• Up to 2 liens on a single property, including Arc Home's mortgage. The first lien must be a mortgage and cannot be a HELOC.</li> <li>• Arc Home's lien must be in second lien position.</li> <li>• This transaction may pay off other existing liens on the property.</li> </ul>
Title Insurance	<ul style="list-style-type: none"> <li>• A property search will be completed on all transactions.</li> <li>• Title Insurance -One of three options, depending on locality: <ul style="list-style-type: none"> <li>○ Insurance Wrapper</li> <li>○ Junior Loan Policy</li> </ul> </li> </ul>

	○ Full Title Policy
Underwriting (Income & Assets)	Manually underwritten per Fannie Mae Selling Guide.
<b>Product Names</b>	
Closed-End Seconds	
ARC 10 YR CLOSED END 2ND LIEN	
ARC 15 YR CLOSED END 2ND LIEN	
ARC 20 YR CLOSED END 2ND LIEN	
ARC 30 YR CLOSED END 2ND LIEN	