



Arc Elite Jumbo Prepayment Penalty

This product is for primary and second home borrowers qualifying with full/standard documentation, following Fannie Mae or Freddie Mac guidelines with overlays detailed below; however, a Prepayment Penalty is required. Wherever this matrix is silent, refer to Fannie Mae or Freddie Mac guidelines.

Correspondent must be approved to use this product. Contact your Account Executive for details.

LTV Matrix

Fixed Rate

Occupancy	Purpose	Loan Amount Maximum	Units	Credit Score Minimum	LTV/(H)CLTV	Maximum DTI
Primary Residence	Purchase and Rate/Term	\$3,000,000	1	740	80%	45%
		\$2,500,000		720	80%	
		\$2,000,000		680	80%	
		\$2,000,000	2-4	700	80%	45%
	Cash-Out ¹	\$3,000,000	1	740	80%	45%
		\$2,000,000		680	80%	
		\$2,000,000	2-4	700	75%	45%
Second Home	Purchase and Rate/Term	\$3,000,000	1	740	80%	45%
		\$2,500,000		720	80%	
		\$2,000,000		680	80%	
	Cash-Out ¹	\$3,000,000	1	740	75%	45%
		\$2,000,000		700	75%	

¹ Max cash-out limit of \$500,000 for cash-out refinance transactions

Product Specific Requirements

Amortization Type	Full Principal and Interest: <ul style="list-style-type: none"> 15 Year and 30 Year Fixed Rate Only
Appraisal Requirements	<ul style="list-style-type: none"> PIW/ACE waiver based on AUS recommendation is not allowed. Follow Fannie Mae or Freddie Mac requirements for appropriate appraisal format (1004, 1073, etc) One appraisal is required for loan amounts ≤ \$1,500,000. Two appraisals are required for loan amounts > \$1,500,000. Transferred appraisals are not permitted
Appraisal Valuation Requirements	<p>All appraisals must include a successful Submission Summary Report (SSR). Note: The Fannie Mae Collateral Underwriter (CU) score is required even on Freddie Mac approved loans.</p> <p>For Delegated Correspondents, if an SSR score cannot be obtained, then a CDA from clear capital is required. If an SSR is obtained, any warnings from the Collateral Underwriter (CU) must be reconciled on the 1008. In addition, the Arc Home Collateral Review /3rd party review is not required.</p> <ul style="list-style-type: none"> When two appraisals are required, if the lower appraised value returns an SSR score ≥ 3.5 OR no score is returned, an Arc Home Loan Collateral review is required. When one appraisal is required, the following applies: <ul style="list-style-type: none"> If the SSR score is ≤ 2.5, no additional appraisal review products are required unless otherwise specified or determined by the Arc Home Loan underwriter at the time of review. If the SSR score is > 2.5 to ≤ 3.4, order a CDA and follow the Collateral Waterfall.

	<ul style="list-style-type: none">○ If the SSR score is ≥ 3.5 OR no score is returned, an Arc Home Loan Collateral review is required, in addition, order a CDA and follow the below Collateral Waterfall. <table><tr><th colspan="3">Collateral Waterfall</th></tr><tr><th rowspan="8">Appraisal Review</th><th colspan="2">CDA from Clear Capital</th></tr><tr><th>CDA Value</th><th>Action</th></tr><tr><td>$\leq 10\%$ below* Appraised Value</td><td>Appraised Value may be used.</td></tr><tr><td>$> 10\%$ below* Appraised Value or Indeterminate</td><td>Field review is required. Follow section below.</td></tr><tr><th colspan="2">Field Review</th></tr><tr><th>Field Review Value</th><th>Action</th></tr><tr><td>$\leq 10\%$ below* Appraised Value</td><td>Appraised Value may be used.</td></tr><tr><td>$> 10\%$ below* Appraised Value</td><td><ul style="list-style-type: none">• 2nd full appraisal is required• Lower of the two appraised values must be used</td></tr></table> <p>* The $> 10\%$ variance rule applies when the CDA/Field Review variance is reflecting a lower value than the appraisal. If the CDA/Field Review variance reflects a higher value than the appraisal, the appraisal is fully supported, and an additional valuation is not required.</p>	Collateral Waterfall			Appraisal Review	CDA from Clear Capital		CDA Value	Action	$\leq 10\%$ below* Appraised Value	Appraised Value may be used.	$> 10\%$ below* Appraised Value or Indeterminate	Field review is required. Follow section below.	Field Review		Field Review Value	Action	$\leq 10\%$ below* Appraised Value	Appraised Value may be used.	$> 10\%$ below* Appraised Value	<ul style="list-style-type: none">• 2nd full appraisal is required• Lower of the two appraised values must be used
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Asset Requirements	<p>Follow Fannie Mae or Freddie Mac requirements.</p> <p><u>Unacceptable assets</u></p> <p>The following assets are ineligible for down payment, closing costs and reserves:</p> <ul style="list-style-type: none">• 529 or similar college fund• Equity in real estate including current home• Funds held in foreign accounts or investments• Pledged/Collateral assets• Private securities or any non-publicly traded assets• Vested and non-vested stock options and non-vested restricted stock• Non-vested stock• Grant funds• Builder profits• Employer Assistance Assets• Cash advance on credit card• Cash for which the source cannot be verified (cash on hand)• Commission from sale of subject property• Proceeds from an unsecured Loan• Salary advance• Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash)• Unverifiable source of funds• Margined Assets listed within client accounts are not eligible• Marijuana Related Business (MRB) Assets.• Reverse mortgage• Seller real estate tax credit																				
Borrower Eligibility	<p>Eligible:</p> <ul style="list-style-type: none">• All Borrowers must have a valid Social Security number• US Citizens• Permanent Resident Aliens• Non-Permanent Resident Aliens																				

	<ul style="list-style-type: none"> ○ Primary residence only ○ Maximum 75% LTV/CLTV/HCLTV ○ Borrower must have a current 24-month employment history ○ Must be legally present in the U.S. with an unexpired visa type. If the Visa does not provide the authority to work, an Employment Authorization Card (EAD) is also required. ○ If the EAD or Visa expires within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued Visa/EAD renewal sponsorship (employer on the loan application must be the same as on the unexpired visa). If there are no prior EAD/Visa renewals, the likelihood of renewal must be determined, based on the information from the USCIS and EAD/Visa type. ○ Acceptable visa types are: E-1, H-1B, H-2B, G-1 through 5, L-1 ○ Non-U.S. citizens, without lawful residency status in the United States, borrowers with Diplomatic Immunity, Foreign Nationals, Deferred Action Status (DACA), Temporary Protected Status, or any non-U.S. citizen, who does not hold an eligible visa designation, are ineligible. ● First Time Homebuyers <ul style="list-style-type: none"> ○ Primary Residence only ○ Maximum 80% LTV/CLTV/HCLTV ○ Maximum loan amount of \$2,000,000 ○ Max DTI 40% ● Non-Occupant Co-Borrowers <ul style="list-style-type: none"> ○ Subject must a Primary Residence for the occupying borrower ○ 1 unit only ○ Max 40% DTI ○ Maximum 80% LTV ○ Maximum loan amount of \$2,000,000 ● Properties may be titled in a Inter-Vivos Revocable Trust. Follow Fannie Mae or Freddie Mac guidelines. <p>Ineligible:</p> <ul style="list-style-type: none"> ● Foreign Nationals ● LLC's, Corporations, Partnerships
Credit/Payment History Requirements	<ul style="list-style-type: none"> ● A tri-merged in file credit report from all three repositories is required for all loans. Frozen credit reports are not allowed. Each Borrower must have a minimum of two FICO scores. The Representative Credit Score is the lowest mid score of both borrowers and is determined by AUS. Qualifying FICO as per matrix. ● For age of documentation requirements, follow Fannie Mae or Freddie Mac requirements. ● Payment history requirements: 0x30x24 mortgage/rental history on the subject property and all financed REOs under the borrower's name. If the loan is seasoned less than 24 months, evidence the existing loan has no 30-day lates since the inception of the loan and no 30-day lates or greater mortgage lates for any first mortgage loans are associated with the property and borrower(s) in the most recent 24 months. ● Fraud report or similar must be included in each file submission. The report should include a comparison of all participant names against industry watch and exclusionary lists such as OFAC.



Declining Markets	Reduce maximum LTV/CLTV by 5% for any property located in an area of declining property values as reported by appraiser.
Escrow Holdbacks	Not allowed
Escrow/Impound Accounts	Flood insurance must always be escrowed. Escrow funds/impound accounts may be waived for taxes and hazard insurance when the LTV \leq 80%
Geographic Restrictions	In Hawaii and Missouri , Arc Home may only fund fully delegated loans. In addition, there are state-level restrictions as outlined below in the Prepayment Penalty section .
Income Requirements	<p><u>Wage Earners</u></p> <ul style="list-style-type: none"> Follow Fannie Mae or Freddie Mac requirements. Signed 4506-C Transcripts are not required unless required by the underwriter to resolve a red flag. <p><u>Self-Employed</u></p> <ul style="list-style-type: none"> Follow Fannie Mae or Freddie Mac requirements. Signed 4506-C Tax transcripts are required to be obtained from the IRS only for income for years being used for qualification. The IRS transcripts and the supporting income documentation provided by the lender must be consistent. YTD P&L prepared by a CPA, or the borrower is required. The P&L may be audited or unaudited, but must be signed and dated by the preparer and the borrower. If the loan has an application date between January 1st and March 31st, the previous full year's P&L is required. The P&L is required to ensure that the income is stable and expected to continue; it may not be used for qualifying the borrower. The P&L must report business revenue, expense, and net income up to and including the most recent month preceding the loan application date. <p><u>Other Income</u></p> <p>For all other acceptable income sources, follow Fannie Mae or Freddie Mac requirements.</p> <p><u>Unacceptable income</u></p> <ul style="list-style-type: none"> Any source that cannot be verified. Restricted stock income (RSU). Future income where Fannie Mae or Freddie Mac would require a post closing paystub. Income that is temporary. Rental Income (Boarder Income) received from the borrower's primary residence. Expense account payments. Retained Earnings Automobile Allowances Marijuana Related Business income
Lien Position	First
Minimum Loan Amount	Minimum loan amount is \$1 over the FHFA limit for the county and number of units
Mortgage Insurance	Not required

Non-Arm's Length Transactions	<p>All parties in a transaction should be independent of one another. Non-arm's length transactions are permitted under the following circumstances:</p> <ul style="list-style-type: none"> • Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). • Investment property transactions must be Arm's length. • Sales or transfers between members of the family may not be due to adverse circumstances. • Property seller acting as his or her own real estate agent. • Borrower acting as his or her own real estate agent. • Borrower is the employee of the originating lender. <p>All non-arm's length transactions must meet the following requirements:</p> <ul style="list-style-type: none"> • Signed and dated letter of explanation (LOE) from borrower stating relationship to seller and reason for the purchase; • Appraiser to be advised of non-arm's relationship; <p>If the borrower is purchasing from a builder who is buying his or her existing primary residence, the transaction is not eligible for financing. If the property is a newly constructed property, and the borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property, the loan must be secured by a primary residence. In these situations, second homes and investment properties are not permitted.</p>						
Number of Financed Properties	<ul style="list-style-type: none"> • A single borrower can have no more than 10 financed properties including subject property, per Fannie Mae or Freddie Mac guidelines. • For Arc Elite, Arc Access, Conventional Investment Property, FNMA/FHLMC Second Home-Investment Property and Jumbo PPP Products, each borrower may not exceed either an aggregate unpaid principal balance amount of \$5MM or 10 loans (including the subject property) financed with Arc Home. 						
Occupancy	<ul style="list-style-type: none"> • Primary Residence • Second Home 						
Prepayment Penalty	<p>The following prepayment penalty structures are available:</p> <ul style="list-style-type: none"> • 2/2/1: If the mortgage is refinanced within the first 2 years, the penalty is 2% of the outstanding principal balance. If the mortgage is paid off after 2 years but before 3 years, then the penalty is 1% of the outstanding principal balance. • 1.5/1.5/1: If the mortgage is refinanced within the first 2 years, the penalty is 1.5% of the outstanding principal balance. If the mortgage is paid off after 2 years but before 3 years, then the penalty is 1% of the outstanding principal balance. • 1/1/1: If the mortgage is refinanced within the first 3 years, the penalty is 1% of the outstanding principal balance. <p>"Soft" prepayment penalty (not triggered upon sale of the property, taken by eminent domain or any loan assumption). Penalty triggered upon payment in full only; partial prepayments excluded.</p> <table border="1" data-bbox="375 1776 1425 1986"> <thead> <tr> <th>States</th><th>Limitations</th></tr> </thead> <tbody> <tr> <td>AZ, AR, DE, FL, GA, IN, LA, MS, MT, NH, NC, ND, OR, PA, SC TN</td><td>None</td></tr> <tr> <td>CA</td><td>Penalty will be the lower of:</td></tr> </tbody> </table>	States	Limitations	AZ, AR, DE, FL, GA, IN, LA, MS, MT, NH, NC, ND, OR, PA, SC TN	None	CA	Penalty will be the lower of:
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		<ul style="list-style-type: none">• The above selected structure OR• 6 months' interest when the loan is paid off.	
	OK	Loan may not be originated under OK Uniform Consumer Credit Codes (UCCC)	
	KY, MO, NV	Not permitted where the Correspondent was the lender on both the loan underlying loan and loan subject to refinancing	
	TX	Loans secured by borrower's residential homestead with interest greater than 12% per annum.	
	WA	Prohibited to the extent the lender is a person who is not a "creditor" under DIDIMCA as provided for in Washington Admin Code §208-620-560(8); RCW §31.04.115(1)(d).	
	WY	Loan may not be originated under WY Uniform Consumer Credit Codes (UCCC)	
	All other states not mentioned above are ineligible for prepayment penalties		
Processing Notes	<p>4th Party Originations: Correspondents approved by Arc Home, and the Loan Officers employed by those Correspondents, may originate Arc Elite Jumbo Prepayment Penalty loans. Transactions in which the Loan Officer is not associated with the originating company (4th party originations) are prohibited.</p> <p>Change of Circumstance: A Change of Circumstance may not be used to modify a transaction from a loan program without a prepayment penalty to the Arc Elite Jumbo Prepayment Penalty program. A new loan application and initial disclosures for the Arc Elite Jumbo Prepayment Penalty program are required.</p>		
Property Types	<p>Eligible:</p> <ul style="list-style-type: none">• 1-4 unit attached/detached owner-occupied properties.• 1-unit second homes.• Low/mid/high-rise new and established Fannie Mae or Freddie Mac warrantable condominiums. Condominiums with HOA in litigation are ineligible. Minimum square footage 400.• Planned Unit Development (PUD).• Maximum lot size 20 acres. <p>Ineligible:</p> <ul style="list-style-type: none">• Manufactured Homes• Factory built housing• Properties held as leasehold• Non-warrantable condos including condotels• Log homes• Mixed use properties• Timeshare units• Unique properties• Agriculturally zoned properties (agricultural/residential eligible)• Rural zoned properties• Properties with an oil and gas lease• Working farms		
Required Documentation for	<ul style="list-style-type: none">• Alternative Mortgage Offer Without Prepayment Penalty: As required by 12 CFR 1026.43(g)(3) a lender must not offer a borrower a prepayment penalty on a loan secured by a primary residence or a second home (i.e., a "covered transaction") unless		

Prepayment Penalties	<p>the lender also offers the borrower an alternative covered transaction without a prepayment penalty. As compared to the prepayment penalty offered on the covered transaction, the Alternative Mortgage Offer Without Prepayment must: (i) have the same type of interest rate; (ii) have the same loan term; (iii) have regular periodic payments that are substantially equal; (iv) satisfy the 3% cap on points and fees; and (v) be a transaction for which the lender has a good faith belief that the borrower likely qualifies. The Alternative Mortgage Offer without Prepayment Penalty must be provided to, and signed by the borrower(s), along with the initial loan disclosure documents. An acceptable example of the Alternative Mortgage Loan Offer Without Prepayment Penalty is available for review HERE.</p> <ul style="list-style-type: none"> • Prepayment Penalty Rider and Addendum: An Addendum to final Security Instrument and a Rider to the Final Note outlining the applicable prepayment penalty terms for the subject transaction
Reserve Requirements	<p>Greater of AUS requirements or the below requirements:</p> <ul style="list-style-type: none"> • Loan Amount \leq \$2.0MM: <ul style="list-style-type: none"> ○ LTV \leq 75%: 6 months ○ LTV > 75%: 12-months • Loan Amount > \$2.0MM: 12 months • Loan Amount > \$2.5MM: 18 months <p>Cash out proceeds may not be used to satisfy reserve requirements.</p>
Secondary Financing	<p>CLTV/HCLTV may not exceed LTV on matrix. Secondary financing terms must conform to Fannie Mae or Freddie Mac guidelines.</p>
Transaction Types	<p><u>Purchase</u></p> <ul style="list-style-type: none"> • Follow Fannie Mae or Freddie Mac guidelines <p><u>Rate/Term Refinance</u></p> <ul style="list-style-type: none"> • No seasoning required. • Cash back to the borrower is limited to the lesser of \$2,000 or 2% of the new loan amount. • Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the application date. <p><u>Cash-Out Refinance</u></p> <ul style="list-style-type: none"> • The property must have been purchased (or acquired) by the borrower at least six months prior to the note date of the new mortgage except for inherited properties and delayed financing. • Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the application date. <p><u>Delayed Financing</u></p> <ul style="list-style-type: none"> • Follow Fannie Mae or Freddie Mac guidelines <p><u>Construction Financing</u></p> <ul style="list-style-type: none"> • One time construction to permanent transactions are not allowed. <p><u>Ineligible Transactions</u></p> <ul style="list-style-type: none"> • Texas 50(a)(6) loans • Land Contracts
Underwriting/QM Compliance Requirements	<ul style="list-style-type: none"> • All loans must be approved through DU or LPA. AUS Approve/Ineligible for loan amount or maximum LTV is allowed. All data points on AUS should represent the loan attributes with the exception of the guideline overlays contained in this matrix. • All loans must be prudently underwritten utilizing this matrix and Fannie Mae or Freddie Mac guidelines. Where this matrix is silent, refer to Fannie Mae or Freddie Mac. • Loans must be originated to meet definition of a Safe Harbor or Rebuttable Presumption Mortgage Loan under the Qualified Mortgage Rule and may not have:



	<p>(i) an APR-APOR spread of greater than 2.25 (or 3.5% in the case of loan balance below \$110,260 (as periodically adjusted); and (ii) points and fees, inclusive of the prepayment penalty, in excess of 3% under the QM Rule.</p> <ul style="list-style-type: none">• Higher Priced Mortgage Loans (HPML), Section 32 loans or any state high-cost/subprime loans are not allowed.• All loans must otherwise comply with 12 CFR 1026.43(g) including the requirements that the borrower is offered an “alternative covered transaction without a prepayment penalty”. See Required Documentation.
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Product Names

Names and Product Codes

30 YR FIXED ELITE JUMBO – (2/2/1) 3 YR PREPAY PENALTY TERM
30 YR FIXED ELITE JUMBO – (1.5/1.5/1) 3 YR PREPAY PENALTY TERM
30 YR FIXED ELITE JUMBO – (1/1/1) 3 YR PREPAY PENALTY TERM
15 YR FIXED ELITE JUMBO – (2/2/1) 3 YR PREPAY PENALTY TERM
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