

## Closed End Second & HELOC Product Matrix

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

### Table of Contents

Closed End Seconds Matrix.....	1
Closed End Seconds Product Details .....	1
HELOC Adjustable-Rate Matrix .....	2
HELOC Product Details .....	3
Closed End Seconds and HELOC Underwriting Requirements .....	4
Product Names .....	5

### 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/Verovalue – 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> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ Includes loans classified as High-Cost mortgages under any state law</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>

### HELOC Adjustable-Rate Matrix

Occupancy	Purpose	Units	Maximum HELOC Line Amount	Maximum Combined (1 <sup>st</sup> Lien UPB + HELOC Line) Amount	Minimum FICO	HCLTV	Maximum DTI
Primary	Cash-Out	1	\$350,000	\$3,000,000	740	75%	50%
			\$300,000	\$3,000,000	740	80%	
			\$250,000	\$3,000,000	700	80%	
			\$200,000	\$3,000,000	680	80%	
			\$125,000	\$3,000,000	660	80%	
			\$125,000	\$3,000,000	640	75%	
Second Home	Cash-Out	1	\$300,000	\$2,000,000	720	75%	50%
			\$200,000	\$2,000,000	700	70%	
			\$150,000	\$2,000,000	680	65%	
Investment Property	Cash-Out	1	\$300,000	\$2,000,000	720	75%	50%
			\$200,000	\$2,000,000	700	70%	
			\$150,000	\$2,000,000	680	65%	

### HELOC Product Details

Amortization	<ul style="list-style-type: none"> <li>• Adjustable-Rate Mortgage</li> <li>• Draw period is interest-only; fully amortized payment after the draw period</li> <li>• Full Principal and Daily Interest:               <ul style="list-style-type: none"> <li>○ 5, 10, 15, 20, and 30 Year HELOC (Index + margin)</li> <li>○ Qualified at the fully amortized payment based on start rate + 5% and the total credit limit used to qualify.</li> <li>○ Not assumable</li> </ul> </li> </ul>
Annual Fee	None
Appraisal/Valuation Requirements	<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> </ul>
ARM Information	<ul style="list-style-type: none"> <li>• Index: Prime as described in "HELOC Agreement"</li> <li>• Margin: Variable based on pricing</li> <li>• Floor: 4%</li> <li>• Maximum Lifetime Interest Rate Cap of 18%</li> </ul>
ATR/QM and HPML	HELOCs are exempt from ATR/QM rule and HPML.
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>• No foreclosure/bankruptcy/short sale/deed-in lieu within last 60 months</li> <li>• All borrower(s) and co-borrowers must meet the credit score requirements individually.</li> <li>• Non-traditional credit report as defined by Fannie Mae is not permitted.</li> <li>• Payment history requirements: 0x30x12 mortgage/rental history on the subject property and all financed REOs under the borrower's name.</li> </ul>
Draw Periods	<ul style="list-style-type: none"> <li>• 10, 15, 20, and 30-year amortization: 3 and 5-year draw period</li> <li>• 5-year amortization: 3-year draw period</li> <li>• Payments during the draw period are Interest Only</li> <li>• Qualifying payment on loan for approval is based on fully amortized loan payment of full line amount on remaining term after draw               <ul style="list-style-type: none"> <li>○ Example: 20-year term/3 year IO – Amortization Term is 17 years for full line of credit amount</li> </ul> </li> </ul>
Loan Amounts	<ul style="list-style-type: none"> <li>• Minimum Loan Amount: \$25,000 (Initial Draw: The greater of \$25,000 or 90% of the total line amount)</li> <li>• Maximum Loan Amount: \$350,000</li> </ul>
Additional Draws	<p>An unlimited number of additional draws can be taken up to 100% of the credit limit provided that:</p> <ul style="list-style-type: none"> <li>• No additional draws within 90 days after initial draw at closing.</li> <li>• The draw amount is above the loan draw minimum of \$500 or such higher amount as required by applicable state law.</li> <li>• The borrower has draw capacity on their credit limit.</li> <li>• Additional draws which exceed the credit limit are not permitted.</li> </ul>
Geographic Restrictions	The Arc Home Delegated Correspondent HELOC product is eligible in the following states: AZ, CA, CO, FL, GA, IN, NC, NJ, OH, PA, VA, WA
Property Types	<b>Eligible:</b>

	<ul style="list-style-type: none"> <li>• 1-unit SFR</li> <li>• PUD (Detached)</li> <li>• Condominiums (Detached, Attached)</li> <li>• Properties with 10 acres or less (properties must not be rural)</li> </ul> <p><b>Ineligible:</b></p> <ul style="list-style-type: none"> <li>• Greater than 1-unit properties</li> <li>• Commercially zoned properties</li> <li>• Agricultural zoned properties</li> <li>• Rural properties</li> <li>• Manufactured/Mobile Homes</li> <li>• Vacant land</li> <li>• Community Land Trusts</li> <li>• Houseboats</li> <li>• Leasehold properties</li> <li>• Properties less than 500 square feet</li> <li>• Properties listed for sale</li> <li>• Fractional Ownership/Time Shares</li> <li>• Properties located in an active FEMA disaster area.</li> <li>• Properties located in Hawaii, Illinois, Missouri, New York, Tennessee, Texas, Vermont, Puerto Rico, Guam and the US Virgin Islands</li> </ul>
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### Closed End Seconds and HELOC Underwriting Requirements

Age of Documents	Expiration Dates are based on the Note Date of the Loan: <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> <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> <li>HELOC's from the following states are not eligible: Hawaii, Illinois, Missouri, New York, Tennessee, Texas, Vermont</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> <li>Full Title Policy</li> </ul> </li> </ul>
Underwriting (Income & Assets)	Manually underwritten per Fannie Mae Selling Guide.

### Product Names

Closed-End Seconds	HELOCs
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	ARC 10 YR HELOC 3 YR DRAW 2ND LIEN ARC 10 YR HELOC 5 YR DRAW 2ND LIEN ARC 15 YR HELOC 3 YR DRAW 2ND LIEN ARC 15 YR HELOC 5 YR DRAW 2ND LIEN ARC 20 YR HELOC 3 YR DRAW 2ND LIEN ARC 20 YR HELOC 5 YR DRAW 2ND LIEN ARC 30 YR HELOC 3 YR DRAW 2ND LIEN ARC 30 YR HELOC 5 YR DRAW 2ND LIEN ARC 5 YR HELOC 3 YR DRAW 2ND LIEN