



NEW Edge Non-QM

Presented by: Kristye Coomer and Nick Glasse

Edge Non-QM Solutions



- **Agency Plus:** Expanded full doc eligibility for borrowers outside the QM guidelines
- **Bank Statements, 1099s, CPA P&L:** Alternative documentation for self-employed borrowers
- **Debt Service Coverage Ratio (DSCR):** Qualify investors without traditional income





Overview – Edge Non-QM

- Wholesale, Delegated and Non-Delegated Correspondent
- Fixed Rate and SOFR ARM
 - Interest Only options available
- HI and MO eligible for Delegated Correspondent only
- Minimum loan amount:
 - **\$125,000** for Full Doc and Alt Income
 - **\$100,000** for DSCR
- AUS NOT required
- Prepayment Penalty options available for Investment transactions
- Soft guideline exceptions **MAY** be considered



Eligibility – Edge Non-QM

- **Borrower Eligibility**
 - Per Arc Underwriting Guide and applicable matrix
- **Credit**
 - Minimum tradelines per manual review
 - Max 0x30x12 mortgage/rental history; 1x30x12 allowed, subject to restrictions
 - Derogatory credit seasoned > 48 months; 36 months seasoning allowed, subject to restrictions
- **Debt-to-Income / Debt Service Coverage Ratio**
 - 50% max
 - Minimum 1.0 DSCR
- **Eligible Properties**
 - 1-4 Units
 - Warrantable and Non-Warrantable condos, including condotels
 - Up to 20 acres, including for DSCR



Edge – Highlights

- Up to **85%** LTV/CLTV – no MI
- Minimum **660** FICO
- Loan amount to **\$3MM**
- Up to **50%** DTI
- Primary Residence, Second Home, and Investment
- **Full Documentation**
- **Alt Doc – Bank Statements, 1099s, CPA P&L**





Alt Income – How do you qualify?



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/Enrolled Agent/Tax Preparer
- Two (2) months of bank statements supporting gross receipts/sales reflected on P&L
- CPA Relationship Letter required



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





Alt Income – 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!



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%**





Edge – DSCR

- Up to **80%** LTV
- Loan amount to **\$3.0MM**
- Minimum **700** FICO
- Debt Service Coverage Ratio allowed to **1.0**
- Investment only
- 40-Year Fixed Rate **Interest Only** available
- Title may be held in LLC or Corporation





DSCR – How do you qualify?

- Calculate the DSCR by dividing subject property Gross Income by the PITIA/ITIA
 - **Fully Amortized:** Qualify with full payment
 - **Interest Only:** Qualify with I/O payment
- **Long-Term Rental Income**
 - Qualify with **lesser** of executed lease agreement OR market rent from 1007/1025
 - **Note:** On Refinance transactions, the higher lease amount may be used if not greater than **125%** of estimated market rent from 1007/1025.
- **Short-Term Rental Income**
 - **Purchase:** Qualify with **higher** of short-term market rent from 1007/1025 OR AirDNA 12-month average revenue multiplied by occupancy rate; 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



Reserve Requirements – Edge Non-QM

Arc Edge – Agency Plus, Alt Income & DSCR		
Occupancy	Loan Amount	Minimum Reserves
Primary Residence, Second Home & Investment	< \$1,000,000	3 months PITIA/ITIA reserves
	>/= \$1,000,000 to </= \$1,500,000	6 months PITIA/ITIA reserves
	> \$1,500,000	9 months PITIA/ITIA reserves

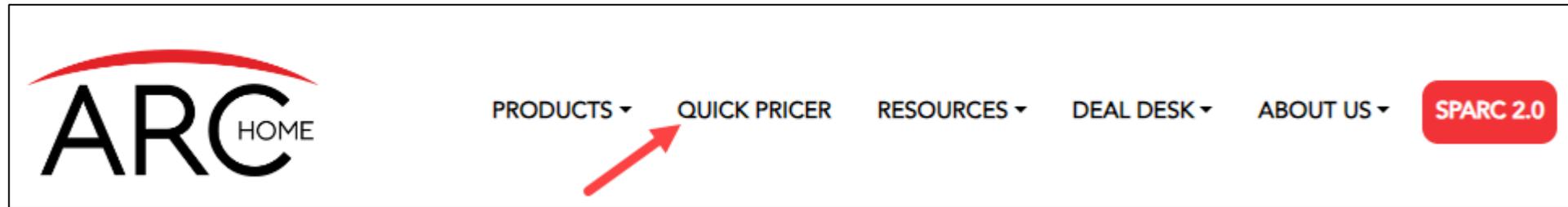
Important Note: Additional reserves NOT required for other financed REO.



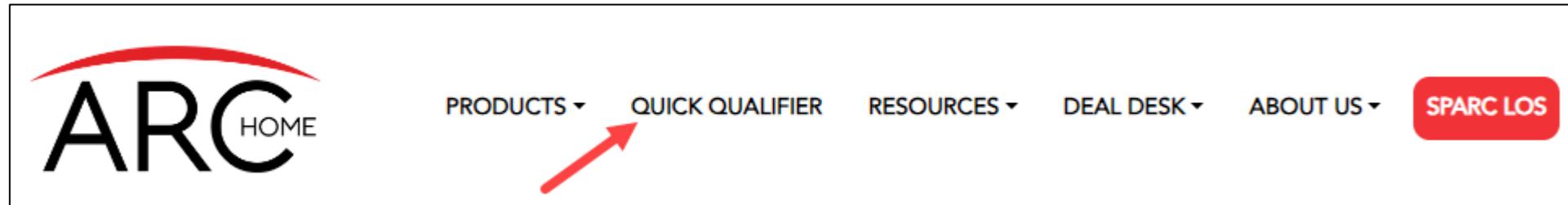
Edge Non-QM Quick Pricer & Quick Qualifier



Wholesale



Correspondent

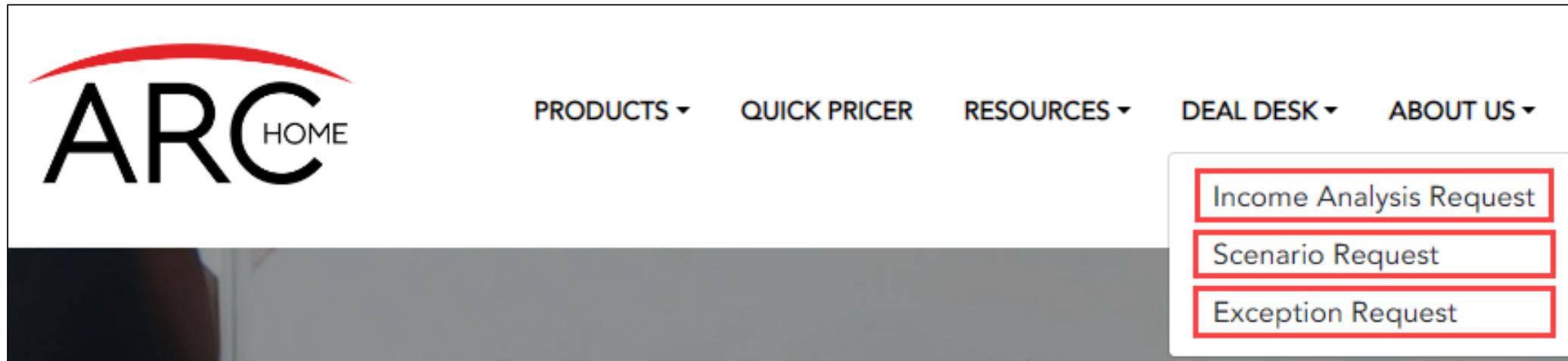


archomellc.com

Arc Home – Deal Desk



Visit archomellc.com to submit a Bank Statement Income Analysis Request, guideline question, or Exception Request today!



Important Note: Exceptions are NOT permitted for the Arc Elite program.

Arc Home – Become a Partner



Visit archomellc.com to partner with Arc Home today!





QUESTIONS & ANSWERS



All rights reserved by Arc Home LLC © 2023

