

Arc Elite QM Program Overview

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Arc Elite QM Solutions



Agency Plus

• Full Documentation: Traditional qualifying with an exceptional price

Alternative Income

- 24-Month Bank Statements or 1099s: Alternative documentation for self-employed borrowers
- One Year Full Doc: Reduced documentation for self-employed and wage earner borrowers
- Asset Utilization: Unique qualification for borrowers who have assets, but not income





Overview – Arc Elite

- Wholesale, Delegated and Non-Delegated Correspondent
- Available Program
 - 30-Year Fixed Rate (Fully Amortized)
- HI eligible for Delegated Correspondent only
- DU Approve/Eligible OR DU Approve/Ineligible required
 - May be Ineligible due ONLY to Loan Amount and/or LTV when MI is required per AUS





Credit – Arc Elite

- Credit Report: Tri-merge credit report required; each borrower must have 2 credit scores (one score or no score not eligible)
- Mortgage/Rental History: 0x30x12
- Derogatory Credit Seasoning (per Fannie Mae):
 - Chapter 7 or 11 Bankruptcy: 48 months
 - Chapter 13 Bankruptcy: 24 months (discharged) or 48 months (dismissed)
 - Foreclosure: 84 months
 - Deed-in-Lieu of Foreclosure, Preforeclosure Sale, Charge-Off of Mortgage:
 48 months
- Minimum Credit Requirement: Per Fannie Mae DU AUS





Arc Elite – Agency Plus

- Up to 89.99% LTV no MI
- Minimum 640 FICO
- Loan amount to \$3MM
- Max DTI per Fannie Mae DU AUS
- Available for Primary Residence and Second Home





Full Doc – Arc Elite Agency Plus

- Full Documentation per <u>Fannie Mae guidelines</u>
- Follow Fannie Mae Desktop Underwriter (DU) documentation requirements





Reserve Requirements – Arc Elite Agency Plus

Arc Elite – Agency Plus				
Occupancy	Loan Amount	Minimum Reserves		
Primary Residence and Second Home	< \$750,000	Greater of Fannie Mae/DU required reserves OR 3 months PITIA reserves		
	>/= \$750,000 to < \$1.5mm	Greater of Fannie Mae/DU required reserves OR 6 months PITIA reserves		
	>/= \$1.5mm to < \$2.0mm	Greater of Fannie Mae/DU required reserves OR 9 months PITIA reserves		
	>/= \$2.0mm to < \$2.5mm	Greater of Fannie Mae/DU required reserves OR 12 months PITIA reserves		
	>/= \$2.5mm	Greater of Fannie Mae/DU required reserves OR 18 months PITIA reserves		





Arc Elite – Alternative Income

- Up to 80% LTV
- Minimum 680 FICO
- Loan amount to \$3MM, regardless of LTV
- DTI up to **50%**
- Available for Primary Residence and Second Home





One Year Full Doc – Arc Elite Alt Income

- Wage Earner:
 - One year W-2
 - Two (2) most recent paystubs
- Self-Employed:
 - One year most recent filed tax returns
 - YTD P&L
 - Evidence business in existence at least five (5) years





1099 Income – Arc Elite Alt Income

- Self-Employed
 - 24-months recent 1099s for personal services performed by borrower
 - YTD compensation statement(s)
 - Business Narrative with annual business expense factor
- Qualifying income is lesser of:
 - 1099 average (24 months) less expense factor; OR
 - YTD earnings average less expense factor





Asset Utilization – Arc Elite Alt Income

- Assets must be seasoned and documented at least twelve (12) months
- Eligible Qualified Assets:
 - 100% of checking, savings account, and money market accounts
 - 70% of remaining value of stocks & bonds, mutual funds, and retirement accounts (100% may be used if borrower age > 59½)
- **Note:** If borrower is of retirement age AND can show a minimum two-year history of taking required draws, 100% of assets may be used AND the lowest draw amount will be used to qualify

Calculation:

 Monthly Qualifying Income = Total Qualified Assets (less the total of down payment, closing costs, and required reserves) divided by 120



Bank Statements – Arc Elite Alt Income

- Average of 24 months of checking/draft account deposits
- Personal and business account options available
- Two years self-employment required
- Fixed Expense Ratio and Third-Party Prepared Expense Statement options
- Business Narrative required



Business Bank Statements – Qualifying Income

Fixed Expense Ratio

Fixed Expense Ratio					
Number of FTE/Contractors	<u>0</u>	<u>1-10</u>	<u>10+</u>		
Service Business	20%	40%	60%		
Product Business	30%	50%	70%		

Service Business Examples:

Hospitality, Tourism, Finance, Fitness, Beauty and Wellness, Mechanical, Media and Entertainment, Design, Marketing and Sales, Education, Healthcare, Public Service

Product Business Examples:

Building Materials, Fashion Industry, Furniture, Printing, Publishing, Toy Maker, Household Goods (Focus on production of goods through the manufacturing process, which includes but is not limited to moving raw materials, creating goods, storing finished products and shipping products to customer.)

Third-Party Prepared Expense Statement

- Expense statement prepared and signed by third-party (CPA or licensed tax preparer) indicating business expenses as a percentage of the gross annual sales/revenue
- CPA or licensed tax preparer must be verifiable





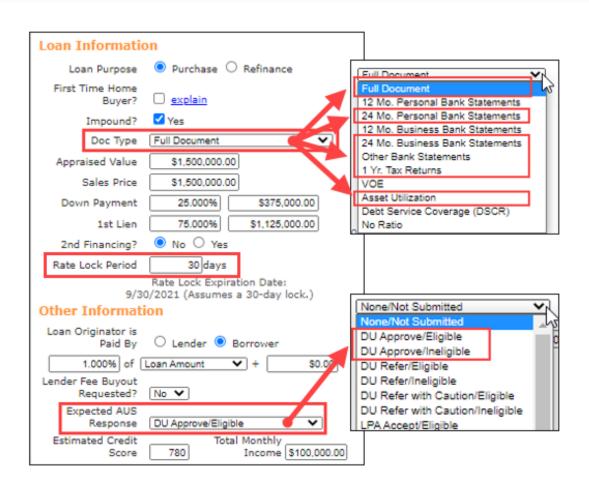
Reserve Requirements – Arc Elite Alt Income

Arc Elite – Alt Income				
Occupancy/DTI	Loan Amount	Minimum Reserves		
Primary Residence and Second Home (DTI = 45%)</td <td rowspan="2"><!--= \$548,250</td--><td>Greater of Fannie Mae/DU required reserves</td></td>	= \$548,250</td <td>Greater of Fannie Mae/DU required reserves</td>	Greater of Fannie Mae/DU required reserves		
		OR 3 months PITIA reserves		
	> \$548,250 to < \$1.0mm	Greater of Fannie Mae/DU required reserves		
		OR 6 months PITIA reserves		
	>/= \$1.0mm to < \$1.5mm	Greater of Fannie Mae/DU required reserves		
		OR 9 months PITIA reserves		
	>/= \$1.5mm to < \$2.5mm	Greater of Fannie Mae/DU required reserves		
		OR 12 months PITIA reserves		
	>/= \$2.5mm	Greater of Fannie Mae/DU required reserves		
		OR 18 months PITIA reserves		
DTI > 45%	Any	3 months PITIA reserves in addition to any		
		other required reserves (as noted above)		



Arc Elite Pricing in SPARC





Doc Type

- Full Document
- 24 Mo. Personal Bank Statements
- 24 Mo. Business Bank Statements
- Other Bank Statements*
- 1 Yr. Tax Returns = One Year Full Doc
- Asset Utilization

Rate Lock Period (WS and NDC)

- "Registration" for >/= 30 days
- "Clear to Close" for </= 15 days

Expected AUS Response

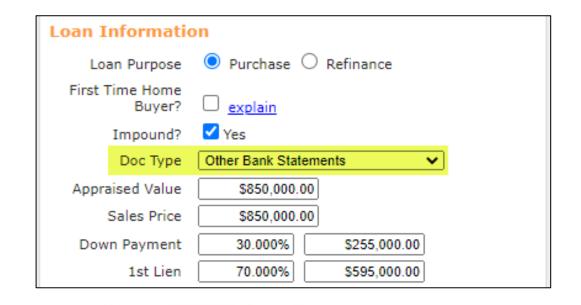
- DU Approve/Eligible, OR
- DU Approve/Ineligible

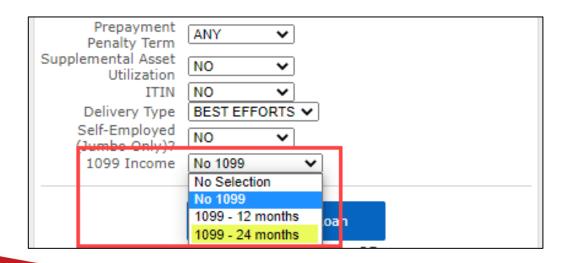
^{*} Important Note: Required for 1099 income source, review next slide for details.

1099 Income in SPARC



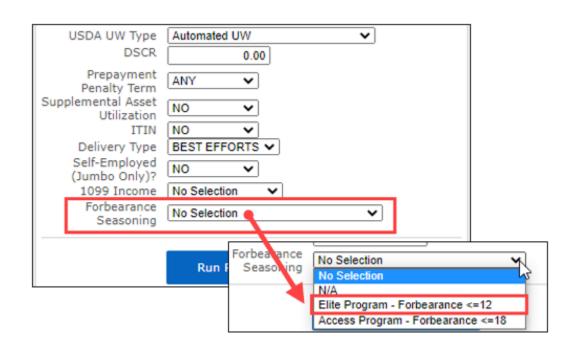
- 1. Doc Type must = Other Bank Statements
- 2. 1099 Income field at bottom of screen must = 24 months





Arc Elite – SPARC Forbearance Pricing





- LLPA adjustment applies if forbearance seasoned </=12 months
 - Defaults to N/A
 - Manually select Elite "Forbearance Seasoning" for accurate pricing, if applicable



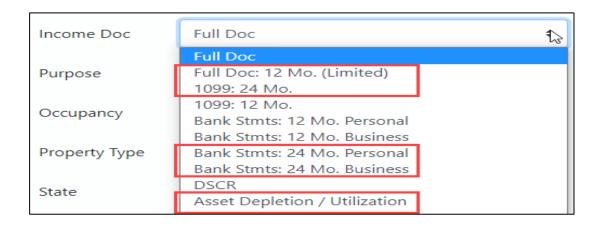
Arc Elite – Arc Home Quick Pricer



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- Select "Full Doc" to show Arc Elite Agency Plus eligibility
- Select one of the following to show Arc Elite Alt Income eligibility:



Arc Home – Deal Desk



Visit <u>business.archomellc.com</u> to submit an Income Analysis Request or guideline question today!



Arc Elite Resources



Wholesale

- Wholesale > Forms and Guidelines > Arc Elite QM Forms and Guidelines
 - Arc Elite Agency Plus and Arc Elite Alt Income Program Matrices
 - Arc Home Business Narrative
- Wholesale > Forms and Guidelines > Wholesale Resources
 - Pricing and Lock Policy Arc Access & Arc Elite
 - Wholesale Important Information
 - Transferred Appraisal Policy Arc Access & Arc Elite
 - Arc Access & Arc Elite Broker Flow
- Wholesale > Forms and Guidelines > Wholesale Forms
 - Arc Elite QM Initial Submission Checklist

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Correspondent

- Correspondent > Delegated OR Non-Delegated Forms and Guidelines > Arc Elite QM Forms and Guidelines
 - Arc Elite Agency Plus and Arc Elite Alt Income Program Matrices
 - Arc Home Business Narrative
- Delegated Forms and Guidelines > Delegated Correspondent Resources
 - Correspondent Seller's Guide
 - Client Reference Guide (Delegated)
 - Access & Elite Submission Job Aid (Delegated)
- Non-Delegated Forms and Guidelines > Non-Delegated Correspondent Resources
 - Correspondent Seller's Guide
 - Initial Submission Checklist (Non-Delegated)
 - Client Reference Guide (Non-Delegated)
 - Transferred Appraisal Policy Arc Access & Arc Elite



Why Partner with Arc Home?

- The Arc Home Account Executives are Non-QM certified!
- Send in your bank statements, and we will calculate the income prior to registration!
 - Wholesale and Non-Delegated Correspondent
- Our expansive product mix, which includes unique offerings, gives you an ability to differentiate yourself with your referral sources
- Ongoing support for you and your referral sources to identify new market opportunities
- Marketing: We partner with you and offer white label marketing materials
- Ease of use: Utilize the same online portal for all your loans at Arc Home
 - Agency, Government, Jumbo, Arc Access Non-QM, Arc Elite QM Wholesale and Correspondent





QUESTIONS & ANSWERS



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