EEP Product Guidelines

Version 4.1.1

Table of Contents

1 || Overview **7**
2 || Doing Business with Arrive Home™ on FHA-Insured Loans **8**
2.1 | Correspondent Eligibility 8
2.1.1 FHA Direct Endorsed (DE) Program Eligibility Requirements 8
2.2 | Maintaining Eligibility 8
2.3 | Correspondent Renewal 9
2.3.1 Renewal Process and Requirements 9
2.3.2 Correspondent Performance 9
2.4 | Terminated Correspondents 10
2.5 | HUD Termination 10
2.6 | Audits 10
2.7 | Quality Control by Correspondent 11
2.8 | Adherence to Fair Lending Standards 11
2.8.1 Fair Lending Policy 11
2.9 | Equal Credit Opportunity Act 12
2.10 | Privacy of Homebuyer Financial Information 12
2.10.1 Safeguards 12
2.10.2 Unauthorized Access to Homebuyer Information 13
2.10.3 Notification of Unauthorized Access 13
2.10.4 Furnishing Details of Unauthorized Access 13
2.10.5 Cooperation 13
2.10.6 Recurrence 13
2.10.7 Confidentiality—Standard of Care 13
2.10.8 Restricted Disclosure 14
2.10.9 Homebuyer Privacy and Mortgage Loan Documents 14
2.11 | Principal/Authorized Agent Relationship 14
2.11.1 Required Authorities 14
2.12 | Exclusionary Lists (LDP/GSA) 15
3 || Program Overview **16**
3.1 | Arrive Home™ Earned Equity Program 16
3.1.1 Program Notes and Disclaimers 16
3.1.2 Seller's Disclosure 16
3.2 | FHA First Mortgage and Required Second Lien 16

3.2.1 FHA First Mortgage Loan Purpose 17
3.2.2 High Balance Loans 17
3.2.3 Required Second Lien 17
3.3 | Property Eligibility 17
3.3.1 Eligible Properties 17
3.3.2 Ineligible Properties 17
3.3.3 Property Rights 18
3.4 | Homebuyer Legal Status 18
3.5 | Homebuyer Credit History Requirements 18
3.5.1 Less Than 580 Credit Score or No Credit Score 19
3.5.2 Required Soft Credit Update/UDM/Credit Refresh 19
3.5.3 Student Loans 19
3.5.4 Bankruptcies 20
3.5.5 Foreclosures, Deed-in-Lieu, Short Sales 20
3.5.6 Judgements and/or Tax Liens 20
3.5.7 Property Tax Assessments 20
3.5.8 Required Fraud Report 20
3.6 | Homebuyer DTI Requirements 21
3.7 | Homebuyer Asset/Reserves Requirements 21
3.7.1 Asset Documentation 21
3.7.2 Gift Funds 22
3.7.3 Verification and Wiring for Funds to Close 22
3.8 | Homebuyer Housing History Requirements 22
3.8.1 Rental 22
3.8.2 Mortgage 23
3.8.3 Private Mortgage 23
3.9 | Homebuyer Income Requirements 23
3.9.1 W2 Employees 23
3.9.2 New Employment History 24
3.9.3 1099/Independent Contractor 24
3.9.4 Self-Employed 24
3.9.5 Bank Statements Only 25
3.9.6 Other Income Source 25
3.9.7 Lump Sum Asset Depletion 25
3.9.8 Liquidity 26
3.9.9 Including Rental Income 26
3.9.10 Additional Notes on P&L 26

3.10 | Non-Occupant Homebuyers 26
3.11 | Additional Properties Owned 26
3.11.1 Primary Residence 26
3.11.2 Rental Properties 27
3.12 | Property Appraisal 27
3.12.1 Property Condition 27
3.12.2 Cost Approach to Value Section of the Appraisal 28
3.12.3 Automated Valuation Model 28
3.13 | Property Home Inspection 28
3.13.1 Home Warranty 29
3.13.2 Home Inspection Repair Requirements 29
3.13.3 Wood-Destroying Organism Inspection Requirements 29
3.13.4 States Requiring Wood-Destroying Organism Inspection 30
3.14 | Renter's Insurance 30
3.14.1 Coverage Waiver Disclosure 31
3.15 | Fees 31
3.15.1 Fee Disclosure 31
3.15.2 Fee Limits 32
3.15.3 Fees to the Homebuyer 32
3.16 | Property Insurance Guidelines 32
3.17 | Additional Guidelines 32
3.17.1 Contract/Lease Cancellation Prior to Closing 32
3.17.2 Fuse Boxes and Electrical Wiring 33
3.17.3 Disaster Certificates 33
3.17.4 PUDs, HOAs, and Occupancy Restrictions 34
3.17.5 Financed Solar Panels 34
3.18 | Exceptions 34
3.18.1 Credit Exceptions 34
3.18.2 Income and DTI Exceptions 35
3.19 | Pre-Approvals 35
4 || Origination Through Closing 36
4.1 | General Mortgage Loan Document Standards 36
4.1.1 General Closing Instructions 36
4.1.2 Arrive Home™ 2nd Lien 36
4.2 | Document Expiration Dates 36
4.3 | Handling of Documents 37
4.3.1 Information Sent to the Lender Electronically 37

4.3.2 Information Obtained via Internet 37
4.4 | Allowable Mortgage Parameters 37
4.5 | QM Points and Fees Calculation 37
4.6 | Seller and Lender Credits and QM Points and Fees 38
4.7 | Mortgage Loan and Lease Document Corrections 38
4.8 | Closing in Compliance with Mortgage Approval 38
4.9 | Closing in the Mortgagee's Name 38
4.10 | Data Integrity 39
4.11 | Projected Escrow (Taxes and Insurance) 39
4.11.1 Monthly Escrow Obligations 39
4.11.2 Estimating Real Estate Taxes 39
4.11.3 Estimating New Construction Real Estate Taxes 40
4.11.4 Mis-Rep and EPD Scenarios 40
4.12 | Closing Costs and Fees 40
4.12.1 Collecting Customary and Reasonable Fees 41
4.12.2 Disbursement Date 41
4.13 | Real Estate Taxes Due the Following Month After Loan Purchase 41
4.13.1 Existing Construction 41
4.13.2 New Construction 41
4.14 | Mortgage and Note 42
4.15 | Reviewing Limited Denial Participation and SAM Exclusion Lists 42
4.16 | Minimum Required Repairs & Escrow Holdbacks 43
4.16.1 Completion Date 43
4.17 | Documentation—General Requirements 43
4.17.1 Documentation—Further Requirements 44
4.17.2 Documentation—Second Loan Requirements 44
4.18 | Tule River Homebuyer Earned Equity Agency Property Insurance 44
4.18.1 Requests for Property Insurance 45
4.18.2 Dwelling Coverage of Hazard Insurance 45
4.18.3 Rental Loss Endorsement 46
4.18.4 Flood Insurance 46
4.18.5 High Risk Areas 46
4.18.6 Florida Properties 46
4.18.7 Other considerations 46
4.19 | Title Policies and Insurance Commitments 47
4.19.1 Adding Persons to Title and Sales Contracts 47
4.19.2 Homebuyer Funds to Title 47

4.20 | Interest Credit 47
5 || Document Packages 48
5.1 | Lock Policy 48
5.1.1 Best Efforts Execution 48
5.1.2 Lock Expirations 48
5.1.3 Extension and Roll Fees 48
5.1.4 Locks and Property Addresses 48
5.1.5 Locks Contact 49
5.2 | Delivery 49
5.2.1 Good Delivery 49
5.2.2 Additional Guidance 49
5.3 | Same Name Affidavits 49
5.4 | Electronic Signatures 50
5.4.1 Representations and Warranties 51
5.4.2 Hybrid Closings, eClosings, and RONs 51
5.5 | The Loan Estimate ("LE") 52
5.6 | CD and Settlement Documentation 52
5.6.1 Preparation of the Closing Disclosure for a Seller 52
5.6.2 Delivery of the Closing Disclosure 53
5.6.3 Revised Closing Disclosures 53
5.7 | Loan Cancellation Policy 54
5.7.1 Loans Canceled Before Closing 54
6 || Final Documents 55
6.1 | Collateral Package Documents 55
6.1.1 Purchase Advice Funding 55
6.2 | Mortgage Electronic Registration Systems (MERS) 56
6.2.1 MIN Numbers 56
6.3 | FHA Connection 56
6.3.1 FHA Mortgage Record Change 56
6.3.2 Trailing Docs 57
6.4 | FHA Mortgage Insurance Certificate 57
7 || Servicing 58
7.1 | When Homebuyers Begin Payments 58
7.2 | Master Servicer 58
7.2.1 First Payment Due 58
7.3 | Early Payment Default 58
7.4 | Indemnification 59

7.5 | Transfer of Servicing 59
7.5.1 Goodbye Letter: FHA First Mortgages 60
7.5.2 Goodbye Letter: Forgivable Second Mortgages 60
8 || Arrive Home™ Key Contact Information 61
8.1 | Arrive Home™ Quick Contact Information 61
8.2 | Wiring Instructions (First Mortgages) 61
8.2.1 Forwarded Payments—Payment Clearing 61
8.2.2 Forwarded Payoffs—Payoff Clearing Beneficiary 61
8.2.3 Wire Confirmations 62
8.3 | Qualified Written Requests 62
8.3.1 FHA First Mortgages 62
8.3.2 All Forgivable Second Mortgages 62
8.4 | Custodian Information 62
8.4.1 1st Mortgage Collateral Package Instructions 63
8.4.2 1st Mortgage Bailee Letter Instructions 63
8.4.3 2nd Mortgage Collateral Package Instructions 63
8.4.4 2nd Mortgage Bailee Letter Instructions 64

1 || Overview

Arrive Home™ is proud to provide the Earned Equity Program (EEP), which allows you to expand housing offerings to clients with non-traditional credit profiles. As a Tribal Government Entity, Tule River Homebuyer Earned Equity Agency (TRHEEA) has the ability to use FHA financing to purchase investment properties. We use that ability to purchase a property, and then we either lease the property to the Homebuyer with a long-term purchase agreement or we enter into a seller financing agreement with the Homebuyer. Under this program, Homebuyers receive many of the same rights as they would have with traditional homeownership while working toward establishing legal title to the property. The Earned Equity program does not accord legal title; the Homebuyer acquires legal title through assuming the FHA Loan, refinancing, or paying off the option or purchase price.

The Earned Equity Program is unique in that there is no shared appreciation or shared equity once the underlying option or purchase price is paid; this gives the Homebuyer the ability to take advantage of market appreciation while working towards homeownership.

For any questions, contact info@arrivehome.org.

2 || Doing Business with Arrive Home™ on FHA-Insured Loans

The Arrive Home™ EEP first mortgage follows applicable published FHA guidelines and letters with some minimal overlays as outlined later in this guide. The lease or long-term purchase agreement the Homebuyer enters into follows unique requirements also outlined later in this guide. This chapter covers Correspondent eligibility requirements to do business with Arrive Home™.

2.1 | Correspondent Eligibility

To be eligible to offer the Arrive Home™ EEP product, the Correspondent must meet FHA eligibility requirements as well as the following requirements.

2.1.1 FHA Direct Endorsed (DE) Program Eligibility Requirements

The following requirements must be met to be eligible:

- ☐ Meet all Arrive Home™ and industry standard eligibility requirements, as applicable
- ☐ Meet HUD's minimum loan insurance requirements as defined by FHA Single Family Housing Policy Handbook HUD 4000.1, "Doing Business with FHA"
- ☐ Be issued Direct Endorsement (DE) approval through HUD and provide HUD approval documentation to Arrive Home™
- ☐ Be in good standing with HUD and other applicable agencies
- ☐ Maintain a HUD compare ratio of less than or equal to 150%
  - ☐ Correspondents with a compare ratio greater than 150% may be considered on an exception basis
- ☐ Meet all state license, registration, or equivalent approval requirements for the states in which the Correspondent originates (if applicable)
- ☐ Meet the following net worth requirements:
  - ☐ $1.5 million net worth
  - ☐ Audited financials in accordance with GAAP or Call Reports
- ☐ Have a primary business in a commercial location

2.2 | Maintaining Eligibility

To remain an approved Correspondent in good standing, the Correspondent must:

- ❏ Maintain eligibility and be in full compliance with all terms and requirements detailed in the "Correspondent Eligibility" section of this guide
- ❏ Actively participate in the programs described in this guide
- ❏ Complete and submit, within required timeframes, all documents requested by Arrive Home™ as part of the Recertification Process
    - ❏ Documents may not be older than ninety (90) days at the time of application
- ❏ Remit any fee and payment due to Arrive Home™ within the requested time frame
- ❏ Maintain a Neighborhood Watch Ratio below 150%

2.3 | Correspondent Renewal

To ensure approved Correspondents continue to meet eligibility criteria, a renewal review will be performed at a frequency described in section 2.3.1 (Renewal Process and Requirements). The renewal review will consist of two parts:

- ❏ Updated financial and lender documentation as requested by Arrive Home™
- ❏ Review of Correspondent's performance and overall track record and history with Arrive Home™

2.3.1 Renewal Process and Requirements

The renewal review occurs around the anniversary date of the Correspondent's original approval or the last completion date of the Correspondent's most recent renewal; however, Arrive Home™ reserves the right to perform the review at any time. Correspondents will be notified via Comergence of the review. The Comergence notification will include a request for any documentation necessary to complete the renewal process. Correspondents must provide the necessary documentation within sixty (60) days of the request. Failure to provide the information within the required timeframe may result in suspension or termination.

2.3.2 Correspondent Performance

The Correspondent's performance will be reviewed to ensure:

- ❏ Compliance with all terms of the Loan Purchase and Sale Agreement, and adherence to all applicable federal, state, and local legal and regulatory requirements
- ❏ Adherence to Arrive Home™ EEP guidelines and loan parameters as outlined in this guide

- ❏ Continued adherence to the most current client eligibility standards set forth by Arrive Home™
- ❏ Acceptable pull through rates have been met
- ❏ Acceptable payment of all fees and payments due to Arrive Home™
- ❏ Acceptable and timely response to any inquiries by Arrive Home™

2.4 | Terminated Correspondents

If a Correspondent does not comply with the terms of their executed Loan Purchase and Sale Agreement, or the terms of the Correspondent Lending Guide, or when substantive issues have been discovered (e.g., fraud, unacceptable loan delivery performance), the relevant Correspondent may have its status as an approved Correspondent terminated. Notification of termination will be issued in writing and delivered by email service.

Once terminated for cause, a Correspondent may not be eligible for re-approval with Arrive Home™. In addition, if the reason for termination was the result of misrepresentation or any other serious concern, the Correspondent will be placed on the Arrive Home™ exclusionary list. In addition, in cases of misrepresentation or any breaches in representation, warranty, or covenant, Arrive Home™ reserves the right to pursue any and all remedies to which Arrive Home™ may be entitled, in accordance with the Loan Purchase and Sale Agreement.

2.5 | HUD Termination

Correspondents who are terminated by HUD from participating in the FHA program (based on Credit Watch or otherwise) will not be permitted to participate in the Arrive Home™ Earned Equity Program.

2.6 | Audits

Correspondents must deliver to Arrive Home™, within fifteen (15) business days of receipt, copies of any adverse audit report issued by a state or federal regulator, government agency, or government-sponsored entity. If disciplinary action is taken by any such regulator, agency, or enterprise agency (including any formal enforcement action, suspension, or termination of the Correspondent's selling or servicing rights), the Correspondent must notify Arrive Home™ within three (3) business days of such action.

2.7 | Quality Control by Correspondent

Arrive Home™ requires Correspondents to establish and maintain quality control standards in accordance with the FHA Single Family Housing Policy Handbook 4000.1.

Correspondents must provide Arrive Home™ with a copy of their quality control plan and their fair lending and AIR policy prior to becoming an approved Correspondent with Arrive Home™. Additionally, Correspondents must provide updates to policies upon request thereafter.

2.8 | Adherence to Fair Lending Standards

Correspondents must understand and acknowledge that Arrive Home™ is fully committed to the principles of fair lending and requires each of its business partners, including Correspondents, to follow similar principles. Arrive Home™ additionally requests that Correspondents and all of Arrive Home™'s owners, officers, partners, agents, and employees are adequately trained in fair lending policies and procedures.

Correspondents must acknowledge that they have received and reviewed the Fair Lending Policy adopted by Arrive Home™ and that the Correspondent has taken and will continue to take action to ensure that the Correspondent and each of its owners, officers, partners, agents, and employees are adequately trained in and follow generally recognized fair lending policies and procedures.

2.8.1 Fair Lending Policy

Arrive Home™ is committed to providing meaningful mortgage credit services to all of our customers and potential customers within each of our communities on a fair and equitable basis. We will provide every customer and potential customer an equal opportunity to apply for each of our available mortgage services. We believe that our commitment to fair lending is a good and sound business practice that allows us to serve all of our customers and communities. We believe that our success at serving a wide range of Homebuyer and business credit customers is essential to the economic vitality of Arrive Home™.

Arrive Home™ will not tolerate discrimination in its lending or business practices by any of our officers, employees, or approved Correspondents in serving our customers and potential customers. Arrive Home™ will always strive to lead by example in ensuring that fair lending principles are fully integrated into all of our corporate policies and procedures, our marketing efforts, and our relationships with third parties involved in the credit process.

We believe that our commitment to fair lending is strengthened and reinforced by our equally strong commitment to the creation of a workforce that will reflect the values, aspirations, and spirit of our multicultural communities, and thereby allow us to better understand and respond to the legitimate multi-faceted credit needs of our communities.

In order to fulfill our commitment, we have empowered each of our officers and employees to use their best personal and professional efforts and resources to continue to make available meaningful services to all of our customers and communities on a fair and equitable basis.

2.9 | Equal Credit Opportunity Act

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Homebuyer Credit Protection Act.

Arrive Home™ requires all correspondence to be in strict compliance with the Equal Credit Opportunity Act.

2.10 | Privacy of Homebuyer Financial Information

All capitalized terms used in this section and not otherwise defined shall have the meanings set forth in 12 C.F.R. Part 332 ("Privacy of Homebuyer Financial Information"), as amended from time to time (the "Privacy Regulation"), issued pursuant to Section 504 of the Gramm-Leach-Bliley Act (15 U.S.C. § 6801 et seq.).

2.10.1 Safeguards

Correspondents and Arrive Home™ will maintain safeguards and take technical, physical, and organizational precautions to ensure Homebuyer information against destruction, loss, alteration, unauthorized access, or disclosure to third parties while in the possession or under the control of Correspondent, Correspondent Agents, Arrive Home™, or Arrive Home™ agents. The objective of each such precaution will be to:

- ❏ Ensure the security and confidentiality of Homebuyer information
- ❏ Protect against any anticipated threats or hazards to the security or integrity of Homebuyer information

- ❑ Protect against unauthorized access to or use of Homebuyer information that could result in substantial harm or inconvenience to any customer

2.10.2 Unauthorized Access to Homebuyer Information

Correspondents and Arrive Home™ will maintain sufficient procedures to detect and respond to any unauthorized possession, disclosure, use, or other security breaches involving Homebuyer information.

2.10.3 Notification of Unauthorized Access

Correspondents and Arrive Home™ will, as soon as reasonably practicable, notify the other party of any unauthorized or attempted possession, disclosure, use, or knowledge of Homebuyer information when one party becomes aware of it, including any material breach or potential material breach of security on a system, LAN, or telecommunications network which contains or processes Homebuyer information.

2.10.4 Furnishing Details of Unauthorized Access

Correspondents and Arrive Home™ will, as soon as reasonably practicable, furnish to the other party full details of an unauthorized or attempted possession, disclosure, use, or knowledge of Homebuyer information and use reasonable efforts to assist the other party in investigating or preventing the recurrence of any unauthorized or attempted possession, use, or knowledge of Homebuyer information.

2.10.5 Cooperation

Correspondents and Arrive Home™ will cooperate to correct any unauthorized possession, disclosure, or use of Homebuyer information, or any other security breaches, and will cooperate in any litigation and investigation deemed necessary to protect Homebuyer information.

2.10.6 Recurrence

Correspondents and Arrive Home™ will use all reasonable efforts to prevent a recurrence of any unauthorized possession, use, or knowledge of Homebuyer information.

2.10.7 Confidentiality—Standard of Care

Each Party will protect all Homebuyer information with the same degree of care as it uses to avoid unauthorized use, disclosure, publication, or dissemination of its own confidential information, but in no event less than a commercially reasonable degree of care.

2.10.8 Restricted Disclosure

Correspondents and Arrive Home™ may disclose Homebuyer information to its agents, accountants, attorneys, and affiliates or subsidiaries (respectively, each party's "Third Party Recipients") if reasonably necessary in performing its duties. Correspondents and Arrive Home™ agree that they will not disclose, release, or otherwise make available to any third party any Homebuyer information without the other party's prior written consent, provided, however, that the Correspondent and Arrive Home™ are each responsible for any violation of these confidentiality obligations by its Third-Party Recipients and will ensure that these individuals or entities are aware of these confidentiality obligations.

2.10.9 Homebuyer Privacy and Mortgage Loan Documents

Correspondents must fully comply with all provisions of the Gramm-Leach-Bliley Act (GLBA), including without limitation the Safeguards Rule, which requires Correspondents to ensure the security and confidentiality of customer records and personal information, and the Homebuyer Financial Privacy Rule, which prohibits Correspondents from disclosing Nonpublic Personal Information about a Homebuyer unless it has satisfied various notice and opt-out requirements and the Homebuyer has not elected to opt out.

2.11 | Principal/Authorized Agent Relationship

A Principal/Authorized Agent Relationship is one in which a mortgagee with unconditional DE authority permits another DE-approved mortgagee to underwrite mortgages on its behalf. A mortgagee with unconditional DE authority (acting as the "principal") can designate another DE-approved mortgagee to act as its "authorized agent" for the purposes of underwriting mortgages. A sponsored Third-Party Originator (TPO) may not act as a principal or authorized agent.

2.11.1 Required Authorities

The authorized agent must have unconditional DE authority to underwrite the type of mortgage that is being underwritten. The mortgagee must be approved as follows:

- ❏ To originate forward mortgages:
    - ❏ The principal may have unconditional DE authority for either forward mortgages or HECM
    - ❏ The authorized agent must have unconditional DE authority for forward mortgages
- ❏ For this process:

    - ❏ The principal must originate the mortgage and the authorized agent must underwrite the mortgage
    - ❏ The mortgage may close in either mortgagee's name, and either may submit the mortgage for insurance endorsement
- ❏ With required documentation:
    - ❏ The relationship must be documented in FHAC by the authorized agent
    - ❏ Additionally, the principal's FHA Lender ID must be entered in the "Originator" field on the FHA case file and in FHAC

2.12 | Exclusionary Lists (LDP/GSA)

The mortgagee must not employ or contract with any individuals or entities excluded from participation in FHA programs. In addition, a mortgage is not eligible for FHA insurance if anyone participating in the mortgage transaction is listed on HUD's LDP list (Limited Denial of Participation) or in SAM (System for Award Management) as being excluded from participation in HUD transactions. A list of parties to the transaction which must be searched can be found in FHA Handbook 4000.1.

3 || Program Overview

3.1 | Arrive Home™ Earned Equity Program

The Arrive Home™ Earned Equity Program (EEP) is a purchase transaction whereby a governmental entity purchases a home selected by a Homebuyer, and then the Homebuyer either leases the property and enters into a long-term purchase agreement, or the Homebuyer enters into a seller financing agreement; in either case, this ultimately allows the Homebuyer to live in and control the home until such time as the Homebuyer can finance the home. These Arrive Home™ Earned Equity Program guidelines and overlays are specific to the Homebuyer's qualification and the Homebuyer's portion of the transaction, unless explicitly stated otherwise.

A visual aid is available on Arrive Home™'s website, titled the EEP Matrix.

3.1.1 Program Notes and Disclaimers

The paired lease and long-term purchase agreement, or seller financing agreement, is not part of the FHA loan and is a separate relationship between the governmental entity and the Homebuyer.

Arrive Home™ adheres to all posted guidelines for FHA property eligibility as found in the FHA Housing Handbook, 4000.1 for the purchase of the home by the governmental entity. FHA's Office of General Counsel has reviewed the government entity and determined it to be eligible to purchase non-owner occupied properties using maximum FHA financing.

3.1.2 Seller's Disclosure

All paired lease and long-term purchase agreements, or seller financing agreements, must be provided with a **completed** Seller's Disclosure. The Seller's Disclosure must be received by Arrive Home™ prior to closing and will be reviewed alongside the appraisal/property inspection.

3.2 | FHA First Mortgage and Required Second Lien

The FHA mortgage that the governmental entity uses to purchase the home as part of the Arrive Home™ Earned Equity Program must be a 30-year fixed rate term with full amortization only. **The first mortgage must be purchased by the master servicer after closing**.

The mortgage type must be FHA 203 (b) 1–2 units, primary residence only.

3.2.1 FHA First Mortgage Loan Purpose

Purchase only.

3.2.2 High Balance Loans

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.)

High balance loans may be approved for an EEP transaction. However, correspondents must contact their account executive and receive pre-approval before registering a high balance loan. An LLPA adjustment will be required.

3.2.3 Required Second Lien

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 in the Correspondent's company name and assigned at closing to the Tule River Homebuyer Earned Equity Agency (TRHEEA).

Correspondents fund the down payment assistance at closing and will be reimbursed upon purchase of the first mortgage under the terms of the Funding Obligation Letter issued at loan registration.

3.3 | Property Eligibility

All eligible properties must qualify for an FHA 203 (b) loan, which the governmental entity will use to purchase the property as part of the transaction.

3.3.1 Eligible Properties

The following properties are allowed: SFR, PUD, townhome, attached, detached, modular, and manufactured.

Condos are allowed, but the complex must be FHA-approved. Condo spot approval may be eligible, but is subject to Arrive Home™ review for program eligibility.

1–2 units allowed.

3.3.2 Ineligible Properties

The following properties are not allowed: Second homes, investment properties, 3–4 units, co-ops, and single-wide manufactured homes.

3.3.3 Property Rights

Fee Simple and Leasehold both allowed per HUD guidelines.

Leasehold properties must have a minimum of forty (40) years remaining on the lease at the time of closing. In addition, the lease document must be provided to Arrive Home™.

3.4 | Homebuyer Legal Status

US Citizens: Eligible. Must provide an Adverse Action Notice reflecting denial from Conventional and/or FHA financing attempts.

Non-US Citizens: Lawful Permanent Resident Aliens eligible with a green card or US Social Security Number (SSN).

Non-Permanent Resident Aliens: Eligible with proof of ability to repay and Individual Taxpayer Identification Number (ITIN). DACA eligible.

3.5 | Homebuyer Credit History Requirements

Homebuyers should have at least one credit score from a major bureau to be eligible. **This score should be 580 or higher**; some exceptions may apply (see section 3.5.1). A soft pull credit report may be acceptable, provided the Homebuyer has sufficient documented housing history and a credit score (or "No Score") is on the soft pull.

Eligible credit reports should reflect at least one (1) trade line and provide at least twelve (12) months of credit history. If this is not possible, an alternative tradeline history with twelve (12) months documented may also be acceptable.

Acceptable forms of alternative tradelines are as follows:

- ☐ Major Utility Bills: Must provide a 12-month history from the provider reflecting no late payments.
- ☐ Cellular Phone Bill: Must provide a 12-month history from the provider reflecting no late payments.
- ☐ Cable Bill: Must provide a 12-month history from the provider reflecting no late payments.
- ☐ Medical Bills: Must provide a corresponding payment arrangement letter from provider.
- ☐ Chapter 13 Bankruptcy Payments: Must provide a 12-month statement reflecting a payment arrangement schedule and concurrent payments paid, with no lates reflected.

- ☐ Child Support or Alimony Payments: Must be made on-time for twelve (12) months.
- ☐ Business Expenses (Self-employed): This is an option for self-employed borrowers if the expenses do not show in the borrower's credit score. Must be paid on-time for twelve (12) months

Additional alternative tradelines may be considered on an exception basis by emailing exceptions@arrivehome.org.

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.

3.5.1 Less Than 580 Credit Score or No Credit Score

Homebuyers with no credit score, or a qualifying credit score below 580, may require compensating factors to support weak credit profiles. Compensating factors may include:

- ☐ Twelve (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 twelve (12) months; or
- ☐ Business expenses for self-employed borrowers (not found on credit) paid on-time for twelve (12) months

Additional reserves may also qualify.

Email exceptions@arrivehome.org to request consideration for a Homebuyer with no credit score or a credit score below 580.

3.5.2 Required Soft Credit Update/UDM/Credit Refresh

A soft credit update, debt monitoring service, or general credit refresh is required to ensure the Homebuyer opened no new debt prior to closing. Any bureau or vendor is acceptable. An updated report will be required within ten (10) days of closing.

3.5.3 Student Loans

The Homebuyer should be in good standing on all student loans (i.e. not delinquent or in collections).

For calculating DTI, follow FHA guidelines for calculating payments, considering deferment/forbearance requirements as applicable.

3.5.4 Bankruptcies

Chapter 7: Homebuyer eligible if the bankruptcy is discharged at the time of closing.

Chapter 13: Homebuyer eligible if the bankruptcy is discharged at the time of closing **or** filed within twelve (12) months of closing and the Homebuyer is able to provide evidence of successful payments made for twelve (12) months.

All bankruptcies must be recorded on the credit report.

3.5.5 Foreclosures, Deed-in-Lieu, Short Sales

Homebuyer eligible upon discharge, or satisfaction, prior to closing. Must be recorded on the credit report.

3.5.6 Judgements and/or Tax Liens

Homebuyer eligible if paid, settled, and/or discharged prior to closing.

The Homebuyer may also be eligible if a satisfactory payment arrangement is documented with a minimum of three (3) payments made in the plan. Payments in arrangement must be included in the DTI (as a monthly payment of 5% of the outstanding lien balance); if the payment is unable to be calculated, Arrive Home™ will allow the correspondent to amortize the payment of the obligation over a reasonable time frame (no greater than one hundred and eighty [180] months).

Open Tax Liability: If the Homebuyer has tax obligations from a previous year's returns, $5,000 or greater must be proven paid, or proven to be in a satisfactory installment agreement. Compensation factors such as reserves or business cash flow may be considered if payment in full or installment agreement cannot be met.

3.5.7 Property Tax Assessments

All transactions must be qualified for DTI purposes.

In general, follow FHA guidelines. In states whose laws result in large increases after the property has been sold, qualify and impound with the proposed tax assessment after property transfer (calculated with the current mill rate/county tax estimate), **not** with the current tax assessment from the previous transfer, as found from title.

3.5.8 Required Fraud Report

A fraud report is required for each Homebuyer that signs the long-term purchase agreement, or seller financing agreement.

For clarity, a fraud report is required to validate the government entity transaction.

3.6 | Homebuyer DTI Requirements

The Homebuyer may have no higher than a 50% PTI (housing payment to income) / 60% DTI (total debt to income).

Exceptions may be granted with strong compensating factors including:

- ☐ Additional 24–48 month VOR reflecting no lates (a credit supplement may be required)
- ☐ Two (2) alternative tradelines for twelve (12) months reflecting no lates
- ☐ Two (2) months reserves, possibly more depending on the strength of file (must provide corresponding asset statements)

Additional REO properties must be approved by the Arrive Home Exception Team.

Foreclosure, Deed-In-Lieu, or Short Sale less than one (1) year from closing are not allowed.

3.7 | Homebuyer Asset/Reserves Requirements

Homebuyers must document sufficient cash/liquidity to consummate the transaction, including the following:

- ☐ 1st payment due
- ☐ Closing costs, including title fees, per title fee sheet
- ☐ Sufficient down payment funds (minimum 3.5%)
- ☐ One (1) month housing payment in reserves
    - ☐ Additional reserves may be required based on exceptions granted and strength of the overall transaction.

Note: All funds for closing are finalized after receipt of the following:

- ☐ Final CD
- ☐ Settlement Statement from Title
- ☐ Closing Request Form
- ☐ Final Cost Disclosure (created by Arrive Home™ after receipt of the Final CD and Settlement Statement)

3.7.1 Asset Documentation

Assets relevant to the Homebuyer transaction require the following:

- ☐ Two (2) months of bank statements (most recent), covering two (2) statement periods
- ☐ Assets/reserves must be liquid at the time of closing

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.

Investment accounts are acceptable if liquidation terms are documented and sufficient for closing.

If additional funds are needed to consummate the transaction, a LOE must be provided to certify the deposited funds did not come directly, or indirectly, from the seller, the real estate agent, the lender, or any other interested party to the transaction.

3.7.2 Gift Funds

Gift funds are acceptable for funds to close.

3.7.3 Verification and Wiring for Funds to Close

If underwriting is unable to verify total funds required to close the lease in the Homebuyer's account, the underwriter will place a prior to purchase condition for funds to be re-verified twenty-four (24) hours prior to the date of closing. All funds to close the FHA transaction and the relationship between the Homebuyer and the governmental entity must be wired to TRHEEA prior to the date of closing. **TRHEEA will require a copy of the wire confirmation evidencing that the funds came from the Homebuyer's account**.

Earnest money funds paid by the Homebuyer are considered verified funds.

3.8 | Homebuyer Housing History Requirements

A twelve-month housing history is required from the Homebuyer. The following provides more guidance on how that history should be documented.

3.8.1 Rental

Twelve (12) months of documented payment history required. The history must show good standing: no prior evictions, no late payments, and no balances remaining upon termination of lease agreement.

The following documentation is allowed:

- ☐ Fully completed VOR

- ☐ Private Landlord/Private VOR: Evidence of twelve (12) months of payment history via canceled checks, bank statements, or receipt and review of a ledger of payments from the landlord through a third-party source (subject to approval from the Underwriter)
  - ☐ Alternative documentation may be acceptable at the Underwriter's discretion
- ☐ Renting from Relative: Canceled checks or bank statements

Alternative methods of documenting housing history, including electronic payments (Venmo, Zelle, PayPal) are acceptable with a complete history documented.

Cash payments can be verified by a VOR (even with a private landlord) if one of the following is provided:

- ☐ Copies of cashiers checks for the most recent two (2) months
- ☐ Three (3) months bank statements showing money going to the landlord

If the tenant is unable to properly document the above, an exception may be requested. Exception requests should be escalated to your Processor or Underwriter, or may be emailed to exceptions@arrivehome.org.

3.8.2 Mortgage

Twelve (12) months of 0x30 payment history required (documented by a credit report).

3.8.3 Private Mortgage

May be allowed if the housing payment can be documented with bank statements, canceled checks, or a reasonable equivalent. Not allowed if a payment history is not available.

3.9 | Homebuyer Income Requirements

All reviewed income should be calculated generally according to FHA and mortgage industry standards. A minimum of twelve (12) months of consistent employment history is required. Some exceptions may apply.

3.9.1 W2 Employees

The following documentation is required:

- ☐ Two (2) months paystubs (must be most recent)
- ☐ Prior year W2
- ☐ Documented Written Verification of Employment (WVOE) (to validate income)

W2 wages must be calculated according to general FHA guidelines for wage earners.

The most recent year of tax returns and transcripts are required if a Homebuyer has an ITIN but a social security number (SSN) is provided on the Homebuyer's W2s, pay stubs, etc.

3.9.2 New Employment History

New employment history (less than twelve [12] months) may be acceptable with compensating factors documented.

3.9.3 1099/Independent Contractor

The following documentation is required:

- ☐ Previous year's tax returns
- ☐ Three (3) months of bank statements (to validate income; most recent required)
- ☐ Paystubs, if applicable; if not paid via paystubs, then copies of checks, or a general P&L, required

1099/Independent Contractor income may be calculated using either of the following:

- ☐ The previous year's tax return
- ☐ An average of earnings deposits supported by three (3) months of bank statements

3.9.4 Self-Employed

The following documentation is required:

- ☐ 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 (3) months of bank statements (to document cash flow; must be most recent)
- ☐ K1s and 1120s (depending on self-employment type)

Correspondents must provide a self-employed income analysis to document calculation.

At UW discretion, Arrive Home™ will not consider DTI reduction for self-employment for well-established businesses; in addition, Arrive Home™ may require well-documented cash flow and other comp factors.

Self-employment business types will be reviewed for effective income analysis. Some Homebuyers 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 investors and those with tax returns or P&L statements that may not reflect their true liquidity.

3.9.5 Bank Statements Only

Bank statements are required for Homebuyers with income that may only be documented with bank statements. Self-employed or wage-earning Homebuyers are both acceptable. Follow the below requirements:

- ☐ Twelve (12) months of bank statements (most recent)
- ☐ Consistent deposits must be documented with sufficient income to meet DTI qualification

The most recent three (3) months will be averaged. Tax returns or a business license may be required

For wage earners, an acceptable LOE to support the reason that bank statements are being used is required.

3.9.6 Other Income Source

Interest and dividend income may be considered. If considered, the following are required:

- ☐ Documentation and verification of the Homebuyer's ownership of the assets on which the interest or dividend income was earned
  - ☐ Must be reviewed and approved by Arrive Home™
- ☐ Verification of the two-year history of the income must be verified using one of the following options:
  - ☐ (A) copies of the borrowers' signed, federal tax returns; or
  - ☐ (B) copies of account statements with earned income documented

For further guidance on the verification of a two-year history of income, consult the following:

- ☐ Develop an average of the income received for the most recent two (2) years.
- ☐ Subtract any assets used for down payment and closing costs from the Homebuyer's total assets before calculating expected future interest or dividends.

3.9.7 Lump Sum Asset Depletion

Lump sum asset depletion may be used for qualifying purposes. Take the total of all assets depleted and divide by one-hundred and twenty (120) months to calculate monthly qualifying income.

3.9.8 Liquidity

Homebuyers 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. (Exceptions may apply.)

3.9.9 Including Rental Income

If the home purchased through the EEP program has more than one unit and the Homebuyer intends to rent the vacant unit, the Homebuyer's qualifying income may include rental income from the unit, calculated at 75% of the market value of the proposed rent assessed by the FHA appraiser.

3.9.10 Additional Notes on P&L

P&Ls may be signed by the Homebuyer, not a CPA, if an Arrive Home™ underwriter judges the P&L reasonable based on a review of bank statements.

3.10 | Non-Occupant Homebuyers

Non-occupant Homebuyers may be allowed.

Non-occupant Homebuyer income cannot be used for **all** qualifying income. The primary occupant must document income toward qualifying PTI/DTI (per UW discretion).

The non-occupant Homebuyer(s) must sign the lease and long-term purchase agreement, or the seller financing agreement, and otherwise meet Homebuyer eligibility requirements (as outlined in this chapter).

3.11 | Additional Properties Owned

Homebuyers with additional properties owned are subject to approval from the Arrive Home™ Exception Team.

3.11.1 Primary Residence

One currently owned property (departing residence) allowed.

The following will be required:

- [ ] Strong supporting documentation justifying the need to move and obtain Arrive Home™ EEP financing
- [ ] An LOE (signed and dated by the Homebuyer)
- [ ] UW support and approval

For retained REO, the property's disposition at closing must be either of the following:

- ☐ Leased (with supporting lease agreement and evidence of deposit or rent received)
- ☐ Pending sale

Additional circumstances may be considered with strong supporting documentation.

3.11.2 Rental Properties

Homebuyers with additionally owned rental properties may qualify for Arrive Home™ EEP financing. To be considered, the following must be provided:

- ☐ Three (3) months reserves documented (to support REO)
- ☐ Properties documented with lease agreements and receipt of rental income

Homebuyer files with retained REO (rental properties) are subject to the following overlays:

- ☐ Minimum 580 credit score (no exceptions)
- ☐ Maximum PTI/DTI: 43%/50%
    - ☐ Exceptions may be considered, depending upon the strength of the Homebuyer

3.12 | Property Appraisal

The following is required on all properties:

- ☐ A full FHA appraisal
- ☐ Appraisal marked "as-is" at the time of purchase **or** has 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

3.12.1 Property Condition

The appraisal must state the property conditions as one of the following:

- ☐ C1–C3
- ☐ C4–C5 (allowed with exception review)
    - ☐ C5 properties may be ineligible without significant repair or renovation; see 3.13 (Property Home Inspection) for more information

In addition, the roof must be in acceptable condition and good repair.

Properties built prior to 1978 will require a full property inspection, regardless of appraiser condition assigned, performed by a certified property inspector. All properties (if any) found to have aluminum electrical wiring (as indicated by the inspection or found through property insurance due diligence) may be ineligible for EEP financing based on ability to acquire acceptable hazard insurance.

3.12.2 Cost Approach to Value Section of the Appraisal

The RCE (or Cost Approach to Value section) of the Appraisal is required to be completed.

3.12.3 Automated Valuation Model

An AVM (Automated Valuation Model) will be pulled on all submitted appraisals to support the full appraised value. All AVM values must be within ten percent (10%) of the full appraised value for acceptance. Any appraised value that is greater than ten percent (10%) in difference from the AVM value is subject to a desk review, or counter-offer to the sales price.

3.13 | Property Home Inspection

When required, inspections must be performed by a licensed home inspector prior to closing.

A home inspection is required prior to closing for all properties listed in C4–C5 condition, according to the FHA appraiser. In addition, properties built prior to 1978 will always require a full property inspection, performed by a certified property inspector.

Properties built prior to 1901 may require additional time to obtain the insurance binder.

Inspection requirements include:

- ☐ 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 five [5] years)
- ☐ Roof inspection (with a useful life expectancy of at least ten [10] years)
- ☐ Furnace and air conditioning systems documented to have been serviced within the previous twelve (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

- [ ] Septic systems must have separate septic inspections performed, and they must be pumped and inspected along with the drain field
- [ ] If electrical tests are not performed, it must be confirmed that power meters are functioning and are not bypassed

3.13.1 Home Warranty

A Certified Home Warranty must be obtained for all transactions that require a home inspection.

Required for all properties where full inspections are performed.

3.13.2 Home Inspection Repair Requirements

All health and safety items noted on the home inspection report as requiring further inspection or repair, **and any items noted as "major concerns"** by the inspector, **must be repaired or remedied prior to closing.** When roof inspections are required, all major roofing repairs must be done **prior to closing**. All significant electrical issues, including replacing fuses with circuit breakers, or updating aluminum wiring and knob and tube wiring to modern electrical wiring, must be repaired **prior to closing.** All other moderate to minor items noted by the inspector may be included as repair requirements post-closing, as indicated by a Cure Addendum that the Homebuyer must sign prior to closing.

All cures are required to be completed, with evidence of completion, submitted to Arrive Home Servicing within six (6) months of closing. Any cures not completed within six (6) months will result in a Homebuyer fee assessment of $100; this fee will be charged the following month and each month afterward until evidence of the work is submitted. At twelve (12) months, if not completed, the fee will increase to $250 a month until all cures are resolved.

Some exceptions apply. Exceptions may be escalated, or emailed to: exceptions@arrivehome.org.

3.13.3 Wood-Destroying Organism Inspection Requirements

For existing construction, the Correspondent (Mortgagee) is responsible for confirming that the Property is free of wood-destroying insects and organisms. All purchase/sale contracts must provide all seller disclosures related to inspection requirements by state and addendums accordingly. Appraisers must report any apparent evidence of wood-destroying insect infestation, fungus growth, or dry rot. If the appraisal is made subject to an inspection by a qualified pest control specialist, the Correspondent must obtain the inspection and evidence of any required treatment to confirm the Property is free of wood-destroying insects and organisms.

If the property (existing construction only) is located in an area defined as having a "very heavy" or "moderate-to-heavy" probability of termite infestation (see list of states below), then a wood-destroying insect inspection report **must** be required by the Correspondent and provided to Arrive Home™ for review. Any/all evidence of infestation must be remedied prior to closing.

3.13.4 States Requiring Wood-Destroying Organism Inspection

The following thirty-five (35) states require an inspection to identify wood-destroying organisms:

- ☐ Alabama, Arkansas, Arizona
- ☐ California, Connecticut
- ☐ Delaware
- ☐ Florida
- ☐ Georgia
- ☐ Hawaii
- ☐ Iowa, Illinois, Indiana
- ☐ Kansas, Kentucky
- ☐ Louisiana
- ☐ Massachusetts, Maryland, Mississippi, Missouri
- ☐ North Carolina, Nebraska, New Jersey, New Mexico, Nevada
- ☐ Ohio, Oklahoma
- ☐ Pennsylvania
- ☐ Rhode Island
- ☐ South Carolina
- ☐ Tennessee, Texas
- ☐ Utah
- ☐ Virginia
- ☐ West Virginia, Washington, D.C.

3.14 | Renter's Insurance

Coverage is optional. However, see 3.14.1 (Coverage Waiver Disclosure) for Homebuyers that do not choose to have renter's insurance.

If included, a renter's policy should include the following standard coverage:

- ☐ Personal property, liability, and additional living expenses
- ☐ The 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

The policy must be proven paid prior to closing.

3.14.1 Coverage Waiver Disclosure

If the Homebuyer chooses to forego a renter's insurance policy, a "coverage waiver disclosure" is required to ensure the Homebuyer is aware that their personal property will not be covered if an adverse event occurs.

3.15 | Fees

3.15.1 Fee Disclosure

Fee disclosure is required on both the government entity loan and the Homebuyer lease or seller purchase agreement.

All fees on the government entity loan must be disclosed to Tule River Homebuyer Earned Equity Agency (TRHEEA) upon application in an initial disclosure, and at closing in a final disclosure. We require the use of an initial LE and/or initial CD with transaction fees reflected; waiting periods are not required**.** Upon receipt of the initial LE and/or CD, Arrive Home™ will provide an initial Homebuyer Cost Disclosure(CCD) for the Homebuyer to review and fully endorse. This CCD will not be disclosed until a Purchase Contract has been provided and the Arrive Home™ Assignment Addendum has been signed and dated by TRHEEA. A Final CCD will be provided based on the final balanced Closing Disclosure uploaded to the Arrive Home™ CS Portal. If changes made to the Final CD result in a difference in the fees previously disclosed, the lender must advise the Arrive Home™ Processing Team, and an updated Final CCD will be provided for Homebuyer review and endorsement.

At closing, **the Correspondent must use the CCD provided by Arrive Home™**. The Correspondent may never disclose a CCD to the Homebuyer that is not provided by Arrive Home™.

3.15.2 Fee Limits

Charges on the lease and long-term purchase agreement, or the seller financing agreement, 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. The originator must advise the Arrive Home™ Processing Team of the charge increase, and this will be added as a Program Participation Percentage line item on the Initial Homebuyer Cost Disclosure. If the Program Participation Percentage fee is disclosed after the Initial CCD has been endorsed by the Homebuyer, an updated Initial CCD reflecting the additional Program Participation Percentage fee must be signed and dated by the Homebuyer prior to receiving a Clear to Close or final approval on the transaction. Program Participation Percentage fees will not be added after the Clear to Close has been provided.

3.15.3 Fees to the Homebuyer

Total origination/Section A fees charged by the lender may not exceed 3% of the purchase price. Discount points that are not "bona fide" count against that 3% limit.

TRHEEA charges the following fees to the Homebuyer:

- ☐ $1,250 Program Underwriting Fee
- ☐ One (1) month complete payment to be collected at closing
- ☐ 1/12th of the annual Program Management Fee, to be collected at closing
- ☐ $100 Refundable Lease Security Deposit Fee
- ☐ $250 HOA Service Fee (if applicable)

3.16 | Property Insurance Guidelines

Arrive Home™ will request and select hazard insurance for each participating property prior to closing. For guidelines on insurance requirements, see section 4.18 (Tule River Homebuyer Earned Equity Agency Property Insurance).

All hazard insurance applications must be submitted with the property appraisal.

3.17 | Additional Guidelines

3.17.1 Contract/Lease Cancellation Prior to Closing

The contract/lease is subject to the Homebuyer (Tenant) qualifying for and executing the TRHEEA lease agreement, or seller financing agreement, on the subject property. If there is a change in the Homebuyer circumstances and the Homebuyer no longer qualifies for the lease or the Homebuyer refuses to execute the final lease contract, this purchase agreement is void and the maximum liability for TRHEEA's non-performance is forfeiture of the earnest money.

3.17.2 Fuse Boxes and Electrical Wiring

Due to difficulties with obtaining hazard insurance on properties with electrical systems using fuse boxes, homes will need to be updated from fuse boxes to breaker panels prior to closing.

Homes with knob and tube wiring must be updated to standard electrical wiring prior to closing.

3.17.3 Disaster Certificates

In counties that have been deemed disaster areas by FEMA, Arrive Home™ will require a 1004D disaster certificate, or a 442, with exterior photos. The certificate must be dated after the incident period.

Follow FHA guidelines for appraisal and 1004D requirements when the subject property is in a county affected by a recent FEMA disaster declaration.

> *Note:* Property insurance may be impacted and closings may be delayed in certain states or counties known to be affected by a recent FEMA disaster declaration.

In the case of ongoing wildfires, Arrive Home™ will make an exception to allow the certification to be issued before the end date. The certification must be issued after the start of the incident and the loan must be insured with FHA.

It is solely the Correspondent's responsibility to be aware of and act upon any mortgage loans that were, prior to the sale to Arrive Home™, impacted by disasters. The Correspondent should contact the appropriate source (e.g., a state office, regional Federal Emergency Management Agency (FEMA) office, news agency, etc.) to determine whether properties located in its origination regions are included in a disaster area.

Arrive Home™'s Disaster Policy applies to any of the following:

- ☐ FEMA-declared disaster areas eligible for Individual Assistance
- ☐ Areas identified by Arrive Home™
- ☐ Properties that the Correspondent has reason to believe sustained damage in a disaster

Arrive Home™ does not have the responsibility to provide notification to the seller of disaster areas. If, at any time after loan purchase, Arrive Home™ or a subsequent investor determines that the subject property was damaged and not in fully marketable condition at time of sale, the loan will be subject to repurchase.

3.17.4 PUDs, HOAs, and Occupancy Restrictions

All properties located in a PUD (Planned Unit Development) will require documentation from the HOA (including the ByLaws, CC&Rs, and any other relevant documentation) that addresses potential occupancy restrictions for contract-for-deed transactions that the HOA interprets as non-owner occupied. Subject property may be ineligible if occupancy is not approved by the HOA.

3.17.5 Financed Solar Panels

Solar panels are acceptable provided the solar panels are included in the price of the home and financed as part of the mortgage.

Leased solar panels are not currently acceptable. THREEA will not assume a solar panel lien and/or make any payments on financed solar panels associated with the property. If the lease can be placed in the tenant's name, and any lien placed in third position, then the transaction may be acceptable on a case-by-case basis.

3.18 | Exceptions

For all exceptions, please reach out to your corporate account director or email exceptions@arrivehome.org.

3.18.1 Credit Exceptions

Exceptions may be considered for the following:

- ☐ Credit score below 580
- ☐ Foreclosure
- ☐ Bankruptcy
- ☐ Thin credit history
- ☐ No trade lines or alternative credit documented

The following must be provided for a credit exception to be considered:

- ☐ Two (2) months of housing expense reserves (in addition to the amount normally required by the Arrive Home™ Earned Equity Program); **OR**
- ☐ 43% PTI / 50% DTI; **OR**
- ☐ A Combination of compensating factors as documented by the underwriter, which may include:

- ☐ Extended housing history documentation (24–48 months)
- ☐ Low payment shock (less than 50%)
- ☐ Time on the job (documented >3 years)
- ☐ Reasonable equivalent to the above (per UW analysis)

Credit exceptions may be allowed if the Homebuyer (post-closing) documents reserves for lease payments; amount required varies case by case, but assume 2 months or more.

3.18.2 Income and DTI Exceptions

Certain exceptions may apply to Homebuyers with excessive PTI/DTI or income documentation challenges:

- ☐ Income calculation and/or DTI exceptions will be considered with strong supporting documentation from the Underwriter, a Letter of Explanation, and an income calculation worksheet
- ☐ Two (2) months of housing payment reserves are always required for DTI exceptions exceeding 5% above the maximum allowed

3.19 | Pre-Approvals

To request a pre-approval before registering a loan in the CS Portal, please do the following:

1. Address the email to preapproval@arrivehome.org
2. Have the subject line be "Credit Review Request," followed by the borrower's last name and the text "EEP"
3. Attach the following supporting documentation:
   - 3.1. Lender Pre-qualification
   - 3.2. Credit Report
   - 3.3. Income
   - 3.4. Assets
   - 3.5. Tax Returns (if self-employed)
   - 3.6. W2 (if W2)
   - 3.7. Lease Application/1003

Expect a turn time of up to forty-eight (48) hours.

4 || Origination Through Closing

4.1 | General Mortgage Loan Document Standards

Closing documents for the Government Entity Mortgage must be the most current Fannie Mae™, Freddie Mac, or FHA forms, as applicable. In all cases, Correspondents are responsible for using the most current mortgage loan documents and ensuring that all documents, including (without limitation) any document supplied by Arrive Home™, conform to all applicable state and federal laws and requirements.

4.1.1 General 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™.

4.1.2 Arrive Home™ 2nd Lien

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.

4.2 | Document Expiration Dates

Documents used in the origination and underwriting of a mortgage may not be more than one hundred and twenty (120) days old at the disbursement date (including new construction). Documents whose validity for underwriting purposes are not affected by the passage of time, such as divorce decrees or tax returns, may be more than one hundred and twenty (120) days old at the disbursement date.

For the purpose of counting days for periods provided in this document, a “day” is a calendar day (not a business day), and day one (1) is the day after the effective or issue date of the document, whichever is later.

4.3 | Handling of Documents

Lenders must not accept or use documents relating to the employment, income, assets, or credit of borrowers that have been handled by, or transmitted from or through, the equipment of unknown parties or interested parties. Lenders may not accept or use any third-party verifications that have been handled by, or transmitted from or through, any interested party or the borrower.

4.3.1 Information Sent to the Lender Electronically

The lender must authenticate all documents received electronically by examining the source identifiers (e.g., the fax banner header or the sender’s email address) or contacting the source of the document by telephone to verify the document’s validity. The lender must document the name and telephone number of the individual with whom the lender verified the validity of the document.

4.3.2 Information Obtained via Internet

The lender must authenticate documents obtained from an internet website and examine portions of printouts downloaded from the internet, including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed. The lender must visit the URL or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the lender’s visit to the URL and website.

Documentation obtained through the internet must contain the same information as would be found in an original hard copy of the document.

4.4 | Allowable Mortgage Parameters

Follow all guidelines as published in HUD Handbook 4000.1, all relevant Mortgagee Letters, and Announcements related to a Government Entity transaction with maximum financing.

4.5 | QM Points and Fees Calculation

Generally, Arrive Home™ requires that all transactions meet a points and fees cap that is similar to the QM Points and Fees calculation, also called the 3% max points and fees rule.

When a Correspondent Lender charges discount points, it is required that the discount points are determined to be bona fide discount points. Non–bona fide discount points must be included in the 3% points and fees calculation. Following these guidelines will help to prevent purchase delays.

4.6 | Seller and Lender Credits and QM Points and Fees

Arrive Home™ takes the position that seller credits may be used to pay for origination points or discount points. Keep in mind that converting seller credits to seller-paid fees must be done prior to or at closing, never after closing. Seller credits used to offset points and fees must be disclosed on the final CD; they cannot be corrected after closing.

Arrive Home™ also allows lender credits. In either case, the total credits provided (seller and lender combined) may be no greater than 6% of the purchase price.

4.7 | Mortgage Loan and Lease Document Corrections

Corrections to the note and mortgages (deeds) and all Program Lease and Long Term Purchase Agreement documents should be made by drawing a single line through the incorrect information. The Correspondent must then type the correct information in the appropriate location on the document. All borrower(s) must initial the change. The use of correction tape, correction fluid, erasures, or lift-off is not permitted.

4.8 | Closing in Compliance with Mortgage Approval

The lender must instruct the settlement agent to close the mortgage in the same manner in which it was underwritten and approved.

The lender must ensure that the conditions listed on form HUD-92900-A/Addendum or form HUD-92800.5B, or both, are satisfied.

4.9 | Closing in the Mortgagee's Name

A mortgage may close in the name of the mortgagee or the sponsoring mortgagee (the principal or authorized agent). TPOs that are not FHA-approved mortgagees may not close in their own names or perform any functions in FHA Connection (FHAC).

The mortgagee must use the forms or language, or both, prescribed by FHA in the legal documents used for closing the mortgage.

4.10 | Data Integrity

For origination, underwriting, endorsement, and insuring the mortgagee must validate all data elements (including loan-level data) submitted through the Automated Underwriting System (AUS), Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard, and FHA Connection (FHAC), and validate that documentation exists in the loan file to support all data used to underwrite the mortgage.

4.11 | Projected Escrow (Taxes and Insurance)

The lender should establish the escrow account in accordance with the regulatory requirements in 24 CFR § 203.550 and RESPA.

4.11.1 Monthly Escrow Obligations

The lender should establish an escrow account that collects a monthly amount that will enable the servicer to pay all escrow obligations in accordance with 24 CFR § 203.23. The escrow account must be sufficient to meet the following obligations when they become due:

- ❏ Hazard insurance premiums
- ❏ Real estate taxes
- ❏ Mortgage Insurance Premiums (MIP)
- ❏ Special assessments
- ❏ Flood insurance premiums, if applicable
- ❏ Ground rents, if applicable
- ❏ Any item that would create liens on the property positioned ahead of the FHA-insured mortgage, other than condominium or Homeowners' Association (HOA) fees

4.11.2 Estimating Real Estate Taxes

The mortgagee must use accurate estimates of monthly tax escrows when calculating the total mortgage payment. This will affect the Homebuyer'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 Homebuyer 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.

4.11.3 Estimating New Construction Real Estate Taxes

In new construction transactions, property tax estimates for calculating the monthly payment must be based on the appraised land value plus improvements, along with the county tax/levy rate. In some cases, this can be done by using the manual calculation formula from the applicable taxing authorities. Alternatively, the title company may provide the estimate at the time the preliminary title is ordered. Documentation from the taxing authorities must be on file to support the estimated monthly tax used for payment calculation.

4.11.4 Mis-Rep and EPD Scenarios

Correspondents may be subject to mis-rep and EPD provisions of the Loan Purchase and Sale Agreement if:

A. The Correspondent utilizes the previous year's property tax in areas where the property will be reassessed; *and*
B. the new tax is more than 25% higher than the tax used to qualify the Homebuyer; *and*
C. a sixty-day delinquency or a payment default results.

4.12 | Closing Costs and Fees

The lender must ensure that all fees charged to the borrower comply with all applicable federal, state, and local laws and disclosure requirements. The lender is not permitted to use closing costs to help the borrower meet the Minimum Required Investment (MRI).

Fees on the LE and CD should ***never*** reflect as payable to the Master Servicer or Arrive Home™, regardless of the section.

4.12.1 Collecting Customary and Reasonable Fees

The lender may charge the borrower reasonable and customary fees that do not exceed the actual cost of the service provided. The mortgagee must ensure that the aggregate charges do not violate FHA's 3% points and fees rule (the QM 3% Points and Fees test).

4.12.2 Disbursement Date

The "disbursement date" refers to the date the proceeds of the mortgage are made available to the borrower.

The disbursement date must occur before the expiration of the FHA-issued Firm Commitment, or DE approval, or credit documents.

4.13 | Real Estate Taxes Due the Following Month After Loan Purchase

All escrow disbursements due the month following the loan purchase must be paid prior to loan purchase with evidence of payment documented (a copy of a check or a paid receipt) and an updated pay history. For example, if a loan is to be purchased in October and taxes are due in November, the November taxes must be paid prior to the Master Servicer purchasing the loan. An exception to this rule will be granted if a tax bill is not yet released.

Correspondents are expected to ensure that real estate tax calculations are reasonable and will not drastically increase following closing; for example, tax exemptions that won't apply to the new homeowner should not be included in the calculation.

4.13.1 Existing Construction

FHA recommends using the actual assessed property tax figure per the county's assessment/tax rolls; however, if property taxes will increase significantly from the current assessment after purchase, it is recommended that an estimated value be used that will result in the most likely payment for the borrower. The property tax value used for qualifying the borrower should be consistent throughout the file, including the URLA, AUS, CD, IEADS, and First Payment Letter.

4.13.2 New Construction

Arrive Home™ recommends using a property tax estimate based on multiplying the purchase price (less any homeowner's exemptions) by the mill rates (the tax rates per the county website) that will be in effect in order to determine the payment; this will result in the least amount of payment variation once the property is assessed by the taxing authority. This property tax value (monthly tax payment) used for qualifying the borrower should be consistent throughout the file, including the URLA, AUS, CD, IEADS, and First Payment Letter.

We do understand that, due to local tax collection practices, property taxes may increase significantly during the borrower's first year of homeownership, resulting in the need to prorate taxes at closing based on a much lower figure than what will need to be included in the borrower's monthly payment. We also understand that, in calculating closing figures, the unassessed value may be used to lower the borrower's cash to close and eliminate the collection of excessive tax escrow. In these circumstances, based on most document preparation services' limitations, a First Payment Letter that does not match the URLA, CD, and initial IEADS may be used to reflect the most accurate payment to the borrower; however, the First Payment Letter must match the AUS qualification figures. In addition, a new IEADS reflecting the accurate collection and disbursements of tax payments should be included in the file along with an LOE from the lender.

4.14 | Mortgage and Note

"Mortgage" refers to any form of security instrument that is commonly used in a jurisdiction in connection with a loan secured by a one- to four-family residential property, such as a deed of trust or security deed. "Note" refers to any form of credit instrument commonly used in a jurisdiction to evidence a mortgage.

The mortgagee must develop or obtain a separate mortgage and note that conforms generally to the Freddie Mac and Fannie Mae™ forms in both form and content, but that includes the specific modification required by FHA set forth in the applicable Model Note and Mortgage.

The mortgagee must ensure that the mortgage and note comply with all applicable state and local requirements for creating a recordable and enforceable mortgage and an enforceable note.

Arrive Home™ does not normally allow reverse bailees. In the event that an exception is granted, the notes for both mortgages using a reverse bailee must be delivered to Arrive Home™ within three (3) days after the reverse bailee is received.

4.15 | Reviewing Limited Denial Participation and SAM Exclusion Lists

The mortgagee must check the HUD Limited Denial of Participation (LDP) list to confirm the borrower's eligibility to participate in an FHA-insured mortgage transaction. The mortgagee must check the System for Award Management (SAM) and must follow appropriate procedures defined by that system to confirm eligibility for participation.

4.16 | Minimum Required Repairs & Escrow Holdbacks

Minimum required repairs are established by the FHA Roster Appraiser, the FHA DE Lender, or both. Arrive Home™ will accept escrow holdbacks. Prior approval is required.

4.16.1 Completion Date

Improvements or repairs must be completed within six (6) months of the Note date.

Please note: it is the responsibility of the Correspondent lender to ensure that all repairs are completed. Notification from Arrive Home™ or the transferring investor is not guaranteed.

4.17 | Documentation—General Requirements

Arrive Home™ requires that each government entity mortgage loan conforms to and complies with all applicable HUD and FHA underwriting, lending, selling, and servicing requirements, as well as all Ginnie Mae requirements for the inclusion of the mortgaged loan in a Ginnie Mae MBS pool. The loan must also include:

- ❏ The copy of the deed of trust, stamped as "True and Certified" by the settlement agent
- ❏ A completed tax information sheet
- ❏ Evidence the FHA UFMIP has been paid
- ❏ A Life of Loan flood certificate
    - ❏ Life of the loan flood certificates must be provided by CoreLogic
    - ❏ If a life of the loan flood cert is not provided, or if the flood cert provided is not life of the loan, or if the flood cert provided comes from a vendor other than CoreLogic, a $5 fee will be assessed at time of loan purchase and a qualifying flood cert will be ordered.
- ❏ Closing Protection Letter (CPL)
- ❏ Final settlement ALTA statement, signed by the settlement agent

Additionally, the loan must be fully eligible for FHA insurance, and it must already be insured by HUD or will be insured by HUD within sixty (60) days of the purchase date.

4.17.1 Documentation—Further Requirements

Further documentation is required for all first mortgages.

- ❑ Closing Disclosure evidencing escrow of funds at disbursement
- ❑ Final inspection/documentation of completion of repairs, as required:
  - ❑ HUD form 92051—line 14 checked and signed by the Fee Inspector, DE Staff Inspector, Appraiser, or HUD Inspector; or
  - ❑ Fannie Mae™ Appraisal Update and/or Completion Report (form 1004D) with front photo of the subject property—completed by the appraiser or a qualified professional
    - ❑ A qualified professional may be one of the following:
      - ❑ A professionally licensed, bonded, registered engineer
      - ❑ A licensed home inspector
      - ❑ An appropriately registered/licensed tradesperson
    - ❑ If the homebuyer or Homebuyer performed the minor repairs, according to the terms of the Cure Agreement, evidence of completion for the items needed to make the repairs is required
- ❑ HUD Form 92300 (Mortgagee's Assurance of Completion) must be completed by the Correspondent, and must reflect the escrow amount
  - ❑ Pages 1 & 2, must be signed and dated after completion of repairs
- ❑ Evidence of release of escrow funds, if applicable

4.17.2 Documentation—Second Loan Requirements

The following documents are required for all second lien loans:

- ❑ 2nd Lien Note—must be delivered to Arrive Home™ within three (3) days of reverse bailee delivery if a reverse bailee is used
  - ❑ 2nd Lien Note to be Endorsed to the Master Servicer, or an Allonge that is wet signed (stamped signature OK if it is an original)
- ❑ 2nd Lien Mortgage/Deed of Trust

4.18 | Tule River Homebuyer Earned Equity Agency Property Insurance

Arrive Home™ will request and select hazard insurance for each participating property prior to closing. Each policy will consist of the following characteristics:

- ❏ All policies will conform to HUD guidelines
- ❏ Tule River Homebuyer Earned Equity Agency (TRHEEA) will be listed as the named insured
- ❏ The property address on the policy will match the property address listed on the appraisal
- ❏ No exclusions for the roof or any other portion of the home will exist

All hazard insurance applications must be submitted with the property appraisal.

4.18.1 Requests for Property Insurance

The following will be needed for Arrive Home™ to apply for insurance

- ❏ Occupant name and property address
- ❏ Arrive Home™ loan number
- ❏ Correct Mortgagee Clause
    - ❏ Lender name/Mortgagee Clause (Include ISAOA/ATIMA, as required)
    - ❏ Lender full legal address (as pertaining to the Mortgagee Clause)
    - ❏ Lender Contact Name, Phone & Email
- ❏ Effective Date (which should match the closing date)
- ❏ Mortgagee Loan Number
- ❏ Flood Certificate
- ❏ Appraisal
- ❏ Inspection report (as required)
- ❏ For Florida properties, a 4-point inspection and wind mitigation report is also required

Homes that contain knob and tube electrical wiring will be denied property insurance.

4.18.2 Dwelling Coverage of Hazard Insurance

Dwelling cost will be calculated based on the lower of the following two values:

- ❏ 100% of the replacement cost value of the improvements
    - ❏ This is indicated in the Cost Approach section of the subject property appraisal; in cases in which the cost approach is not available, a third-party RCE will be procured

- ❏ The unpaid principal balance (UPB) of the loan, provided it equals no less than 80% of the replacement cost value of the improvements

4.18.3 Rental Loss Endorsement

Rental loss endorsement will be automatically applied for properties in the following situations:

- ❏ High balance loans, which (in most states) equate to loans over the amount of $766,550
- ❏ Properties in which the loan amount is greater than 10% of the replacement cost estimate

4.18.4 Flood Insurance

Properties located in a special flood hazard area are subject to further review and will need to include the following (in addition to hazard insurance):

- ❏ Flood insurance from a provider participating in the NFIP (National Flood Insurance Program) will need to be procured.
- ❏ Homebuyers will need to sign a Flood Zone and Flood Insurance Disclosure acknowledging additional costs of flood insurance and risk of flooding.

4.18.5 High Risk Areas

Certain counties are considered, for various reasons, higher risk by insurance companies. These counties are designated Tier 1 through Tier 4 counties by the insurance industry. As a result of Tier 1 through Tier 4 counties carrying more risk, it can be expected these counties will have higher premiums.

Properties that are located within two miles of saltwater or a flood zone are subject to alternative or additional guidance.

4.18.6 Florida Properties

Properties in Florida will need a 4-point inspection and wind mitigation report to be submitted along with the application and the appraisal.

4.18.7 Other considerations

Depending on insurance carrier and property location, some aspects of the property condition are carefully scrutinized by insurance underwriters, resulting in insurance inspections, insurance underwriting actions, required repairs, or insurance denial. In these cases additional or alternate guidance will occur.

4.19 | Title Policies and Insurance Commitments

All title insurance policies must ensure that the title is generally acceptable and that the mortgage constitutes a lien of the required priority on a fee simple or leasehold estate in the property. The title policy should list any and all other liens as subordinate to the first lien.

The title policy must be written on an ALTA (American Land Title Association) form. In states where ALTA forms of coverage are not used, the state-standard or short form that provides the same coverage as the ALTA form may be used, provided that the coverage does not impair lien protection to all applicable liens for purchase.

The title policy should be dated as effective (no earlier, or no later) at the date of closing. Lien protection must begin at the time of consummation and extend through the life of the loan.

Note: Title insurance is not a requirement for Arrive Home™ second liens, although it may be applied at the lender's discretion. All title insurance requirements are in line with FHA guidelines for lien insurance protection for first liens used in connection with the purchase transaction.

4.19.1 Adding Persons to Title and Sales Contracts

Arrive Home™ allows persons to be added to the contract and title that are not on the loan, such as non-purchasing spouses, per Agency and state guidelines.

4.19.2 Homebuyer Funds to Title

The Homebuyer is responsible for providing all down payment funds, including closing costs and 1st month's payment due in certified funds, to title.

4.20 | Interest Credit

Arrive Home™ does not allow the use of an interest credit on EEP transactions.

5 || Document Packages

5.1 | Lock Policy

5.1.1 Best Efforts Execution

All loans are delivered under best efforts execution. A complete closed loan file, a credit package, and collateral must be delivered by the lock expiration date, otherwise the lock will cancel upon lock expiration and the locked loan will be removed from our hedge.

5.1.2 Lock Expirations

Locks that expire on the date of closed loan submission or within five (5) calendar days after submission will be automatically extended for seven (7) days from the submission date to allow for purchase conditions to be released (if any) and submitted by the Correspondent.

Locks that are canceled, or that expire and remain expired, for thirty (30) days or more are eligible for relock at current-day pricing. If a loan is locked and then canceled (or expires), and then a relock request is received within thirty (30) days of the original lock, the loan pricing will be at worst-case pricing between the original lock and relock day, in addition to any extension or roll fees and a 0.25 relock fee (which is the cost to reinstate our hedge).

5.1.3 Extension and Roll Fees

Lock periods may be extended prior to loan purchase in 7-day increments (12.5 bps cost; subject to change based on market conditions). Lock periods may not receive longer than twenty-one (21) days in extensions in total.

For loans that are delivered prior to lock expiration but that are not purchased during the seven-day grace period, roll fees will be charged at a rate of 12.5bps/week (1.786 bps/day) and will be withheld from the purchase advice. Due to difficulty in hedging these types of loans and/or depending upon market conditions, roll fees may increase substantially during times of market volatility.

5.1.4 Locks and Property Addresses

As a reminder, the lock is associated with the property address. If a borrower chooses to purchase a different property than was selected at the time of lock, the lock will need to be canceled and a new lock request submitted for the new property.

5.1.5 Locks Contact

For questions or exceptions to this policy, please send us an email at: locks@arrivehome.org.

5.2 | Delivery

The mortgage loan must be delivered to the Master Servicer in purchasable condition on or before the lock expiration date. Loans must be current at the time of purchase.

A delivered loan is considered in purchasable form if it meets the requirements of the following:

- ❏ Product and program parameters
- ❏ Federal, state, and local laws and regulations
- ❏ Industry standards (such as "good delivery"), the insuring requirements of FHA, and secondary market investor guidelines
- ❏ The requirements of this guide, including any updates, and the Correspondent Agreement (including in loan documentation)
- ❏ Arrive Home™ specific documentation and Arrive Home™ Loan Delivery Checklist

A closed mortgage loan submitted in non-purchasable form is considered incomplete and may be subject to relocking or repricing for a lock extension. Refer to section 5.1 (Lock Policy) for pricing details.

Loans must be uploaded in accordance with Arrive Home™'s specific Loan Delivery Checklist.

5.2.1 Good Delivery

For "good delivery", a complete closed loan file, a credit package, and collateral must be delivered by the lock expiration date.

5.2.2 Additional Guidance

Closing and title packages must be sent by 3pm MDT to ensure next day overnighted delivery. Only a UPS label should be included.

5.3 | Same Name Affidavits

Each borrower(s) name and signature should be consistently written throughout all the documentation in the mortgage loan file. On occasion we will allow a variation in the name, such as a missing middle initial or the omission of a “Jr.” or “Sr.” If there are significant variations between the borrower’s signatures, as compared to the printed name on the following documents, the borrower(s) must sign a Same Name or A/K/A Affidavit at closing listing all variations to be covered on the following documents:

- ❏ Note
- ❏ Mortgage
- ❏ Credit Report
- ❏ Title Policy

In addition to variations on the above documents, a Same Name or A/K/A Affidavit must be signed if the credit report indicates that the borrower has a disclosed alias that is significantly different from the name on the application or related documents. If there are name variations on documents in the file other than the note, mortgage, credit report, and title policy, a Same Name or A/K/A Affidavit may be required at the underwriter’s discretion or for investor requirements.

5.4 | Electronic Signatures

Arrive Home™ will accept the use of electronic signatures on certain documents when the signing is conducted in accordance with the outlined performance standards below and as permitted by applicable law, secondary market investors, and the performance standards required by HUD.

The following guidance is not intended as legal or regulatory advice. The Correspondent is responsible for obtaining professional advice, as needed, to ensure that mortgage loans submitted to Arrive Home™ are in compliance.

A Correspondent’s electronic signature technology must comply with all the requirements of the ESIGN Act, including those relating to disclosures, consent, signature, presentation, delivery, and retention, and any state law applicable to the transaction. The ESIGN Act defines electronic signatures as “any electronic sound, symbol, or process attached to or logically associated with a contract or record and executed or adopted by a person with the intent to sign the record.” (Esign 106(5)). Correspondents should follow this definition of electronic signatures, with the exception that Arrive Home™ will not accept an electronic signature that is solely voice or audio. The Correspondent’s process for electronically signing authorized documents must ensure the document is presented to the signatory before an electronic signature is obtained. The electronic signature must be attached to, or logically associated with, the documents that have been electronically signed.

In each mortgage loan file using electronic signatures, the Correspondent should collect and retain appropriate evidence that the borrower consented to the use of any electronic signature or disclosure.

Electronic signatures are acceptable on initial application documents. However, the following specific closing documentation will require wet signatures that are not electronic:

- ☐ All Promissory Notes
- ☐ All Mortgages

5.4.1 Representations and Warranties

In addition to the representations and warranties listed in the agreement and elsewhere in this guide, and when selling a mortgage loan with electronic signatures to the Master Servicer, the Correspondent must make the following representations and warranties with respect to any and all documents or record delivered to the Master Servicer which bear an electronic signature:

- ❏ All electronic signatures comply with applicable law, including the standards and requirements of the Electronic Signatures in Global and National Commerce Act (E-Sign) and, if applicable, the Uniform Electronic Transaction Act (UETA) adopted by the state in which the electronic signature is initiated
- ❏ Any and all documents or records bearing an electronic signature are fully transferable or assignable by Arrive Home™ to any third party
- ❏ Any and all documents or records bearing an electronic signature are fully enforceable by such third party to whom Arrive Home™ transferred or assigned such document or record
- ❏ Any and all documents or records bearing an electronic signature have been duly and properly executed and attested (if applicable) in full compliance with any and all applicable laws and regulations, including, but not limited to, any applicable Arrive Home™, Fannie Mae™, Freddie Mac, FHA, or VA requirements
- ❏ Each document or record that bears an electronic signature will be accepted by Fannie Mae™, Freddie Mac, FHA, or VA, as applicable, in accordance with the requirements of such agency or investor

5.4.2 Hybrid Closings, eClosings, and RONs

Hybrid closings and eclosings are allowed, provided that all promissory notes and mortgages are wet signed.

Remote Online Notaries (RONs) are not allowed.

5.5 | The Loan Estimate ("LE")

For closed-end credit transactions secured by real property (other than exempt transactions), the Correspondent is required to provide the Homebuyer with good-faith estimates of credit costs and transaction terms. Arrive Home™ recommends the use of an LE for fee disclosure, but does not require it.

The Correspondent is responsible for delivering disclosures (such as an initial LE) in accordance with general regulatory compliance and maintaining TILA-RESPA Integrated Disclosure (TRID) compliance throughout the disclosure process.

5.6 | CD and Settlement Documentation

The following documents are required to be delivered to Arrive Home™:

- ❑ Initial Borrower Closing Disclosure
- ❑ If multiple CDs:
    - ❑ "Final"-marked Borrower's Closing Disclosure
    - ❑ "Final"-marked Seller's Closing Disclosure
- ❑ Settlement agent disbursement sheet
- ❑ Fully completed and executed Settlement Agent Certification
- ❑ Closing Disclosure provided to the seller at closing/Seller's Transaction

Arrive Home™ requires the borrower's or borrowers' signatures on the Closing Disclosure provided at closing. Arrive Home™ also requires a copy of the CD provided to the seller at closing, but it does not have to be signed. The Final Closing Disclosure must be marked "Final" to clearly distinguish it from other closing disclosures.

5.6.1 Preparation of the Closing Disclosure for a Seller

For a purchase transaction, the settlement agent is required to provide the seller with the CD reflecting the actual terms of the seller's transaction. The settlement agent may comply with this requirement by providing the seller with a copy of the same CD provided to the Homebuyer (buyer) if it also contains information relating to the seller's transaction. Arrive Home™ does not require the seller's signature on the CD containing both buyer and seller transactions, even if a separate seller-signed CD is not provided, but Arrive Home™ will still require a copy of the CD provided to the seller at closing. Alternatively, the settlement agent may provide the seller with a separate disclosure including only the information applicable to the seller's transaction on the CD. If the seller's disclosure is provided in a separate document, the settlement agent will provide the Correspondent with a copy of the CD provided to the seller; Arrive Home™ will require a copy of this document, but it does not have to be signed. The settlement agent will provide the seller its copy of the CD no later than the day of consummation.

5.6.2 Delivery of the Closing Disclosure

The CD must be received by the Homebuyer at least three (3) specific business days prior to consummation and follow general TILA-RESPA Integrated Disclosure (TRID) regulatory compliance.

Under the timing requirements of the rule, if a creditor provides appropriate disclosures by mail, electronic delivery, or courier, the creditor may presume that the Homebuyer receives the disclosure three (3) specific business days after they are mailed, transmitted, or deposited with the courier service (for purposes of determining when the three-business-day waiting period begins). This is commonly referred to as the three-business-day mailbox rule. When the Correspondent has evidence that the Homebuyer received the disclosures earlier than three (3) specific business days after mailing or delivery, the Correspondent may rely on that evidence under the rule and consider the disclosures to be received on that date.

If the CD is provided in person, it is considered received by the Homebuyer on the day it is provided.

The regulation allows the Homebuyer to waive or modify the three-business-day waiting period if an extension of credit is needed to meet a bona fide personal financial emergency.

5.6.3 Revised Closing Disclosures

Once a CD is delivered or mailed to the Homebuyer, consummation cannot occur until three (3) specific business days after the disclosure is considered received by the Homebuyer. According to the TRID rule, there are three (3) categories of changes that require a corrected CD containing all changed terms:

- ❑ Changes that occur before consummation that will require a new three-specific-business-day waiting period:
- ❑ Changes that occur before consummation that do not require a new three-specific-business-day waiting period (i.e., any changes not covered above)
- ❑ Changes that occur after consummation

Note: TRHEEA will not sign a CD if there is a change in section A fees between the LE and CD, except where one of the following has occurred:

- ☐ There is a change of circumstances
- ☐ The loan amount changed
- ☐ Fees have decreased.

5.7 | Loan Cancellation Policy

Correspondents and Arrive Home™ can choose to cancel loans if necessary.

5.7.1 Loans Canceled Before Closing

Loans canceled before closing are not assessed a fee or penalized in any way. However, the application for down payment assistance must be started anew if the loan file is ever reactivated.

6 || Final Documents

6.1 | Collateral Package Documents

Arrive Home™ requires all original and final collateral documents, with the exception of mortgages (deeds of trust) that are pending recording within the assigned jurisdiction (for which a certified true copy must be provided within one-hundred and eighty [180] days from the closing date).

The original collateral package is reviewed by Arrive Home™ prior to the mortgage loan being approved for purchase. Any deficiencies will be listed on the Arrive Home™ client site. Collateral conditions for corrected or additional original documents should be sent to Arrive Home™, and a copy of the document should be uploaded to the Arrive Home™ client site.

For each loan purchased by the Master Servicer, all final closing documents must be delivered by no later than eighty-five (85) days (sixty [60] days for FHA MIC) after the purchase of the mortgage loan. If complete documentation is not received within the eighty-five-day period (sixty [60] days from the note date if FHA MIC), Arrive Home™ may require the seller to incur a delivery fee or repurchase the mortgage loan, or both. (If a reverse bailee is used, the notes for both mortgages must be delivered within three [3] days of reverse bailee delivery.)

Arrive Home™ advises Correspondents to use an express shipping service to track shipments and ensure timely delivery of the original note, collateral package, and trailing documents.

To view addresses to send collateral to, please follow this link.

6.1.1 Purchase Advice Funding

Notify operations@arrivehome.org that the collateral has been shipped and provide the following:

- ☐ Manifest (containing Loan Number, Name, Note Amount, Date Shipped, Carrier, Tracking Number) in Excel form
- ☐ Contact for PA

Once the Original signed NOTE and Bailee Letter have been received and cleared without any exceptions, funds will be released to the wire instructions provided on the Bailee Letter. The PA will be created and sent out to the email provided.

6.2 | Mortgage Electronic Registration Systems (MERS)

First mortgage loans sold to the Master Servicer, and all secondary mortgages, must be registered in Mortgage Electronic Registration Systems (MERS) in accordance with MERS guidelines. In addition, all mortgage loans, first and second liens, must be transferred to the Master Servicer as Investor (owner/beneficiary) and Servicer through MERS at the same time the first mortgage is transferred, but never before purchase. This MERS transfer **must be initiated** within forty-eight (48) hours to ensure that the MIN will be in the Master Servicer's name within seventy-two (72) hours. We remind all Correspondents of the following when registering and transferring MINs:

- ❏ Select the correct lien type for the loan
- ❏ Ensure the loan amount is correct
- ❏ Lender organization ID is entered as the Originator for all first mortgages
- ❏ The Master Servicer' organization ID is entered at the Originator for all second mortgages
- ❏ The borrower's or borrowers' social security number(s) is correct
- ❏ FHA Case Number is entered and is correct (if applicable)
- ❏ Enter the Arrive Home™ loan number as Investor Loan Number
- ❏ An interim funder should not be added for any Secondary Mortgage MINs

6.2.1 MIN Numbers

1st Lien MIN Transfers: USF (ORG ID #1005848)

2nd Lien MIN Transfers: Tule River (ORG ID #1016990)

6.3 | FHA Connection

6.3.1 FHA Mortgage Record Change

The Correspondent is responsible for completing the mortgage record change to the Master Servicer in FHA Connection (FHAC). To report servicer/holder transfer, the Correspondent must log in to FHAC to complete the transfer. Mortgage record changes must be completed within fifteen (15) business days from the date of purchase.

To do this:

1. Access the Mortgage Record Changes menu
2. Click Servicer/Holder Transfer (HUD Form 92080)
3. Enter the FHA Case Number (including the dash)
4. Enter original mortgage amount, including UFMIP (do not enter $ sign or comma)
5. Enter the first five digits of the Arrive Home™ ID (00772) into the Holding Mortgagee
6. Complete the new Servicing Mortgagee field
7. Enter the date of transfer (Purchase Date)

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.

6.3.2 Trailing Docs

For each loan purchased by the Master Servicer, all final, original closing documents must be delivered by the required delivery date, which is within eighty-five (85) calendar days of the closing of such mortgage loan (or thirty [30] calendar days from closing in the case of the FHA Mortgage Insurance Certificate).

6.4 | FHA Mortgage Insurance Certificate

MICs are not required to be delivered prior to purchase and must be delivered to the Master Servicer within sixty (60) days of the note date. However, loans with a previous mortgage credit reject (MCR) and manufactured housing are the exceptions to this rule: loans with a credit reject and manufactured housing will not be eligible for purchase until a MIC is delivered to the Master Servicer. Some exceptions may apply. In addition, proof of the upfront MIP (UFMIP) must be paid prior to purchase on all loans.

This will help us better align with industry standards for mitigating risk and preventing secondary delivery delays. Fees will be applied if delivery dates are not met. For more information, contact your Corporate Account Director.

7 || Servicing

7.1 | When Homebuyers Begin Payments

Lease payments begin the month immediately following the closing of the loan. If a new month begins within seven (7) days of the month of closing, the first lease payment will be collected at closing.

7.2 | Master Servicer

All Arrive Home™ products have a Master Servicer.

7.2.1 First Payment Due

First (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.

7.3 | Early Payment Default

An early payment default (for the purpose of the agreement between the Correspondent and Arrive Home™) is defined as the first payment that becomes thirty (30) days or more delinquent, or any of the second through fourth payments that become sixty (60) days or more delinquent, or if the mortgagor becomes a debtor in bankruptcy (or any similar type of proceeding). A payment is considered delinquent if a payment is not received within thirty (30) days of the due date designated on the mortgage Note (first or second).

In the event that a borrower goes into an early payment default (EPD), Arrive Home™ will invoice the Correspondent lender for any premium pricing paid to the Correspondent at the time of loan purchase plus an admin fee, if applicable. The fee will be equal to the admin fee charged by Arrive Home™ (up to $3500) or, for loans securitized indirectly by Arrive Home™, the admin fee will be $1500. The Correspondent will also be required to purchase the second mortgage.

Depending upon the time the Loan Purchase Agreement was entered into, some Correspondents may have the EPD clause waived. Contact your Corporate Account Director for more details.

7.4 | Indemnification

At the sole discretion of Arrive Home™, the Remedy of Indemnification against loss may apply to a mortgage loan that is otherwise subject to a Repurchase Remedy upon the occurrence of a Repurchase Event of Default, per the terms of the Agreement. The terms and conditions of the Indemnification may vary with circumstances relevant to each mortgage loan, but at Arrive Home™'s discretion may include a return to Arrive Home™ by the Correspondent of the amount of the purchase price that exceeds par, which includes without limitation any SRP and pricing premium paid to the Correspondent and the down payment assistance provided to the borrower. Par is 100% of the unpaid principal balance that was purchased by the Master Servicer.

In addition, the Indemnification may require payment of the estimated loss Arrive Home™ reasonably believes it may incur or actual loss it has incurred as a result of the Event of Default that gave rise to the Indemnification Remedy, including without limitation any marketing loss upon sale of an impaired Mortgage Loan at a reduced market price, loss due to indemnification, repurchase, or make-whole required of the Correspondent. The Correspondent may also be responsible for up to six (6) months of rent payment, eviction costs, and cost of finding a new tenant.

7.5 | Transfer of Servicing

After purchase of the loan, the Correspondent must immediately notify (within five [5] days) HUD and TRHEEA of the sale of the first mortgage loan. All disclosures and notifications to the borrowers must meet current applicable federal, state, local, and regulatory law requirements.

The Correspondent must issue all borrower notifications after the purchase of the loan and no less than fifteen (15) days before the effective date of the transfer of servicing duties.

Notifications must perform the following:

- ❑ Indicate and identify the date on which the servicing duties are to be transferred, which shall be the same date as the date on which payments are to commence to Arrive Home™ or its designated servicer
- ❑ Identify the date the Correspondent will no longer accept payments on the mortgage loan
- ❑ Identify the transferee of the servicing duties

- ❏ Provide the Correspondent's name and, for both companies involved in the transfer, a complete address, the appropriate department name, and a toll-free or collect call telephone number, which the borrower(s) may call with questions
- ❏ Direct the borrower(s) to forward future payments to the servicing payment processing center (see Payment Processing address information below)
- ❏ Notify the borrower(s) that the transfer does not affect any terms or conditions of the mortgage loan other than those related to servicing

Additionally, correspondents must provide a copy of the servicing-related notes and post-closing loan-level comments in their possession at the time of the transfer. Servicing notes and comments should be written in a manner that is appropriate to share with the borrower when required under the applicable law.

7.5.1 Goodbye Letter: FHA First Mortgages

In order to confirm an accurate notice of transfer of servicing, a "Goodbye Letter," Arrive Home™ requires a sample copy of the notice of transfer of servicing to be included in the loan package at time of delivery. This applies to all first mortgages.

For addresses applicable to the "Goodbye Letter," please follow this link.

Please DO NOT mail the First Mortgage servicing transfer letters to the property address.

7.5.2 Goodbye Letter: Forgivable Second Mortgages

In order to confirm an accurate notice of transfer of servicing, a "Goodbye Letter," Arrive Home™ requires a sample copy of the notice of transfer of servicing to be included in the loan package at time of delivery. This applies to all first and second mortgages.

For addresses applicable to the "Goodbye Letter," please follow this link.

The primary, toll free customer service number is (800) 270-7396. Hours are Monday through Friday, 8:00am–5:00pm MT. Payments do not apply for forgivable seconds.

8 || Arrive Home™ Key Contact Information

Arrive Home™ key contact information for shipping, transfers, servicing, and insurance can be viewed by following this link.

As a reminder, for all credit, underwriting, or compliance questions, please email your Corporate Account Executive.

8.1 | Arrive Home™ Quick Contact Information

Note that operating hours for the majority of US-based Arrive Home™staff is 8–5 Mountain time.

- ❏ General Questions: Info@ArriveHome.org
- ❏ Lock Desk: Locks@ArriveHome.org
- ❏ Servicing:
    - ❏ Servicing@ArriveHome.org
    - ❏ (844) 317-2750
- ❏ Account Executives: shawn.king@arrivehome.org
- ❏ General Phone Calls (Sales, Operations, Due Diligence, Post Closing & Public Relations): (800) 270-7396

8.2 | Wiring Instructions (First Mortgages)

8.2.1 Forwarded Payments—Payment Clearing

Bank Name: Zions Bank

Attn: United Security Financial Corporation

Account #: 018034215

ABA Routing #: 124000054

8.2.2 Forwarded Payoffs—Payoff Clearing Beneficiary

Bank Name: Zions Bank

Attn: United Security Financial Corporation

Account #: 018034215

ABA Routing #: 124000054

8.2.3 Wire Confirmations

Please send wire confirmations to the following email address: accounting@arrivehome.org.

Use the property address of the relevant loan as the subject line.

8.3 | Qualified Written Requests

8.3.1 FHA First Mortgages

Qualified Written Requests (QWRs) are required to be submitted to the address listed below. When the Master Servicer is in receipt of a Qualified Written Request (as defined by RESPA), an acknowledgment notice is sent within five (5) business days. We will respond to you within thirty (30) business days of receipt of your written notice, unless otherwise defined by RESPA guidelines.

Master Servicer—United Security Financial Corporation
930 E 6600 S
Murray, UT 84121

8.3.2 All Forgivable Second Mortgages

Qualified Written Requests (QWRs) are required to be submitted to the address listed below. When the Master Servicer is in receipt of a Qualified Written Request (as defined by RESPA), an acknowledgment notice is sent within five (5) business days. We will respond to you within thirty (30) business days of receipt of your written notice, unless otherwise defined by RESPA guidelines.

(All Mail and Delivery Services)
Arrive Home
10885 State St
Sandy, UT 84070

8.4 | Custodian Information

If a banking entity or custodian is required for collateral delivery, the following applies.

Note: Please ship 1st and 2nd mortgages in the same package.

8.4.1 1st Mortgage Collateral Package Instructions

US Bank Global Corporate Trust Services
Document Custody Services
ATTN: Warehouse Team
7861 Bayberry Rd
Jacksonville, FL 32256

Endorsements/Allonges: All original collateral should be sent with a corresponding allonge as follows.

- ☐ TEXAS FILES ONLY: Pay to the order of "USF Mortgages Inc."
- ☐ ALL OTHER STATES: Pay to the order of "United Security Financial Corp."
- ☐ Wet signature or stamped signature (originals only)

Notify operations@arrivehome.org that the collateral has been shipped and provide the following:

- ☐ Manifest (containing Loan Number, Name, Note Amount, Date Shipped, Carrier, Tracking Number) in Excel form
- ☐ Contact for PA

Once the Original signed NOTE and Bailee Letter have been received and cleared without any exceptions, funds will be released to the wire instructions provided on the Bailee Letter. The PA will be created and sent out to the email provided.

8.4.2 1st Mortgage Bailee Letter Instructions

US Bank Global Corporate Trust Services
Document Custody Services
ATTN: Warehouse Team
7861 Bayberry Rd
Jacksonville, FL 32256

8.4.3 2nd Mortgage Collateral Package Instructions

For forgivable 2nds.

Arrive Home™

ATTN: Warehouse Collateral

10885 S State St

Sandy, UT 84070

Manifest must include the following **in Excel form**:

- ☐ Borrower Loan #
- ☐ Borrower Last Name and First Name (in that order)
- ☐ Borrower Address
- ☐ Overnight Tracking #
- ☐ Original WET signed 2nd Mortgage Note (all pages)
- ☐ Original WET signed 2nd Mortgage Allonge (Endorsement)
  - ☐ Texas Files Only: Contact Arrive Home™ management
  - ☐ All Other States: Pay to the order of “Arrive Home™”

8.4.4 2nd Mortgage Bailee Letter Instructions

Arrive Home™

10885 S State St

Sandy, UT 84070