

## Closed End Second Product Matrix

This product is for strong credit quality borrowers looking for a second lien.. This loan is subordinate to the first lien. All of the funds are distributed at one time in a lump sum payment.

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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	80%	N/A	N/A
	640	75%	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>
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>
Loan Amounts	<ul style="list-style-type: none"> <li>Minimum Loan Amount: \$25,000</li> <li>Maximum Loan Amount: \$500,000</li> </ul>

### Closed End Seconds Underwriting Requirements

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>All Higher priced mortgage loans equal to or greater than \$400,000.00 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>
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> </ul>

	<ul style="list-style-type: none"> <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</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>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> <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>
Credit Score and Report	<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>Per Fannie Mae Selling Guide for all other credit requirements.</li> </ul>
DTI	Max 50% DTI
Escrow	Follow applicable state laws regarding Escrow/Impound accounts.
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	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.
Geographic Restrictions	Closed End Second loans are not eligible in Hawaii and Texas
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>
Housing History	Credit report must show a max of one 30-day late in the last 12 months for all mortgage tradelines. Client must be current at the time of closing and cannot be in a forbearance.
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> </ul>

	<ul style="list-style-type: none"> <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).</li> </ul> <p>Limited to 10 Financed Properties</p>
MERS	Loans will be assigned through MERS.
Mortgage Insurance	Not required if first mortgage is <= 80% LTV
Occupancy	<ul style="list-style-type: none"> <li>• Primary</li> <li>• Second Home</li> <li>• Investment</li> </ul>
Prepayment Penalty	N/A
Property types	<p>Eligible:</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>Ineligible:</p> <ul style="list-style-type: none"> <li>• Income producing buildings or land</li> <li>• Mobile or manufactured homes</li> <li>• Condotel</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>
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> <li>○ Full Title Policy</li> </ul> </li> </ul>
Transaction Type	<ul style="list-style-type: none"> <li>• Rate Term Refinance</li> <li>• Cash out Refinance</li> </ul>
Underwriting (Income & Assets)	Manually underwritten per Fannie Mae Selling Guide.
<b>Product Names</b>	
<p>ARC 10 YR CLOSED END 2ND LIEN</p> <p>ARC 15 YR CLOSED END 2ND LIEN</p> <p>ARC 20 YR CLOSED END 2ND LIEN</p> <p>ARC 30 YR CLOSED END 2ND LIEN</p>	