

ARRIVE HOME

Earned Equity Program Underwriting Matrix v3.2.16

General Guidelines

Agency Requirements	The Arrive Home™ Earned Equity Program is a purchase transaction by a governmental entity that allows certain consumers to enter into an "ownership equity agreement" relationship to ultimately enter into homeownership. Arrive Home™ Earned Equity Program guidelines and overlays are specific to consumer qualification for the "ownership equity agreement" portion of the transaction. All are summarized here.
Consumer Eligibility	<i>US Citizens:</i> All. <i>Non-US Citizens:</i> Lawful Permanent Resident Aliens eligible with green card, US Social Security Number. <i>Non-Permanent Resident Aliens:</i> Eligible with proof of ability to repay and Individual Taxpayer Identification Number (ITIN). DACA eligible.
Property Eligibility	Allowed: SFR, PUD, townhome, attached, detached, modular, and manufactured. Condos allowed, but complex must be FHA-approved or have a spot approval documented. 1–2 units allowed. Not Allowed: Second homes, investment properties, 3–4 units, co-ops.
Non-Occupant Consumers	May be allowed. Cannot be used for <u>all</u> qualifying income. Primary occupant must document income toward qualifying PTI/DTI (UW discretion). Non-occupant consumer must sign the ownership equity agreement.
Non-Obligated Spouse	May be allowed. A copy of the spouse's credit report must be provided and will be reviewed for disqualifying credit events. (Exceptions may apply.) Not reviewed for additional debt or monthly obligation.

Consumer Credit History Guidelines

General	<ul style="list-style-type: none"> At least one credit score from a major bureau required to qualify. A soft pull credit report may be acceptable, provided we have sufficient housing history documented and a credit score (or "No Score") is on the soft pull. Alternative credit such as utilities, medical, or housing expenses may be acceptable when a credit score is not available due to lack of recent credit history. Eligible credit reports must reflect a minimum of two trade lines and provide at least 24 months of credit history (12 months may be acceptable with documentation to support reasoning for the short credit history). Foreign credit may be considered with supporting documentation that the repository used is comparable with major US bureaus and is supported by a participating financial institution or employer. Borrowers with no credit score may be considered per the section "Borrowers with No Credit Score".
Credit Score	Minimum 580. (Below 580 may be allowed with an approved exception.)
Borrowers with No Credit Score	May be eligible. The following will be required: <ul style="list-style-type: none"> 12 months documented verification of housing history Verified alternative credit tradelines (e.g. utility bills, other payment arrangements)
Self-Employed	Credit score required. Must meet minimum credit score eligibility requirements.
Credit Exceptions	Credit exceptions may be allowed with the following criteria: <ul style="list-style-type: none"> Consumer bureau with rescore projections provided supporting an increase in FICO score; and Debt, if any, reduced. Alternatively, a HUD-approved housing counseling agency may be used to document a credit improvement plan in place.
Qualifying Credit Score <600	Consumer Applicants with qualifying credit scores <600 may require compensating factors to support weak credit profiles. Compensating factors may include: <ul style="list-style-type: none"> 12 months of alternative tradeline history (utility bills, cellular phone bills, or other documented payment histories); Child support or alimony payments made on-time for 12 months; or Business expenses for self-employed borrowers (not found on credit) paid on-time for 12 months Additional reserves may also qualify.

Consumer Credit History Guidelines (cont.)	
Student Loans	Must be in good standing (not delinquent or in collections). For DTI, follow FHA guidelines for calculating payments considering deferment/forbearance requirements as applicable.
Bankruptcies	<ul style="list-style-type: none"> • Chapter 7: Eligible if discharged at the time of closing. • Chapter 13: Eligible if discharged OR filed within 12 months of closing and evidence of successful payments made for 12 months. All bankruptcies must be recorded on the credit report.
Foreclosures, Deed-in-Lieu, Short Sales	<ul style="list-style-type: none"> • Eligible upon discharge or satisfaction prior to closing. • Must be recorded on credit report.
Judgements and/or Tax Liens	<ul style="list-style-type: none"> • Eligible if paid, settled, and/or discharged at closing. • Eligible if a satisfactory payment arrangement is documented with a minimum of 3 payments made in the plan. • Payments in arrangement must be included in DTI (as a monthly payment of 5% of the outstanding lien balance); if payment is unable to be calculated, OK to amortize the payment of the obligation over a reasonable time frame (no greater than 180 months).
Soft Credit Update/UDM/Credit Refresh	A soft credit update, debt monitoring service, or general credit refresh is required to ensure no new debt opened by the consumer prior to closing. Any bureau or vendor is acceptable.
Fraud Report	Required.
DTI (Debt-to-Income)	
Maximum DTI	43% PTI (housing payment to income) / 50% DTI (total debt to income). Up to 46% PTI / 56% DTI available if exception guidelines are met.
DTI Max Adjustments	The following are further Arrive Home™ EEP overlays on DTI. Maximum 43% PTI / 50% DTI: <ul style="list-style-type: none"> • Bankruptcy discharged less than 3 years from closing (no exceptions) • Foreclosure, Deed-In-Lieu, or Short Sale less than 1 year from closing • Additional REO (all circumstances) • Payment Shock greater than 200% of current housing expense • Self Employed (exceptions may apply) Other Adjusted DTI Maximums: <ul style="list-style-type: none"> • No credit consumers: 36% PTI / 45% DTI (exceptions may apply)
Assets/Reserves	
Funds for Closing	Consumers must document sufficient cash/liquidity to consummate the transaction, including the following: <ul style="list-style-type: none"> • 1st Payment Due • Closing Costs, including title fees, per title fee sheet • Sufficient down payment funds (minimum 3.5%) • Reserves per program allowance: <ul style="list-style-type: none"> ~Primary Residence (No other REO): 1 month housing payment ~Primary Residence (No other REO, Credit Exceptions Required): 3 months housing payment ~Primary Residence (Additional REO): 3 months housing payment ~Primary Residence (Additional REO, Credit Exceptions Required): 4 months housing payment (exceptions may apply)
Asset Documentation/Bank Statements	Required: <ul style="list-style-type: none"> • 2 months of bank statements (most recent), covering two statement periods • Assets/reserves must be liquid at the time of closing • Atypical, large deposits must be sourced.

Assets/Reserves (cont.)	
Acceptable Assets Additional Info	<p>Business bank statements are acceptable as long as ownership is documented in the borrower's name and funds used from the business account do not deplete the company's ability to operate.</p> <p>Investment accounts are acceptable if liquidation terms are documented and sufficient for closing.</p> <p>Gift funds are acceptable for funds to close, but not acceptable to be used for reserves.</p> <p>An LOE is required for large deposits. This LOE must source where the funds were derived from and specifically state that the funds did not come directly, or indirectly, from the seller, the real estate agent, the lender, or any other interested party to the transaction. The LOE must also state that the funds were not derived from the borrower taking on additional debt. Arrive Home™ reserves the right to request additional sourcing for large deposits if necessary.</p>
Verification and Wiring for Funds to Close	<p>If underwriting is unable to verify total funds required to close the lease in the program participant's account, then the underwriter will attempt to verify at least 3.5% of the purchase price. If at least 3.5% can be verified, Arrive Home requires documentation where the rest of the funds will be derived from: a gift letter with the standard FHA verbiage is acceptable or, as an alternative, a LOE may be provided. If an LOE is provided, the LOE must contain verbiage indicating that the funds are not in any way derived from an interested party to the transaction. Funds then should be deposited into the program participant's bank account. When the funds are wired to TRHEEA, we will require a copy of the wire confirmation evidencing that the funds came from the program participants account.</p> <p>If 3.5% cannot be verified, a LOE may be submitted using the above guidance to evidence from where the funds will be derived, otherwise the file will be suspended pending verification of funds.</p> <p>Earnest money funds paid by the program participant are considered verified funds.</p>
Housing History	
Rental	<p>12 months of documented payment history (in good standing; no prior evictions or late payments, no balances remaining upon termination of lease agreement) required. See following:</p> <ul style="list-style-type: none"> • Property Management Company: Fully completed VOR • Private Landlord: Evidence of 12 months of payment history (cancelled checks, bank statements, or ledger of payments from the landlord with a credit supplement) • Renting from Relative: Cancelled checks or bank statements • Private VOR: Not allowed. <p>Alternative methods of documenting housing history, including electronic payments (Venmo, Zelle, PayPal) are acceptable with complete history documented.</p>
Mortgage	12 months of 0x30 payment history required (documented by a credit report).
Private Mortgage	May be allowed, if housing payment can be documented with bank statements, cancelled checks or reasonable equivalent. Not allowed if payment history is not available.
Income Requirements	
General Guidance	All income reviewed should be calculated generally according to FHA and mortgage industry standards. Some exceptions may apply. Minimum of 12 months of consistent employment history required.
W2 Employees	<p>Required:</p> <ul style="list-style-type: none"> • 2 months paystubs (must be most recent) • Prior year W2 • Bank statements to support income deposits • Documented WVOE (to validate income)
1099/Independent Contractor	<p>Required (must be most recent):</p> <ul style="list-style-type: none"> • Previous year's tax returns required • 3 months of bank statements (to validate income) • YTD P&L required (income review is determined on cash flow from the business)
New Employment History (<12 Months)	<p>May be acceptable with compensating factors documented. If considered, the following are required:</p> <ul style="list-style-type: none"> • Salaried or hourly; commission income must be guaranteed for 12 months or with previous history documented, otherwise not allowed • Fully completed WVOE • 2 months of paystubs and 2 months of bank statements (to validate deposits and cash flow)
Bank Statements Only	<p>Required for consumers with income that may only be documented with bank statements:</p> <ul style="list-style-type: none"> • 3 months of bank statements • Consistent deposits must be documented with sufficient income to meet DTI qualification • Exception guidelines met <p>12 months of bank statements may be used for seasonal work; the most recent 3 months will be averaged in this instance. Tax returns or a business license may be required.</p>

Income Requirements (cont.)	
Other Income Source	<p>Interest and dividend income will be considered. If considered, the following are required:</p> <ul style="list-style-type: none"> • Verification of the borrower's ownership of the assets on which the interest or dividend income was earned • Documentation of asset ownership (must be reviewed and approved) • Verification of the two-year history of the income must be verified using either: (a) copies of the borrowers' signed, federal tax returns; (b) copies of account statements with earned income documented <p>Further guidance on the above bullet point: Develop an average of the income received for the most recent two years. Subtract any assets used for down payment and closing costs from the consumer's total assets before calculating expected future interest or dividends.</p>
Liquidity	<p>Consumers with substantial documented liquidity will be considered on a case-by-case basis. Substantial liquidity may be defined as evidence of 50% of the value of the subject property documented as liquid.</p> <p>Exceptions may apply.</p>
Self-Employed	<p>Required (must be most recent):</p> <ul style="list-style-type: none"> • Previous year's tax return, all schedules (must be documented as filed with the IRS or executed tax transcripts are required) • YTD P&L and three months of bank statements (to document cash flow) <p>K1s and 1120s may be required depending on self-employment type.</p> <p>Lender must provide self-employed income analysis to document calculation. At UW discretion, Arrive Home™ will not consider DTI reduction for self-employment for well-established businesses; may require well-documented cash flow and other comp factors.</p>
Additional Notes on Self-Employed	<p>Self-employment business types will be reviewed for effective income analysis. Some consumers may have revenue streams or cash positions that require alternative methods of underwriting review. Arrive Home™ will consider atypical income or asset profiles for all self-employed types, including 1099, independent contractors, investors, and those with tax returns or P&L statements that may not reflect their true liquidity.</p>
Additional Notes on ITIN	<p>For borrowers with an ITIN, but a Social Security Number (SSN) is provided on W2s, pay stubs, etc, the most recent year of tax returns and transcripts are required.</p>
Additional Properties Owned	
Primary Residence (REO)	<p>One currently owned property (departing residence) allowed. The following will be required:</p> <ul style="list-style-type: none"> • Strong supporting documentation justifying the need to move and obtain Arrive Home™ EEP financing • LOE (signed and dated by the consumer) • UW support and approval <p>For retained REO, the disposition at closing must be one of the following:</p> <ul style="list-style-type: none"> • Leased (with supporting lease agreement and evidence of deposit or rent received) • Pending sale <p>Additional circumstances <i>may</i> be considered with <i>strong</i> supporting documentation.</p>
Rental Properties (REO)	<p>May be considered with:</p> <ul style="list-style-type: none"> • 3 months reserves documented (to support REO) • Properties documented with lease agreements and receipt of rental income <p>Additional Overlays for Retained REO (Rental Properties):</p> <ul style="list-style-type: none"> • Minimum 600 credit score • Maximum PTI/DTI: 38%/50%
Closing/Documentation Requirements	
Closing	<p>The consumer is responsible for providing all down payment funds, including closing costs and 1st month's payment due in certified funds, to title.</p> <p>Arrive Home™ will secure a 2nd lien position at closing in the form of a forgivable 2nd mortgage, regardless of consumer down payment. Terms: Forgivable in 10 years, amortized over 30 years, signed and executed at closing by an Arrive Home™ representative; no regular monthly payment required. Amount: 1% of the lower of the purchase price or the appraised value. DPA funds are not required to be extended at closing.</p> <p>A ownership equity agreement is required to be signed by all parties, executed and recorded by an Arrive Home™ representative.</p> <p>Prior to closing, a home inspection is required to be completed. See "Property Details" for more information.</p>

Appraisal/Home Inspection	
Appraisal	<p>Required:</p> <ul style="list-style-type: none"> • A full FHA appraisal • Appraisal marked "as-is" at the time of purchase or have a completion cert/1004D if property was "subject to" repairs or completion prior to purchase. • Appraiser certified that the subject property meets FHA minimum property requirements; no health, safety or adverse conditions can be present • Subject property does not have commercial influence, and/or is not considered a "working farm," and/or and does not have commercial agricultural income potential
Property Details	<p>Appraisal condition requirements:</p> <ul style="list-style-type: none"> • C1–C3 • C4–C5 allowed with exception review <p>Roof must be in acceptable condition and good repair. C5 properties may be ineligible without significant repair or renovation. See "Home Inspection" for more information. Properties built prior to 1978 will require a full property inspection, performed by a certified property inspector. Any/all properties found to have aluminum electrical wiring (as indicated by the inspection or found through property insurance due diligence) may be ineligible for EEP based on ability to acquire acceptable hazard insurance.</p>
Appraisal: Cost Approach to Value Section	It is required for the RCE (or Cost Approach to Value section) of the Appraisal to be completed.
Home Inspection	<p>Home inspection required prior to closing for all properties listed in C3–C5 condition according to the FHA appraiser. Inspections must be performed by a licensed home inspector prior to closing. (C3 properties may have the inspection requirement waived if given advance approval from Arrive Home™.)</p> <p>Inspection requirements include:</p> <ul style="list-style-type: none"> • All health and safety items addressed and/or repaired, as required by the inspection • All major systems inspected, including HVAC, plumbing, electrical, appliances, siding, major fixtures and flooring (with a life expectancy of at least 5 years) • Roof inspection (with a useful life expectancy of at least 10 years) • Furnace and air conditioning systems documented to have been serviced within the previous 12 months, unless covered by a Certified Home Warranty • Smoke detectors and carbon monoxide systems tested and certified as operable per local building and health/safety codes
Home Warranty	Certified Home Warranty must be obtained after home inspection has been completed.
Renters Insurance	
Renters Insurance	<p>Optional Coverage. If the applicant chooses to forego a renter's insurance policy, a "coverage waiver disclosure" is required to ensure the applicant is aware that their personal property will not be covered if an adverse event occurs.</p> <p>If included, renter's policy should include the following standard coverage:</p> <ul style="list-style-type: none"> • Personal Property, Liability, and Additional Living Expenses • Deductible should be standard for the policy, not to exceed \$1,000 • Any additional coverages that are considered standard for the marketplace of the subject property <p>Policy must be proven paid prior to closing.</p>
Exceptions	
Exceptions	For all exceptions, please reach out to your Corporate Account Director.
Credit Exceptions	<p>Exceptions may be considered for the following events:</p> <ul style="list-style-type: none"> • Credit score below 580 • Foreclosure • Bankruptcy • Thin credit history • No trade lines or alternative credit documented <p>The following must be provided for a credit exception to be considered:</p> <ul style="list-style-type: none"> • 1 month of housing expense reserves documented for each event (in addition to the amount normally required by the Arrive Home™ EEP); OR • 31% PTI / 43% DTI; OR • Combination of compensating factors as documented by the underwriter (may include extended housing history documentation [24–48 months], low payment shock [50% or less], time on the job [documented > 3 years], or reasonable equivalent [per UW analysis])
Income/DTI Exceptions	<p>Certain exceptions may apply to consumers with excessive PTI/DTI or income documentation challenges:</p> <ul style="list-style-type: none"> • Exceptions may be considered for PTI/DTI up to, but not exceeding 46%/56% • Income calculation exceptions will be considered with strong supporting documentation from the UW, a LOE, and an income calculation worksheet

Servicing

Master Servicer	All Arrive Home™ products have a Master Servicer.
Payment Due	1st Payment Due and all subsequent ownership equity agreement payments must be received by the Master Servicer. No servicing transfer gap should exist that affects payments due/payments received.

Additional Program Details

Consumer Contract/Lease (Consumer Fees)	<p>Fees to Consumer:</p> <ul style="list-style-type: none"> • \$1,250 Admin Fee • 1 month complete payment (lease/contract payment, 1/12th of the annual program fee, and taxes and insurance)
Investor Fees	<p>Fees From the Lender:</p> <p>Total origination/Section A fees charged may not exceed 3% of the purchase price. Discount points that are not "bona fide" count against that 3% limit.</p>
Fee Disclosure	<p>Fee disclosure is required on both the government entity loan and the lease.</p> <p>All fees on the government entity loan must be disclosed to TRHEEA upon application in an initial disclosure, and at closing in a final disclosure. We recommend, but do not require, the use of an LE and CD. (Waiting periods are not required.) If fees change from the initial disclosure, a Change of Circumstances should be issued showing the fee change (once the change is identified) prior to the final disclosure being provided for execution upon closing.</p> <p>Lease and Long-Term Purchase Agreement fees must be disclosed to the Consumer in an initial disclosure and a final disclosure (provided by Arrive Home™ to the Correspondent). Changes in TRHEEA loan fees impact the fees disclosed to the Consumer and require an updated initial disclosure to be sent to the Consumer similar to a Change of Circumstance. Evidence that the Consumer received the disclosures in a timely manner, through a dated signature, is required.</p> <p>Charges on the lease that benefit the originator directly or indirectly (in excess of TRHEEA charges) must be less than or equal to 1% of the total FHA loan amount. As outlined above, the consumer must receive a disclosure outlining the purpose of the fee(s) and defining the amount of the fee, the consumer must consent to pay the fee, and the consumer must sign and date the disclosure so there is evidence the fee was disclosed in a timely manner.</p>
Other Fees	Included on the fee sheet must be the Annual Service Fee, which is part of the monthly payment listed at the bottom of Arrive Home™ rate sheets.
Second Lien Required	The Arrive Home™ Earned Equity Program requires all FHA loans to have a 10-year soft/forgivable second of 1% assistance that carries no payment and bears no interest. The second must be issued in the name of Tule River Finance Authority or made in the Correspondent's company name and assigned at closing to Tule River Finance Authority.
High Balance Loans	<p>A high balance loan is any loan that exceeds the national conforming loan limit published by the CFPB. (This limit is higher in Alaska and Hawaii.)</p> <p>High balance loans may be approved for the EEP product. However, correspondents must contact their account executive and receive pre-approval before registering a high balance loan. An LLPA adjustment may be required.</p>
Closing/Title Package Shipping	Closing and title packages must be sent by 3pm MDT to ensure next day overnighted delivery. Only a UPS label should be included.
When Borrowers Begin Payments	Lease payments begin the month immediately following the closing of the loan. If a new month begins within seven days of the month of closing, the first lease payment will be collected at closing.
Financed Solar Panels	<p>Leased solar panels are acceptable provided any recorded lien on the property for the solar panels and the lease meets the following requirements:</p> <ul style="list-style-type: none"> • An agreement is provided to subordinate the solar panel lien to the 3rd position (behind the new 1st and 2nd mortgages); and • The solar panel lien must be transferable to the name of the new tenant. <p>THREEA will not assume the solar panel lien.</p>
Property Rights	Fee Simple and Leasehold both allowed per HUD guidelines. However, Leasehold properties must have a minimum of 50 years remaining on the lease at the time of closing. In addition, the lease document must be provided to Arrive Home™.
Case Number Transfer	If the appraisal number or FHA case number is in the name of anyone other than THREEA, Arrive Home™ will require a complete paper trail of the case transfer.
Closing Instructions	Lender Closing instructions must state the following: "The settlement agent is approved to use funds from a 3rd party depositor based on the Instructions for Signing and Closing the Lease with Long-Term Purchase Agreement provided by Tule River Homebuyer Earned Equity Agency and Arrive Home™."
Wiring Instructions	Please send wire confirmations to the following email address: accounting@arrivehome.org . Use the property address of the relevant loan as the subject line.
Pre-Approvals	<p>To request a pre-approval before registering a loan in the CS Portal, please do the following:</p> <ul style="list-style-type: none"> • Address the email to preapproval@arrivehome.org • Have the subject line be "Credit Review Request" followed by the borrower's last name and "EEP" • Attach the following supporting documentation: Lender Pre-qualification, Credit Report, Income, Assets, Tax Returns (if self-employed), W2 (if W2), Lease Application/1003 <p>Expect a turn time of up to 48 hours.</p>
Flood Insurance	Flood insurance will be acquired through a provider that participates in the National Flood Insurance Program (NFIP).

Additional Program Details (cont.)

Estimating Real Estate Taxes for the Lease Payment

The mortgagee must use accurate estimates of monthly tax escrows when calculating the total mortgage payment. This will affect the Consumer's lease payment. Depending upon varying requirements, real estate taxes are generally calculated by taking the transfer price (or assessment) multiplied by the city/county mill rate, or the proposed assessment rate for the subject property transfer. In cases where the process differs, the lender is responsible for ensuring that the tax payment included in the PITI payment and impounds are calculated as accurately as possible. When taxes are under-calculated, or the subject property's previous assessment value is used for current PITI and impounds, the consumer will be assessed a tax roll increase that could jeopardize ability to repay or to meet cash reserves. In dry states, Arrive Home does not allow for the participant to wire the title company directly, even on an exception basis.

Other Notes

Lenders who wish to participate in this program must be approved as a correspondent of Arrive Home™. **This Product Matrix contains underwriting guidelines for the Arrive Home™ Earned Equity Program.** If you have any questions, please reach out to your Corporate Account Director.