



Access Non-QM

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Access Non-QM Solutions



- **Bank Statements, 1099s, CPA P&L:** Alternative documentation for self-employed borrowers
- **One Year Full Doc:** Reduced documentation for self-employed and wage earner borrowers
- **Agency Plus:** Expanded full doc eligibility for borrowers outside the QM guidelines
- **Debt Service Coverage Ratio (DSCR):** Qualify investors without traditional income
- **Asset Utilization and Asset Qualifier:** Qualify borrowers who have assets, but not income
- **Clean Slate:** For borrowers with major credit events seasoned 12-48 months





Access Alternative Income –

Bank Statements, 1 Year Full Doc, 1099s, CPA P&L

- **90%** LTV available with 700 FICO
- Loan amount to **\$3.5MM**
- DTI up to **50%**
- Minimum **660** FICO
 - First Time Home Buyers allowed with **680** FICO
- Primary Residence, Second Home, and Investment
- Interest Only option





How do you qualify?



One Year Full Doc

- Self-Employed:
 - Two years self-employment; less than two years may be acceptable
 - One year most recent filed tax returns
 - YTD P&L
- Wage Earner:
 - Most recent year W-2 and YTD paystubs covering at least 30 days; **OR**
 - WVOE with prior year and YTD income AND most recent paystub



1099 Income

- Qualify with 1099s in lieu of tax returns
 - 1- or 2-years recent 1099s
 - YTD compensation statement(s)
 - Arc Home Business Narrative with annual business expense factor
- Qualifying income is lesser of:
 - 2-year 1099 average less expense factor; **OR**
 - 1-year 1099 average less expense factor; **OR**
 - YTD earnings average less expense factor





How do you qualify?



Bank Statements

- Average of 12 or 24 months of checking/draft account deposits
- Personal and business account options available
- Two years self-employment and business existence required; less than two years may be acceptable
- Arc Home Business Narrative required
- Fixed Expense Ratio and Third-Party Prepared Expense Statement options
- Send in your bank statements, and we will calculate for you!



CPA Prepared P&L

- 12-month average of P&L net income
- Two years self-employment and business existence required; less than two years may be acceptable
- Borrower must own at least 50% of business
- 12-month P&L for period ending within 60 days of close from Licensed CPA/Tax Preparer/Enrolled Agent
- Two (2) months of bank statements supporting gross receipts/sales reflected on P&L
- CPA Relationship Letter required



Business Bank Statements – Qualifying Income

Fixed Expense Ratio

| Fixed Expense Ratio | | | |
|---------------------------------|----------|-------------|------------|
| Number of Employees/Contractors | <u>0</u> | <u>1-10</u> | <u>10+</u> |
| Service Business | 20% | 40% | 60% |
| Capital Intensive 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

Capital-Intensive Business Examples:

Construction, Oil and Gas, Manufacturing, Money Lenders, Telecommunication, Transportation, Healthcare, Farming & Agricultural

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
- **Note:** Lowest acceptable expense ratio for qualifying is **15%**





Access DSCR

- Loan amount to **\$2.5MM**
- Purchase available up to **80%** LTV with 680 FICO to \$1.0MM
- Debt Service Coverage Ratio allowed to **.75**
- Minimum **640** FICO
- Minimum loan amount:
 - **\$125,000** for LTV \leq 75%
 - **\$200,000** for LTV $>$ 75%
- Title may be held in LLC or Corporation





How do you qualify?

- Calculate the DSCR by dividing subject property Gross Income by the PITIA/ITIA
 - **Fully Amortized:** Qualify with full payment – minimum **.75** DSCR
 - **Interest Only:** Qualify with I/O payment – minimum **1.0** DSCR
- **Long-Term Rental Income**
 - Qualify with **lesser** of executed lease agreement OR market rent from 1007/1025
 - **Note:** On Refinance transactions, up to 120% of the higher lease amount may be used with three (3) months current proof of receipt of higher rental income.
- **Short-Term Rental Income**
 - **Purchase:** Qualify with **higher** of short-term market rent from 1007/1025 OR AirDNA 12-month average revenue; AirDNA may not be greater than 125% of short-term market rent
 - **Refinance:** Qualify with 12-month average payout amount; use short-term market rent from 1007/1025 if property not rented 12 months



Access Agency Plus

- Loan amount to **\$3.5MM**
- LTV up to **90%**, no MI
- Minimum **660** FICO
 - First Time Home Buyers allowed with **680** FICO
- DTI up to **50%**
- Primary Residence, Second Home, and Investment
- Interest Only option





How do you qualify?



Income Qualification Available

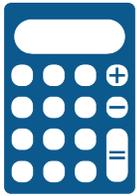
- 24 months Full Documentation
- Asset Utilization may *supplement* qualifying Full Doc income



Credit Requirements

- 0x30x12 housing history
- Credit events seasoned > 48 months
 - Bankruptcy, Foreclosure, Short Sale, etc.





Access Asset Utilization Qualification

- Divide borrower's qualified assets over **60** months
- Up to **80%** LTV for Purchase and Rate/Term
- Minimum **660** FICO
- Primary Residence, Second Home, and Investment
- Combine with other Non-QM programs to supplement income
- 4506-C validation is not required





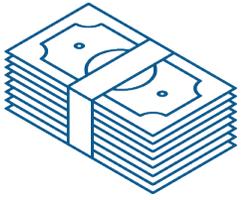
How do you qualify?

- Assets must be seasoned and documented at least **two (2)** months
- Eligible Qualified Assets:
 - 100% of checking, savings, CDs, and money market accounts
 - 70% of remaining value of stocks and bonds or mutual funds (including those held in retirement account if age > 59½; if employer administered account, borrower must be separated from service)
 - 50% of retirement funds if age < 59½, OR > 59½ and using employer administered retirement account and borrower is not separated from service (Note: ability to liquidate must be documented, may not be limited to “hardship”)

Calculation:

- Monthly Qualifying Income = Total Qualified Assets (less the total of down payment, closing costs, and required reserves) divided by **60**





Access Asset Qualifier

- Up to **80%** LTV for Purchase and Rate/Term
- Minimum **660** FICO
- No DTI or income calculation – qualify on asset balance
- Primary Residence, Second Home, and Investment
- 4506-C validation is not required





How do you qualify?

- **Two (2)** months of account statements required for each qualifying account

*Total Qualified Assets

- 100% of checking, savings, CDs, and money market accounts
- 70% of remaining value of stocks and bonds or mutual funds (including those held in retirement account if age > 59½; if employer administered account, borrower must be separated from service)
- 50% of retirement funds if age < 59½, OR > 59½ and using employer administered retirement account and borrower is not separated from service (Note: ability to liquidate must be documented, may not be limited to “hardship”)

Calculation – Option #1

The sum of the Total Qualified Assets* must be greater than the sum of:

- The new loan amount;
- Down payment;
- Closing costs and prepaids; and
- Five (5) years of current monthly obligations*

*Monthly Obligations

- Monthly debts reported on credit report
- Monthly PITIA on subject property
- Other REO (full PITIA; rental income received may not be used to reduce/omit/offset)

Calculation – Option #2

- Total post-closing assets must be \geq 125% of the original subject loan amount



Access Clean Slate

- Financing options for borrowers with:
 - 1x30x12 housing history (must be 0x30 most recent 6 months), **OR**
 - Major credit events seasoned 12 to 48 months
- DTI up to 50%
- Up to 85% LTV for Purchase and Rate/Term
- Minimum 620 FICO
- First Time Home Buyers allowed
- Loan amount up to \$3MM





How do you qualify?



Income Qualifications Available

- Full Doc
- 12- and 24-Month Bank Statements
- 1- and 2-Year 1099s
- Asset Utilization
- One Year Full Doc (self-employed or wage earner)



Credit Requirements

- 0x30x12 housing history
 - 1x30x12 allowed (0x30 most recent 6 months), subject to eligibility restrictions
- Credit events seasoned \geq 12 months
 - Bankruptcy, Foreclosure, Short Sale, etc.





Access NQM Reserve Requirements

| Agency Plus, Alt Income ² | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------|-------------------------------|
| Occupancy | Loan Amount | LTV | Minimum Reserves ¹ |
| Primary Residence, Second Home, Investment | </= \$1,000,000 | </= 70% | 3 months PITIA reserves |
| | | > 70% | 6 months PITIA reserves |
| | > \$1,000,000 to </= \$2,000,000 | Any | 9 months PITIA reserves |
| | > \$2,000,000 | Any | 12 months PITIA reserves |
| DSCR | | | |
| Occupancy | Loan Amount | Minimum Reserves | |
| Investment | < \$1,000,000 | 3 months PITIA reserves | |
| | >/= \$1,000,000 to </= \$1,500,000 | 6 months PITIA reserves | |
| | > \$1,500,000 | 9 months PITIA reserves | |
| Clean Slate | | | |
| Occupancy | Loan Amount | Minimum Reserves | |
| Primary Residence, Second Home, Investment | </= \$1,500,000 | 6 months PITIA reserves | |
| | > \$1,500,000 to </= \$2,500,000 | 9 months PITIA reserves | |
| | > \$2,500,000 | 12 months PITIA reserves | |
| <ol style="list-style-type: none"> Two (2) months PITIA required for each additional financed property Reserve requirements do not apply for Asset Qualifier doc type | | | |



Access NQM Credit Requirements

| Agency Plus & Alt Income | |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Credit History | Requirement |
| Mortgage/Rental History | 0x30x12 |
| Derogatory Credit Event ¹ | > 48 months seasoning |
| DSCR | |
| Credit History | Requirement |
| Mortgage/Rental History | 0x30x12 |
| Derogatory Credit Event ¹ | > 36 months seasoning |
| Clean Slate | |
| Credit History | Requirement |
| Mortgage/Rental History ^{2,3} | 1x30x12 |
| Derogatory Credit Event ^{1,2,3} | > 12 months seasoning |
| 1. Includes Bankruptcy (7, 11, 13), Foreclosure, Short Sale, etc. (see Arc Underwriting Guide for complete definition) | |
| 2. 1x30x12 housing history allowed (0x30 most recent 6 months) if derogatory credit event seasoned > 48 months, eligibility restrictions apply | |
| 3. 0x30x12 housing history required if derogatory credit event seasoned 12 to 48 months, eligibility restrictions apply | |



Access NQM Property Eligibility

| Eligible Property Types | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agency Plus ¹ | Alt Income ^{1,2,3} | Clean Slate ¹ | DSCR ¹ |
| <ul style="list-style-type: none">• 1-4 Unit• PUD• Warrantable Condo• Non-Warrantable Condo³• Condotel³• Rural^{3,4} properties• Up to 20 acres | <ul style="list-style-type: none">• 1-4 Unit• PUD• Warrantable Condo³• Non-Warrantable Condo³• Condotel³• Rural^{3,4} properties• Up to 20 acres | <ul style="list-style-type: none">• 1-4 Unit• PUD• Warrantable Condo• Non-Warrantable Condo³• Condotel³• Rural^{3,4} properties• Up to 20 acres | <ul style="list-style-type: none">• 1-4 Unit• PUD• Warrantable Condo³• Non-Warrantable Condo³• Condotel³• Rural^{3,4} properties• Up to 2 acres |
| <ol style="list-style-type: none">1. Refer to matrix and Arc Underwriting Guide for Ineligible property types2. Includes Bank Statements, One Year Full Doc, 1099s, CPA P&L, Asset Utilization, Asset Qualifier3. LTV restrictions apply for property type and/or qualifying income source4. Acreage and land value must be typical and common for subject market area | | | |



Access NQM – Quick Pricer & Quick Qualifier



| | | | |
|---------------|----------------|----------------|----------------------------------|
| Income Doc | Full Doc | FICO | FICO ex. 350-850. 0 for no FICO. |
| Purpose | Purchase | Bankruptcy | None |
| Occupancy | Primary | Credit Events | None |
| Property Type | SFR | Mortgage Lates | 0X30X12 |
| State | Please Select | DTI/DSCR | ex. DTI: 43 / DSCR: 1.50 % |
| County | Please Select | Citizenship | US Citizen |
| Loan Amount | \$ Loan Amount | ITIN | No |
| LTV | LTV ex. 80 % | | |

[See Results](#)



Wholesale

- **Products > Non-QM**
 - Arc Access Program Matrices (Agency Plus, Alt Income, Clean Slate, DSCR)
 - Arc Underwriting Guide
- **Resources > Policies, Forms & Resources**
 - > **Non-QM Resources:** Business Narrative, CPA Relationship Letter
 - > **Initial Submission Form:** Wholesale Initial Submission Form – All Programs
 - > **Appraisal Resources:** Appraisal Valuation Requirements, Transferred Appraisal Policy
 - > **Pricing and Lock Policies:** Pricing and Lock Policy – Access, Edge, Elite, Foreign National
 - > **General Resources:** Wholesale Important Information

Correspondent

- **Products > Non-QM**
 - Arc Access Program Matrices (Agency Plus, Alt Income, Clean Slate, DSCR)
 - Arc Underwriting Guide
- **Resources > Policies, Forms & Resources**
 - > **Non-QM Resources:** Business Narrative, CPA Relationship Letter
 - > **Initial Submission Forms:** Non-Delegated Initial Submission Checklist, Delegated Initial Submission Checklist
 - > **Appraisal Resources:** Appraisal Valuation Requirements, Transferred Appraisal Policy
 - > **Correspondent Policies:** Correspondent Seller's Guide, Client Reference Guide – Delegated, Client Reference Guide – Non-Delegated





Why partner with Arc Home?



- Win new referral sources with our broad range of products
- Client-facing seasoned underwriting staff available to answer your questions
- Marketing: We partner with you and offer white label marketing materials
- SPARC Assist: Our team is available to help navigate the SPARC portal
- Lock Desk: Available until 8:30 pm ET



QUESTIONS & ANSWERS

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