



Earned Equity Program

Product Guidelines

Version 4.25

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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 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 mortgagee letters with some minimal overlays as outlined later in this guide. The seller financing agreement the Homebuyer enters 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
 - \$500k cash
 - 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 enters into a Homeownership Agreement. In Maryland and Texas, the Agreements are slightly different.

This transaction allows the Homebuyer to live in and control the home until such a time as the Homebuyer can finance the home.

This contract type is generally referred to as a “seller financing agreement” within this product guide, except where differentiation between the two is necessary.

The Arrive Home™ Earned Equity Product Guide and overlays therein 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 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 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.

3.1.3 Contract Types Recorded

The following chart tracks which states, counties, and cities will record each type of seller financing agreement (the long-term purchase agreement governed by a lease, or the

homeownership agreement). This chart will be updated as Arrive Home™ continues to administer the program.

<i>Seller Financing Agreement (Homeownership Agreement) Options Recorded *** TX closing process is different ***</i>	Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia*, Washington, West Virginia, Wisconsin, Wyoming
<i>Only Land Installment Contract</i>	Maryland
<i>Starred States</i>	Virginia: The city of Richmond will only record the original Long-term Purchase Agreement.

3.2 | FHA First Mortgage

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 Annual Mortgage Insurance Premiums (MIP) & Upfront Mortgage Insurance Premium (UFMIP)

FHA collects a one-time Upfront Mortgage Insurance Premium (UFMIP) and an annual insurance premium, also referred to as the periodic or monthly MIP, which is collected in monthly installments. Follow chart below.

The UFMIP charged for all amortization terms is 175 Basis Points (bps).

Mortgage Term of More Than 15 Years			
Base Loan Amount	LTV	MIP (bps)	Duration
Less than or equal to \$726,200	≤ 90.00%	50	11 years
	> 90.00% but ≤ 95.00%	50	Mortgage term
	> 95.00%	55	Mortgage term
Greater than \$726,200	≤ 90.00%	70	11 years
	> 90.00% but ≤ 95.00%	70	Mortgage term
	> 95.00%	75	Mortgage term

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 allowed.

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, Planned Unit Developments (PUDs) that impose restrictions based on age, race, gender, or leasing/rental terms are ineligible. This includes age-restricted communities, such as those designated for residents 55 and older.

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.

Please note If the applicant's Social Security card states 'Valid for Work Only,' a copy of their Employment Authorization Document (EAD) or the results of Form SSA-89 must be provided.

Fraud Report

All submissions for transaction approval must contain an industry Fraud Guard Report, performed on the FHA mortgage / gov't entity portion of the transaction, in the name of Tule River Homebuyer Earned Equity Agency.

3.5 | Homebuyer Credit History Requirements

Homebuyers are generally required to qualify using a tri-merged credit report, with a minimum qualifying score of 580.

Some exceptions may apply (see section [3.5.1](#)). A soft pull credit report may be acceptable, but the Homebuyer must have sufficient documented housing history, and a credit score on the soft pull.

Eligible credit reports will reflect at least two active trade lines and provide at least 24 months of credit history. If this is not possible, an alternative tradeline history with twenty-four (24) months documented may also be acceptable.

Acceptable forms of alternative tradelines are as follows:

- Major Utility Bills: Must provide a 24-month history from the provider reflecting no late payments.
- Cellular Phone Bill: Must provide a 24-month history from the provider reflecting no late payments.
- Cable Bill: Must provide a 24-month history from the provider reflecting no late payments. Alternative streaming options, in lieu of cable, may be allowed.
- Medical Bills: Must provide a corresponding payment arrangement letter from provider.

- **Major Insurance Bills:** Most provide a statement of 24-months of on-time payments from an auto, life insurance or medical insurance provider.
- **Chapter 13 Bankruptcy Payments:** Must provide a minimum of 12-months of history reflecting a payment arrangement schedule and concurrent payments paid, with no lates reflected. Homebuyer must have one additional alternative trade line covering 24 month of history.
- **Business Expenses (Self-employed):** This is an option for self-employed homebuyers. Must be paid on-time for twelve (12) months and have one additional trade line or alternative trade line with 24 month of history.

Additional alternative tradelines may be considered on an exception basis by emailing exceptions@arrivehome.org, but will require strong compensating factors to approve.

If the homebuyer does not have eligible credit history and cannot document alternative trade line options, then the following criteria is required with no additional exceptions allowed:

- A minimum of 24 months of verified housing history.
- A minimum of 3 months of housing payment reserves.

3.5.1 No Credit Score Option

Homebuyers with no credit score are eligible, provided they can document alternative tradelines as noted above.

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 opens 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 is eligible if the bankruptcy is discharged as of loan closing.

Chapter 13: Homebuyer is eligible if either:

- The bankruptcy is discharged as of loan closing, **or**
- The bankruptcy was filed at least twelve (12) months prior to loan closing **and** the Homebuyer provides:
 - Evidence from the Bankruptcy Trustee of twelve (12) consecutive, on-time plan payments; **and**
 - Written approval/permission from the Bankruptcy Trustee to incur new mortgage debt.

All bankruptcies must be reflected on the credit report and/or supported by documentation in the file.

3.5.5 Foreclosures, Deed-in-Lieu, Short Sales

Foreclosure, Deed-In-Lieu, or Short Sale less than one (1) year prior to closing not allowed. Must be recorded on the credit report.

3.5.6 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, \$10,000 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.

If the Correspondent allows the property tax qualification to be based upon the unassessed property value, the following is required:

- Buyer Attestation: the homebuyer must sign an attestation acknowledging the impending tax increase.
- DTI: The maximum allowable DTI is strictly capped at 43% (PTI) and 50% (DTI)
- Reserves: A minimum of 3-months of reserves is required.
- Underwriting Ability-to-Repay: The underwriter must formally document the homebuyer's clear ability to repay.

3.5.8 Delinquent Accounts

All delinquent accounts must either be brought current or have an established payment arrangement in place. Collections and charge-offs are excluded from this requirement and follow FHA guidelines.

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

The following sub-sections pertain to specific scenarios where a debt may or may not be included in the DTI.

3.6.1 Collection Accounts

Follow FHA guidelines for debt servicing collection accounts. The following is a snapshot of those guidelines at the time of this document's publication:

- Collection accounts are not required to be paid off to qualify.
- Collection accounts less than twenty-four (24) months old *and* over two thousand dollars (\$2,000) in value must be debt serviced.
- Combine the dollar value of all collection accounts less than twenty-four (24) months old to determine whether the two-thousand-dollar-limit is reached.
- Collection accounts are debt serviced at 5%.

Arrive Home™ will review exceptions on a case-by-case basis.

3.6.2 Charge-offs

Arrive Home™ requires a letter of explanation (LOE) for any charge-offs reported within the past 24 months, but not debt servicing.

3.6.3 Installment Loans

Follow FHA guidelines for debt servicing for installment loans. The following is a snapshot of those guidelines at the time of this document's publication:

- Installment loans may be omitted from debt servicing if both of the following conditions are met:
 - The installment loan has less than ten (10) months remaining; and
 - The installment loan's payment is less than 5% of the Homebuyer's income.

As an overlay, Arrive Home™ will consider an exception to omit an installment loan from debt servicing if the Homebuyer is able to document reserves funds equal to 150% of combined remaining payments. These funds must be documented from the homebuyer and not gift funds.

3.6.4 Authorized User Accounts

Follow FHA guidelines for debt servicing for authorized user accounts. The following is a snapshot of those guidelines at the time of this document's publication:

- If it can be verified that somebody other than the homebuyer has been making payments for at least twelve (12) months, the authorized user account doesn't count against debt servicing.

If the above requirement is not met, Arrive Home™ will include authorized user accounts in the Homebuyer's DTI ratio.

3.6.5 Auto Leases

Follow FHA guidelines for debt servicing for auto leases. The following is a snapshot of those guidelines at the time of this document's publication:

- Auto leases are never omitted from debt servicing, regardless of time left on the lease.

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%)
- Additional reserves may be required based on exceptions granted and strength of the overall transaction
 - All required reserves must be verified prior to closing

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 Funds Verified Prior to Closing

For a file with no exceptions, only the 3.5% minimum down payment amount is required to be verified prior to closing.

If there is an exception present in the file, all cash to close *and* reserves must be verified in the Homebuyer's account prior to closing. In addition, the Homebuyer must provide an LOE sourcing the funds.

3.7.2 Asset Documentation

Assets relevant to the Homebuyer transaction require the following:

- Two (2) months of bank statements (most recent), covering two (2) statement periods
- Funds required to close must be liquid and available at the time of closing. Reserves may be sourced from liquid or eligible non-liquid assets.
- Reserves sourced from non-liquid assets (including, but not limited to, retirement accounts) require documentation evidencing withdrawal and vesting terms. The reserve balance will be calculated at 60% of the verified account balance to account for taxes and/or early withdrawal penalties.

Business bank statements are acceptable as long as ownership is documented in the homebuyer'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.

3.7.3 Gift Funds

Gift funds are acceptable for funds to close. Gifts of equity are not permitted.

3.7.4 Verification and Wiring for Funds to Close

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

A 12-month housing history is required and must be fully documented. The housing history must reflect satisfactory payment performance, including no late payments greater than 30 days, no prior evictions, and no outstanding balances upon termination of a lease agreement.

Housing history must be documented using one of the following methods, listed in order of acceptability:

Primary (Preferred Documentation)

- Institutional Verification of Rent (VOR) from a third-party property management company or landlord with established business operations

Secondary (Acceptable Alternative Documentation)

- Cancelled checks

- Bank statements clearly showing consistent monthly housing payments
- Payment history from a verifiable digital platform (e.g., Venmo, Zelle, PayPal), provided the following are present:
 - Consistent payment amounts
 - Consistent payment frequency
 - Clearly identifiable recipient

Renting from a Relative

- Cancelled checks or bank statements clearly showing consistent monthly housing payments to the relative

Cash Payments

Cash payments are not acceptable unless all the following are provided:

- Minimum credit score (580) required – no exceptions.
- A signed letter from the landlord confirming rental terms and payment history
- Evidence of consistent withdrawals or deposits that reasonably align with the claimed housing payments paid in cash (minimum 3 months)

Documentation Standards

- Housing payment history must reflect consistent, on-time payments for the full 12-month period
- Gaps, inconsistencies, or unverifiable payment histories are not permitted
- Partial documentation or unsupported claims of housing history are not acceptable

Underwriting Requirements

- The underwriter must document the method used to verify housing history and confirm that it meets the requirements above
- Any discrepancies or inconsistencies must be resolved prior to loan approval

Payment Shock Requirements

Payment shock is reviewed on all transactions and is restricted to a maximum of 225%. Underwriting calculates payment shock by taking the new housing payment and dividing it by the current housing payment. That number cannot exceed 225%.

- If payment shock exceeds 225%, the transaction may be approved ONLY if the homebuyer has a minimum 640 qualifying credit score AND one of the following:
 - A maximum housing ratio (PTI) of 43% and maximum total ratio (DTI) of 50%
 - A minimum of 3-months of verified housing payment reserves.
 - Some exceptions may apply.

3.8.2 Mortgage

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

If an acceptable foreclosure (see section [3.5.5](#)) is present in the file, a 0x30 housing history must have been reestablished since the foreclosure's date of last activity (DLA). In this instance, payment shock may not exceed 125%.

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.

3.8.4 No Housing History

Applicants without documented rental history over the past 12 months are required to have a minimum FICO score of 640 and provide three months of post-closing reserves. An exception may be requested and will be reviewed on a case-by-case.

Homebuyers who owned their previous residence free and clear and exempt from housing history requirements and reserve restrictions, subject to verification of the free and clear ownership status.

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), AND...
- Prior year W2, OR...
- Documented Written Verification of Employment (WVOE) (to validate income)

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

ITIN and W2: If the Homebuyer is ITIN and wishes to use W2 wages to qualify, verification of employment is required, along with 3-months of bank statements. ITINs using W2 earnings are required to convert the doc type to bank statements only.

- Net deposits used to support W2 earnings MAY be grossed up 125% to support the gross earnings used to qualify.
- Note: if a VOE cannot be obtained, a letter of explanation may be used in place of a VOE. Some exceptions or additional conditions may apply.

3.9.2 New Employment History

New employment history is for homebuyers without a total, prior work history of at least 12 months documented, or are brand new to the workforce. In the cases, the following criteria must be met:

Eligible Pay Types: Homebuyer must be employed full-time and compensated via hourly or salaried rates only.

Required Documentation:

- Fully completed Written Verification of Employment (WVOE)
- Most recent paystubs, documenting 30 days of earnings.
- For those with less than 30 days of earnings, some exceptions may apply.

Commission Income: Commission income is not eligible, but may be reviewed on a case-by-case basis with the following compensating factors:

- PTI / DTI ratios are strictly capped at 43% / 50%.
- Minimum of 2-months of housing payment reserves.

Self-Employed Homebuyers (Less than 12 months of history)

- Generally, not eligible without significant compensating factors, including:
 - 3 months of bank statements
 - 3 months of housing payment reserves
 - P&L, along with professional review to determine stability of the business

3.9.3 1099/Independent Contractor

Documentation is required. Please provide one of the following:

- Previous year's tax returns
- Most recent 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 (traditional 1099/SE income analysis)
- An average of earnings deposits supported by three (3) months of bank statements

3.9.4 Self-Employed

Traditional documentation requirements are outlined below. Please provide one of the following:

- Previous year's tax return, all schedules
 - Must be documented as filed with the IRS, or executed tax transcripts are required
- Profit and loss (P&L) statement; the following is required:
 - Must be 12-month; per AH underwriter discretion, a year-to-date P&L statement may be acceptable based on the age of the business and history of earnings (minimum six [6] months)
 - Most recent three (3) months of bank statements required; note that bank statements are not used for income qualification, but to support the cash flow as reported by the P&L
 - Must be audited, or prepared by a qualified CPA or preparer with an Enrolled Agent certification
- 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.

3.9.4.1 Profit and Loss Statement Format

A typical P&L statement has a format similar to IRS Form 1040, Schedule C. The statement will show revenue and expenses of the business, and the resulting profit or loss, over a specified time period. Below is an example of a profit and loss statement:

	Total revenue	\$	1,000,000	100%
Less	Cost of Goods Sold	\$	<u>426,200</u>	42.6%
	Gross Profit	\$	573,800	57.4%
Less	Expenses			
	Accounting and legal fees	\$	11,700	
	Advertising	\$	15,000	
	Depreciation	\$	38,000	
	Electricity	\$	2,700	
	Insurance	\$	15,200	
	Interest and bank charges	\$	27,300	
	Postage	\$	1,500	
	Printing and stationery	\$	8,700	
	Professional memberships	\$	1,800	
	Rent for premises	\$	74,300	
	Repairs and maintenance	\$	21,100	
	Training	\$	6,900	
	Vehicle operating costs	\$	20,000	
	Wages and salaries	\$	223,500	
	Workers compensation	\$	6,500	
	All other expenses	\$	<u>14,100</u>	
Less	Total Expenses	\$	<u>488,300</u>	48.8%
Equals	Net Profit (BOS)	\$	85,500	8.6%

Using the above example, here is how to underwrite the statement:

- Total Revenue: \$1,000,000
- Total Expenses: \$488,300
- Gross Profit: \$85,000
- Depreciation: +\$38,000
- Adjusted Business Income: \$123,000
 - Divide by twelve (12) for a reasonable figure to use for qualifying income

3.9.5 Bank Statements Only

When using bank statements to qualify, the underwriter must calculate income by taking the three-month average of eligible deposits, subtracting any net loss (if applicable), and applying the appropriate expense ratio as outlined in Section 3.9.5.1 (Underwriting Calculation Options).

Required Documentation

- Most recent three (3) months of bank statements.
- If applicable, additional months of statements may be required; see below.

Requirements for Additional Bank Statements

Underwriting reserves the right to require additional months of bank statement to assess cash flow and history of earnings when certain layers of risk are present.

- **DTI Exceptions:** Any exception request to exceed 50% (PTI) and 60% (DTI) will require 6-months of bank statements to fully assess income.
- **Payment Shock:** When the new monthly housing payment exceeds 225% of the current housing expense, 6-months of bank statements will be required.
- **Declining Assets:** When the bank statements provided reflect a month-over-month decrease in deposits or net cash flow, 12 months of bank statements will be required.
- **Profile Discrepancies:** When a misalignment exists between the homebuyer's overall credit risk profile and the income stability presented in the application, 6 or 12 months of statements may be required, depending upon the underwriting review and overall risk.
- **General Exception Risk:** When any exception is granted, or when multiple exceptions are present, underwriting may require 6 or 12 months of statements, depending upon the level of risk.

Deposit Eligibility

Deposits used for qualification must be consistent, recurring, and clearly attributable to the homebuyer's business operations. Deposits that are irregular, non-recurring, or cannot be reasonably sourced to business activity are not eligible for income calculation.

Business Verification

Additional documentation is required when the information provided is insufficient to verify the existence, stability, or structure of the business:

- Business license: Required when the existence of the Homebuyer's business cannot be verified through public records, third-party databases, or other reliable sources

Ownership Verification

Documentation to confirm ownership percentage is only required when ownership cannot be reasonably verified through other available sources.

Ownership may be verified through:

- Business name and structure
- State registration systems or public records
- IRS Schedule K-1
- Articles of incorporation or organization
- Operating agreements or similar documentation

Business tax returns are not required solely for the purpose of verifying ownership percentage. Documentation should only be obtained when necessary to reasonably support the ownership determination and calculation of qualifying income.

Wage Earners Using Bank Statements

Wage earners utilizing bank statements for income qualification must provide a letter of explanation (LOE) that clearly supports the reason bank statements are being used in lieu of traditional income documentation.

3.9.5.1 Underwriting Calculation Options (Fixed Expense Ratio)

Fixed Expense Ratio Option

- A 45% expense ratio is required and applied regardless of business type
- Qualifying income is calculated by reducing eligible deposits from the business bank statements by 45%

- Documentation to support business type or number of employees is not required when using the fixed expense ratio

Tiered Expense Ratio Option

- Eligible deposits from the bank statements are reduced by the applicable expense ratio based on documented business characteristics to determine qualifying income
- The expense ratio must be selected based on documented business type and number of employees

Business Type: Service Business (Offers Services)

Examples include, but are not limited to: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, IT, Sub-Contracting

Expense ratios are applied as follows:

- 0 employees: 10% expense ratio
- 2–5 employees: 25% expense ratio
- More than 5 employees: 50% expense ratio

Business Type: Product Business (Sells Goods)

Examples include, but are not limited to: Retail, Food Services, Restaurants, Manufacturing, General Contracting, Construction

Expense ratios are applied as follows:

- 0 employees: 25% expense ratio
- 1–5 employees: 35% expense ratio
- More than 5 employees: 55% expense ratio

Documentation Requirements for Tiered Expense Ratio

Documentation is required to support the selected business type and number of employees. Acceptable documentation includes, but is not limited to:

- Articles of Incorporation or Organization
- CPA letter

- Business license
- Public records or online business profiles
- Payroll documentation or other evidence supporting number of employees

The underwriter must document the rationale for the expense ratio applied based on the supporting documentation provided.

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 homebuyers' 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.

Foreign Income may also be considered, with the following documentation requirements:

- **History and Continuity:** Must show a stable, consistent history of receipt, minimum of 12 months. The underwriter must verify that the income is reasonably expected to continue for at least 3 years.
- **Employment Verification:** Must provide the homebuyer's current, active employment verification and/or contract AND a formal employee letter confirming ongoing, future employment probability is high.
- **US Tax Returns:** Must provide signed, filed US federal tax returns from the most recently two years, reflecting receipt of the foreign income source. (Note: if the homebuyer is self-employed, business returns may be required.)
- **Self-Employed Homebuyers:** If the business operation resides in a foreign country, foreign returns may be required, along with proof of self-employment. Must have a two-year history of self-employment and documented continuity of income. If the

homebuyer recently moved from a foreign country, underwriting discretion is applied to ensure stability of the business and income source.

- **Currency Conversion:** All income and financial figures must be converted to, and listed in, US Dollars. (USD)
- **Mandatory Documentation:** All foreign income documentation must be verifiable. Documents must include the most recent paystubs or earnings statements, foreign returns and matching bank statements showing the deposits received.
- **Bank Statements Only – Foreign Income:** May be eligible, provided the homebuyer is self-employed and can provide history, continuity and proof of self-employment.

Other income types—such as Social Security (SSI), child support, pension, and similar sources—must be evaluated in accordance with FHA guidelines.

3.9.7 Lump Sum Asset Depletion

Lump sum asset depletion may be used for qualifying purposes. To determine qualifying income from depleted assets, calculate the total eligible asset amount and divide by 120 months. Apply the following percentage based on asset type:

- 100% of cash held in savings accounts
- 70% of the value of stocks, bonds, cryptocurrency, and retirement accounts

All asset documentation must be dated within 30 days of closing. If any portion of the asset is used toward funds to close, that amount must be deducted from the total prior to applying the applicable percentage.

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 Rental Income for Subject Property (2 – Unit)

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 Rental Income for Departing Residence

When rental income is permitted for the departing residence, the qualifying amount must be calculated using 75% of the proposed rent. The proposed rent must be supported by

either:

- the fair market rent indicated in an appraisal completed on the departing residence, or
- the rent amount stated in a lease and must be validated using an acceptable third-party source (e.g., Rentometer or Zillow).

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 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™ underwriter assigned to the file. They are reviewed on a case-by-case basis.

3.11.1 Primary Residence

One currently owned property (departing residence) allowed.

The following will be required:

- An LOE (signed and dated by the Homebuyer)
- Three (3) months reserves are required when converting a primary residence to a rental property.

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
- **Conditional Commitment / 92500.5b - DE Acceptance of the 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-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.
 - C6 – Not eligible without complete remodel.

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

All properties in C2-C6 condition are required to have an independent, property inspection performed.

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) MAY be pulled on submitted appraisals to support the full appraisal value, subject to underwriting review of the comparables. 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 request additional comparables, or the DE UW's explanation of acceptance of the value.

3.13 | Property Home Inspection

An independent property home inspection is required for all properties listed in C2–C6 condition, according to the condition assigned by the FHA appraisal. C5-C6 condition is generally ineligible without significant renovation or remodeling to improve the condition. The Seller's property disclosure must also be present at the time the underwriter reviews the home inspection report.

Note: Properties in C2 Condition are considered "like new". Although there may be instances where minor to moderate defects is noted, it will be rare that repairs are required for properties in C2 condition. The requirement for an inspection for properties in C2 condition is primarily for disclosure purposes for the homebuyer.

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

Inspection report requirements include:

- Home Inspection Company / Inspector: Must be properly licensed and bonded and be a regionally or nationally recognized vendor.
- All health and safety items addressed and/or repaired, as required by the inspection
- All major systems inspected and photos and commentary to be provided, including HVAC, plumbing, electrical, appliances, siding, major fixtures, and flooring
- Roof inspection with photos and commentary (with a useful life expectancy of at least ten [5] years)
- 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 evidence is provided that the septic system installed and/or serviced, and drained, within twelve (12) months of closing, this requirement is waived
 - This requirement is an Arrive Home™ overlay and still applies in states that do not have septic system requirements
- 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.

3.13.2 Home Inspection Repair Requirements

Repair requirements are outlined in the following ways:

Major Defects – All repairs required prior to closing.

Minor Defects – All repairs are OK to be done post-closing and the arrangement is consummated by the Property Acknowledgment and Attestation Form.

Seller Disclosure: The seller under contract may be required to sign an additional disclosure related to repair requirements. Program requirements may supersede inspection and repair waivers or contingency periods according to the contract.

Unless noted otherwise, all major defects, or health and safety items noted in the inspection report must be addressed and repaired **prior to closing**. These items may include:

Major Defects: Prior to Closing Repair Requirements

- Health & Safety: Any active health or safety hazard, including mold or pest infestation, unsafe water, or structural defects that render the home uninhabitable.
- Water & Moisture: Significant mold exposure as defined by an inspector. Standing water or unacceptable moisture levels, active leaks or recent water stains, and roof leaks.
- Structural & Exterior: Major foundation issues or improper grading. Visible wood damage (interior or exterior). Exterior damage, including broken windows/door frames, damaged siding, severe masonry damage, or large stucco cracks.
- Pest Infestation: Any evidence of termite damage, or other 'pest' related damage.
- Utilities: Dysfunctional components that render the home inoperable. Also includes system issues with private well or septic.
- Roof Requirements: Homes older than 10 years require roof certification and a minimum of 5 years of life expectancy. All repairs must be done prior to closing.
 - Mandatory Repairs, all roof types, include damaged shingles, curling, cupping or missing shingles; cracks, holes or active leaks; damaged or improper flashing.

- If a home warranty is required, then the policy must also include roof leak coverage.
- Electrical Requirements: The following electrical issues must be fully repaired, upgraded or brought up to code – prior to closing:
 - Wiring: Any visible wiring in bad condition. All "knob and tube" wiring must be upgraded.
 - Service Panels: Panels must have adequate capacity, be in serviceable condition and show no signs of overheated fuses or breakers.
 - Safety and Codes: All identified electrical hazards and code violations must be remedied or properly permitted to meet local code.

All other repair items noted—i.e. not considered to be “major health/safety” concerns, or “minor defects”—are addressed with the homebuyer attestation and do not need to be addressed prior to closing or with a cure addendum. These are expected to be repaired post-closing by the homebuyer.

Minor Defects and Post Closing Repair Requirements

Minor defects are faulty items that do not impact safety, health or structural integrity and usually do not require a licensed professional to repair. These include:

- Doors and Windows: Minor repair requirements for doors, windows or exterior structures where no major defect is cited.
- HVAC and Electrical: Minor maintenance to HVAC units or minor recommendations on electrical panels.
- Landscaping: Tree or shrub trimming, provided it does not pose a structural hazard to the home.
- Fencing: Exterior fence or railing repairs not posing a safety concern.
- Pest Control: Minor or localized infestation that is recommended for non-urgent treatment.
- Mold: Cosmetic mold issues (e.g., a small patch in the tub, shower or sink area)
- All other cosmetic issues
- Worn trim
- Minor appliance glitches
- Minor leak stains or minor bathroom leaks

This list is not exhaustive. Some exceptions will apply.

All FHA appraisal guidelines must be adhered to, in accordance with FHA's Minimum Property Requirements.

Repairs: Completion Requirements

This section clarifies new requirements to demonstrate completed repairs.

Prior to Closing Repairs

- **Proof of Completion:** You must submit inspections, contractor estimates, final invoices and before-and-after photos to prove all work is complete.
- **Buyer Financial Rule:** If the homebuyer is paying for any prior-to-closing repairs, they must prove they have the funds to cover the repairs. These funds must be completely separate from their required down payment, closing costs, and any required reserves.

Prior to Closing Repairs

- **Approval and Deadlines:** All deferred repairs are subject to Underwriting approval and must be fully completed within 6 months of the closing date.
- **Required Forms:** The homebuyer must sign both the Property Inspection Acknowledgement and Attestation and the Property Inspection Disclosure.
- **Buyer Financial Rule:** The homebuyer must prove they have the financial capability to pay for and finish all deferred repairs post-closing.

3.13.2.1 Property Attestation, Acknowledgment and Cure Addendum

When required, the Property Inspection Attestation and Acknowledgment covers all other known, minor defects and some post-closing repair requirements. It must be signed prior to closing by the homebuyer, and acknowledges that the homebuyer has received and reviewed the inspection and understands the remaining repairs items required after moving in. The Cure Addendum will be used for rare exceptions when repairs required prior to closing are granted exceptions to be repaired post-closing. It may be e-signed. However, if there are any issues with e-signing the Cure Addendum, a wet signature and attestation of receipt will be required.

All post-closing 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.

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 that the Property is free of wood-destroying insects and organisms.

If any evidence of Wood Destroying pests is present, a full inspection is mandatory.

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.

Inspections can never be waived as part of the purchase contract.

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.

3.13.5 Florida 4-Point Inspections and Wind Mitigation Reports

For properties in Florida, a 4-point inspection must be performed; any noted unsatisfactory items must be fully repaired **prior to closing**. A wind mitigation report is also required. A property inspection remains required for homes built prior to 1978 that carry a condition rating of C4 or C5.

These requirements are also necessary for hazard insurance, per sections [4.18](#), [4.18.1](#), and [4.18.6](#).

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 seller financing 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™.

If disclosures are made electronically, and the Homebuyer e-signs the documents, the correspondent must do this in a trackable manner which can be validated by Arrive Home™, such as by using DocuSign. See section [5.4](#) (Electronic Signatures) for more information.

3.15.2 Fee Limits

Charges on 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 based on the homeownership agreement.

3.15.3.1 Homeownership Financing Agreement

- | | |
|--|------------------------|
| • HOA Service Fee (if in HOA) | \$250 |
| • Notary Fee | \$150 |
| • Program UW / Processing Fee | \$1250 |
| • Homeownership Agreement Management Fee | 0.5% of Purchase Price |
| • First Month's Payment (collected at closing) | |

3.15.3.2 Long-Term Purchase Agreement

The Long-Term Purchase Agreement is no longer offered.

The applicant's monthly payment includes a Program Maintenance/Servicing fee, calculated as 0.50% of the total FHA loan amount divided by 12.

3.16 | Property Insurance Guidelines

Arrive Home™ will request and select hazard insurance for each participating property prior to closing. For guidelines on hazard 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 Cancellation Prior to Closing

The contract is subject to the Homebuyer qualifying for and executing the seller financing agreement on the subject property. If there is a change in the Homebuyer circumstances and the Homebuyer no longer qualifies for the transaction or the Homebuyer refuses to execute the final 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. TRHEEA will not assume a solar panel lien and/or make any payments on financed solar panels associated with the property. If a lease exists, it must be transferred to the applicant's name. The agreement must be reviewed to verify that no provisions impose obligations on the homeowner (TRHEEA). Lease payments are to be included in the applicant's monthly debt-to-income (DTI) ratio. Should the lease require recording, it must appear in third lien position or lower. If the lease will not be transferred, it must be fully satisfied—this may occur through closing—but the payoff must be reflected in the purchase contract to avoid being classified as an inducement to purchase.

3.17.6 Late Payments

Monthly housing payments (and additional monthly expenses) are due on the first (1st) day of the calendar month and late on the eighth (8th) day of the calendar month. This means that the Homebuyer has until the seventh (7th) of a given month to make a payment; if a payment is late, a penalty will be charged as set forth in the Customer Cost Disclosure.

3.17.7 Well & Septic/Agricultural Zoning

Follow FHA guidelines.

3.17.8 Social Security Number Validations

If the credit report shows multiple SSNs or any other SSN issue (such as a single SSN, but it's different from the Homebuyer's social security card), the Homebuyer's SSN must be validated.

This only applies to Homebuyers with a social security card and that don't have an ITIN.

3.17.9 Property Condition Disclosure

Arrive Home™ *recommends* the usage of a Property Condition Disclosure with all transactions, even in states that do not require a PCD. When present in a file, Tule River and Arrive Home™ must always receive a copy of this document prior to closing.

This document goes by different names in different states, but essentially is a record of the house's history and current condition, including as much detail as possible, recorded to the best of the seller's knowledge.

3.17.10 Concentration of FHA Financed Properties within Neighborhood Radius

Earned Equity Program transactions must comply with FHA guidelines related to property eligibility and the concentration of investment properties with FHA financing within a neighborhood radius. The below include some such requirements.

If the mortgage will be secured by an Investment Property (HUD considers EEP properties as investment transactions), including mortgages for governmental entities, the Homebuyer may not have a financial interest, regardless of the ownership or financing type, in more than seven (7) dwelling units within a two (2) block radius.

If the Homebuyer will own six (6) or more units within a two (2) block radius, a map must be provided disclosing the locations of the units as evidence of compliance with FHA's seven (7) unit limitation.

Arrive Home™ EEP underwriters will be monitoring this at the time of initial underwriting. Any property submitted that appears to breach the seven (7) unit restriction may be denied for the program. A condition will be added that the FHA DE/UW will be responsible to address and provide evidence that the property does not exceed the restrictions.

3.18 | RIKI™ Score

FormFree® is an industry leader as a provider for direct-source VOA (Verification of Assets) and VOI (Verification of Income) data. Using the patented Passport® product, Arrive Home™ has adopted this Alternative Data Intelligence technology to provide more inclusive credit decisioning by revealing each Homebuyer's true ability to repay.

Upon consent from the Homebuyer, the RIKI™ report uses an accounting method to analyze all available data through direct verification of the Homebuyer's asset statements. This method may be used to qualify the Homebuyer for the Earned Equity Program.

3.18.1 RIKI™ Report

The following information is an example of what is analyzed during the RIKI™ review:

- Days in the Month/Statement Cycle/Pattern of Statements Available
- Data Completeness
- Accounts Tracked
- Income Transactions
- Expense Transactions
- Total Income
- Total Expenses
- Discretionary Spending
- Adjusted Available Income
- Income/Expense Ratio
- Rent Verification
- Cash Flow Trending

Using RIKI™'s patented accounting technology, a range of RIKI™ Scores is provided that generate buying power, confidence and ability to repay accuracy.

3.18.2 RIKI™ Score Range (80-150)

- If your RIKI™ Score is above 120, your Homebuyer is approved. No further credit, income or asset underwriting is required.
- If your RIKI™ Score is between 100-119, your Homebuyer is approved, subject to further underwriting conditions.
- If your RIKI™ Score is between 80-99, your Homebuyer will most likely require a manual underwrite and a counter offer to the submitted purchase price.

RIKI™ Scores above 120 mean that your Homebuyer most likely has general payment shock at or below 150%, while maintaining an excellent measurement of cash flow. Your purchase price is approved without conditions. Your Homebuyer is approved without additional conditions.

RIKI™ Scores between 100-119 mean that your Homebuyer most likely has a payment shock at or around 200%, while maintaining an average measurement of cash flow. In this range, RIKI™ should approve the submitted purchase price, or you will see a price range with an above average confidence level that your Homebuyer has a sustained ability to repay. Your Homebuyer is most likely approved, subject to additional UW review to understand the complete picture of the Homebuyer's ability to repay.

RIKI™ Scores between 80-99 mean that your Homebuyer has an abnormally high payment shock, and/or a below average ability to maintain cash flow. Scores in this range also demonstrate a pattern of late payments and insufficient funds throughout the month to maintain average debt loads, as demonstrated by a history of deposits and expenses. In this

range, your submitted purchase price will not be approved and most likely a lower, counter offer of price ranges may be available. Your Homebuyer is not guaranteed an UW approval without a manual UW review by the Arrive Home™/TRHEEA team.

3.18.3 Implementing the RIKI™ Report

Please contact your Account Executive for more information on how you can implement the RIKI™ Report, by FormFree®. Once connected, all reports generated will be automatically delivered to your Arrive Home™ EEP Processor for a simple, easy-to-use system that takes the place of manual, complicated document uploads. Once received, your Homebuyer's credit decision will be delivered in less than twenty-four (24) hours.

3.19 | Exceptions

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

3.19.1 General Exception Requirements

Exceptions to guideline requirements are not permitted unless all of the following conditions are met:

- A clearly defined and documented compensating factor exists
- The exception is supported by verifiable documentation that directly addresses the associated risk
- The exception does not create layered risk that exceeds acceptable program tolerance

Standard: A maximum of one exception is allowed, per transaction.

Reserves: Generally, a minimum of 3 months of housing payment reserves will be required, and in some cases more reserves will be required, on a case-by-case basis.

Exceptions for Multiple Exceptions: Generally, multiple exceptions per transactions are not allowed. In some cases, when significant down payment is available (5%-10%), we'll review the request for multiple exceptions on a case-by-case basis.

Eligible Credit Exception Scenarios

Credit exceptions may be considered for:

- Credit score below 580
- Foreclosure
- Bankruptcy
- Thin credit history
- Limited or no trade lines
- Difficulty obtaining alternative trade lines

Required Compensating Factors (At Least One Required)

At least one of the following must be documented for a credit exception to be considered:

- Minimum of two (3) months of housing expense reserves, in addition to standard program requirements. More reserves may be required on a case-by-case basis.
- Extended, well-documented housing history (24–48 months) demonstrating consistent, on-time payments may be required on a case-by-case basis.
- Stable employment history (minimum of three (2) years in the same line of work)

Documentation Requirements

All exceptions must:

- Be clearly documented in the loan file
- Include a written justification outlining the rationale for approval
- Be supported by objective, verifiable documentation

Restrictions

- Exceptions are not permitted for unverifiable income, unverifiable housing history, or materially incomplete documentation
- Exceptions may not be used to bypass core eligibility requirements
- Subjective or undefined “reasonable equivalents” are not permitted

Approval Requirements

- All exceptions must be approved in accordance with internal escalation and approval requirements
- The level of approval must align with the level of risk associated with the exception

Underwriting Responsibility

The underwriter must clearly document the exception, supporting rationale, and all compensating factors in the loan file prior to approval.

3.19.2 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 (3) months of housing payment reserves are always required for DTI exceptions. More reserves may be required on a case-by-case basis.
- Some exceptions to this guideline may apply.
- **Generally, we will not approve a PTI / DTI combination of greater than 55% / 65%.**

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 Seller Financing Agreement provided by Tule River Homebuyer Earned Equity Agency and Arrive Home™.

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 homebuyers 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 homebuyer.

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 Seller Financing Agreement Document Corrections

Corrections to the note and mortgages (deeds) and all Seller Financing 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 homebuyer(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 monthly housing 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 in accordance with the FHA mortgage comply with all applicable federal, state, and local laws and disclosure requirements. Compliance requirements are generally different for government entity purchase transactions. Consult your compliance management team.

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

The lender must also ensure that all fees disclosed to the homebuyer, in accordance with the Homeownership Agreement are disclosed in a timely manner.

4.12.1 Collecting Customary and Reasonable Fees

The lender may charge the homebuyer 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 homebuyer.

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 homebuyer. The property tax value used for qualifying the homebuyer 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 homebuyer 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 homebuyer'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 homebuyer's monthly payment. We also understand that, in calculating closing figures, the unassessed value may be used to lower the homebuyer'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 homebuyer; 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 homebuyer’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.

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

4.18 | 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.

4.18.8 Homebuyer-Procured Insurance Exception

Homebuyers may procure HO3 insurance policies themselves if using the Homeownership Agreement and the Land Installment Contract (MD). HO3 policies are not eligible in the state of Virginia.

The following are required for a homebuyer-procured HO3 insurance policies:

- Policy must be written with minimum coverage equivalent to HO3 policy
- Insurance carrier must be rated appropriately according to the below credit rating agencies; exceptions are granted for state-backed insurance programs
- Homebuyer must be listed as primary or named insured
- Tule River Homebuyer Earned Equity Agency must be listed on the policy as additional insured
- Mortgagee must be listed accordingly
- RCE must be provided by the insurance company; for Florida properties, an insurance agent letter can be provided in lieu of RCE attesting the dwelling coverage amount on the policy meets or exceeds the replacement cost estimate
- Deductible must be no greater than
 - 5% for wind/hail
 - \$5,000 for all other perils
- Policy must contain coverage for personal liability
- A Property Insurance Disclosure must be completed and executed by homebuyer
- Insurance Carrier Ratings:
 - AM Best Company: “B” or better Financial Strength Rating
 - Demotech, Inc: “A” or better Financial Stability Rating
 - Kroll Bond Rating Agency: “BBB” or better Insurance Financial Strength Rating (IFSR)
 - S&P Global: “BBB” or better Insurer Financial Strength Rating

Send all HO3 requests to insurance@arrivehome.org.

Note: An insurer is only required to meet the rating category requirement for one of the rating agencies, even if they are rated by multiple rating agencies.

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 must ensure that the mortgage constitutes a first lien position. Any additional liens, if present, must be subordinate to the first lien and must not impair lien priority or enforceability.

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: 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™ generally does not allow the use of an interest credit on EEP transactions. Some exceptions may apply.

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 homebuyer 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 homebuyer(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 homebuyer’s signatures, as compared to the printed name on the

following documents, the homebuyer(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 homebuyer 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 homebuyer consented to the use of any electronic signature or disclosure.

Electronic signatures are acceptable on initial application documents, as well as the CCD and Homebuyer Cure Agreement. 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 and Final Closing Disclosure – FHA Mortgage
- If multiple CDs:
 - “Final”-marked FHA Mortgage 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 the gov’t entity version of the 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 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, 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

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. Trailing documents not received within the specified timeline after funding will incur a late document fee of \$25 per day until all required documents are received.

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, must be registered in Mortgage Electronic Registration Systems (MERS) in accordance with MERS guidelines. In addition, all mortgage loans, 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 homebuyer's or homebuyers' 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

6.2.1 MIN Numbers

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

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 (72728) 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 TRHEEA, 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

Monthly housing 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 housing 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

Tule River Homebuyer Earned Equity Agency (TRHEEA) is the homebuyer for the FHA mortgage portion of the EEP transaction; as such, TRHEEA will make payments on the FHA mortgage each month and an early payment default will never occur.

7.3.1 Seller Financing Agreement Early Payment Default

The Correspondent will not be required to repurchase the FHA mortgage part of the EEP transaction if the Homebuyer is in a situation comparable to an early payment default (EPD) with regards to payments on the seller financing agreement; or, in other words, if the Homebuyer is thirty (30) days or more delinquent on the first payment of the seller financing agreement, or if the Homebuyer is sixty (60) days or more delinquent on the second (2nd) through sixth (6th) payments, or if the Homebuyer 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.)

However, if there is evidence of fraud, misrepresentation, or improper underwriting (for fully delegated correspondents), the Correspondent will be responsible to indemnify Arrive Home™ for losses sustained in evicting the Homebuyer and reselling the home.

7.3.2 Seller Financing Agreement Early Payoff

In addition to the other obligations of the seller and the other remedies available to the purchaser under this agreement, if a mortgage loan is prepaid in full, other than by a refinancing by the purchaser, on or before making the seventh (7th) monthly payment (due to the purchaser or its assigns) following the closing date, the seller shall:

- refund to the purchaser the premium paid by the purchaser to the seller (the term “premium” shall mean the portion of the amount paid by purchaser to seller for the applicable mortgage loan that exceeds the principal balance of such mortgage loan); and,
- if a grant or gift has been provided through the purchaser in connection to the mortgage loan, the seller shall also refund the amount of the grant or gift.
- Any loan that is paid off within the first twelve months will be subject to heightened scrutiny. If it is determined that the transaction was investment-driven or part of a fix-and-flip model, we may take appropriate action, including ending our partnership with the originating loan officer or company.

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 homebuyer. 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 Homebuyer.

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 homebuyers must meet current applicable federal, state, local, and regulatory law requirements.

The Correspondent must issue all homebuyer 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 homebuyer(s) may call with questions
- Direct the homebuyer(s) to forward future payments to the servicing payment processing center (see Payment Processing address information below)
- Notify the homebuyer(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 homebuyer 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.

8 || Post-Closing

8.1 | Assumption of the FHA Mortgage on EEP Transactions

FHA loans require a qualified assumption, so until an EEP homebuyer has, at the bare minimum, a valid US work permit they will be ineligible to assume an FHA loan with only an ITIN.

8.1.1 FHA Mortgage Assumption Process

To assume a loan, the Homebuyer will reach out to Arrive Home™ to request the assumption. Arrive Home™ will connect the Homebuyer with the FHA loan servicer to begin the application process. To qualify, the Homebuyer will be required to provide credit, income, and asset information that meets FHA guidelines.

Once qualified for the assumption, the Homebuyer will pay the FHA assumption fee (currently capped at \$1,800) and any other third-party costs (title insurance, recordation, etc). There will be a payoff difference between the FHA 30-year amortized loan and the financing agreement's 40-year amortization; this amount can either be paid in cash or a second mortgage can be issued by TRHEEA for the balance owed.

Note: If the Homebuyer selects a second mortgage to cover the payoff difference between the FHA 30-year amortized loan and the financing agreement's 40-year amortization, the second mortgage will require monthly payments, be amortized over ten (10) years, and have an interest rate equal to the first mortgage note rate.

8.1.2 Advantages of Assuming the FHA Mortgage

The advantages of assuming a loan include lower closing costs, a streamlined process, and the Homebuyer receiving the existing, remaining amortization period (i.e. the loan is not recast). In addition, the Homebuyer's monthly payment will go down to the actual FHA payment (i.e. the monthly program servicing fee will no longer be applicable), but the Homebuyer will pick up a second mortgage payment if the payoff difference is financed with a second mortgage.

The Homebuyer will also be able to streamline the loan as any FHA homebuyer can, assuming interest rates permit.

8.2 | Transfer of Title

The Earned Equity Program allows and encourages program participants to achieve the goal of obtaining legal, title ownership and vested rights to the property. Program participants can take advantage of this at any time following the execution and closing of their homeownership agreement.

The following options are available should the program participant be interested and eligible.

8.2.1 FHA Assumption

An FHA Assumption allows the program participant to, once eligible, assume the unpaid principal balance of the FHA mortgage.

Eligibility:

- FHA loans require a qualified assumption: minimum eligibility for FHA financing is a valid work permit, legal residency

Process:

- Homebuyer contacts Arrive Home™ to request the assumption.
- Email: servicing@arrivehome.org or call: (844) 317-2750
- Arrive Home™ will connect the Homebuyer with the FHA loan servicer to begin the application process
- Master Servicer MAY require a purchase and sale agreement to be executed at the time of application; sales price will be unpaid principal balance transferred through the FHA Assumption
- Homebuyers will be required to provide credit, income, and asset information that
- meets FHA guidelines

Once qualified for the assumption, the Homebuyer will pay the FHA assumption fee (currently capped at \$1,800) and any other third-party costs (title insurance, recordation, etc). There will be a payoff difference between the FHA 30-year amortized loan and the financing agreement's 40-year amortization; this amount can either be paid in cash or a second mortgage can be issued by TRHEEA for the balance owed.

Note: If the Homebuyer selects a second mortgage to cover the payoff difference between the FHA 30-year amortized loan and the financing agreement's 40-year amortization, the second mortgage will require monthly payments, be amortized over ten (10) years, and have an interest rate equal to the first mortgage note rate.

8.2.2 Refinance

Program participants may be eligible to apply for a traditional refinance. This option will require equity in the home to meet applicable LTV (Loan to Value) requirements for the refinance. Eligible and interested applicants should reach out to their loan originators, or contact Servicing at Arrive Home for more information.

Eligibility:

- Contact your Mortgage Loan Originator for more information
- Eligible refinance options may require valid residency, or other qualifying characteristics
- Non-QM options may be available for ITINs

Process:

- Email servicing@arrivehome.org or call: (844) 317-2750 if interested.
- Servicing Representative will discuss available options and refer the applicant to a Mortgage Loan Originator,
- For traditional refinances, Arrive Home™ will provide a payoff demand of the full option price of the homeownership agreement or lease/long term purchase agreement to the participating lender.
- Upon closing, a release letter will be provided to the participant and title will transfer into the name of the applicant.

8.2.3 Purchase

Program participants may be eligible to purchase the property from Tule River Homebuyer Earned Equity Agency. This is a traditional purchase and sale agreement.

Eligibility:

- Traditional financing must be arranged by the participant independently
- All eligibility requirements as stated above must be met
- Financing for ITIN homebuyers may also be available
- Check with your Mortgage Loan Originator for more information

Process:

- Email servicing@arrivehome.org or call: (844) 317-2750 if interested.
- Servicing Representative will discuss available options and refer the applicant to a Mortgage Loan Originator and/or a participating RE Agent/Realtor, if necessary
- A fully executed Purchase and Sale Agreement—written with Tule River Homebuyer Earned Equity Agency as the SELLER—will be negotiated by the program

participant; initial Listing (Seller's) Agent will provide the offer to TRHEEA to execute

- Reasonable RE Commissions may be paid, provided all fees and terms, including the full option price, are covered by the proceeds from the sale
- Upon closing, a release letter will be provided to the participant and title will transfer into the name of the applicant

8.2.4 Sale of the Property (Mutual Agreement between Participant and TRHEEA)

Upon request, the participant may be eligible to mutually agree with TRHEEA to sell the property. Arrive Home™ will not allow the Participant to sell the property at a loss incurred to TRHEEA, so either the Participant will pay the difference or postpone the sale.

Eligibility:

A mutually agreed upon sale of the property requires that the program participant is:

- In good standing with the homeownership agreement or lease/long term purchase agreement.
- Current on all payments
- Legally entitled without encumbrances (non-spouse 3rd parties may not be eligible if added to the agreement after closing)

Process:

- Email servicing@arrivehome.org or call: (844) 317-2750 if interested
- Servicing Representatives are available to discuss the options and begin the process if eligible
- Participants may engage with a RE Agent/Realtor to begin the listing process, BUT the contract MUST BE EXECUTED BY TULE RIVER HOMEBUYER EARNED EQUITY AGENCY (TRHEEA); TRHEEA is the SELLER
- All applicable title fees, expenses (including realtor commissions and seller concessions negotiated) must be disclosed to Arrive Home™ PRIOR TO EXECUTING the purchase and sale agreement
- Once Arrive Home™ validates that there is enough equity in the sale to cover the full purchase option price/homeownership option cost, we will approve remaining proceeds to be distributed to the participant upon sale
- An independent appraisal and/or BPO (broker price opinion) may be ordered to ensure full market value is mutually agreed upon.™
- Upon closing, a release letter will be provided to the participant

- Proceeds of the sale of the home will be distributed to the participant after all purchase option expenses have been paid

8.2.5 Payoff of the Agreement

Program participants are eligible to pay off the agreement at any time.

Cash Payoffs: Cash payoffs without prepayment penalty can be made at any time during the duration of the agreement.

Completing the 40-year Term: A release letter and transfer of the title ownership of the property to the participant will be completed upon receipt of the final payment of the 40-year term.

8.2.6 Other Questions

Initial inquiries and requests to apply for assumption, refinance, purchase or sale should be sent in writing, or emailed to either of the following:

- servicing@arrivehome.org
- info@arrivehome.org.

Not all requests will be approved for all transfer of title transactions. Subject to certain limitations. All criteria listed here will be used to determine eligibility for the requests submitted.

8.3 | Addendum to Agreement

Arrive Home™ will consider, on a post-closing basis, applicant additions to the Lease/Long Term Purchase Agreement and Homeownership Agreement as Addendums to the Agreement.

Requests for Addendums to the Agreement will be considered when notifications are sent in writing, or emailed to:

- servicing@arrivehome.org
- info@arrivehome.org

Not all requests will be approved. The following criteria will be used to determine eligibility for the requests submitted.

8.3.1 Overview

Arrive Home™, in partnership with Tule River Homebuyer Earned Equity Agency, closes the Homeownership Agreements in conjunction with an FHA mortgage. The “Agreements” are prepared based upon the applicants submitted, underwritten and qualified at the time of closing. Occasionally, a program participant may choose to add a spouse, partner, next of kin, or other individual to the Agreement after the initial Agreement has been executed. This may be acceptable, provided we receive the following information:

- An LOE, signed/dated by the original applicant / program participant, explaining the reason for the request;
- Detailed explanation, signed and dated by the Addendum applicant, explaining the motivation for the addition to the Agreement and the living arrangement (occupant or non-occupant) and whether or not they will financially support the lease payment
- Photocopy of Addendum applicant’s identification; AND
- Contact information for the Addendum applicant;

Note: Requests for additions to the Agreement that are not from the primary buyer’s spouse, or relative, MAY REQUIRE additional due diligence prior to approving the request.

8.3.2 Processing

Once Servicing receives all documentation requested, the package is submitted to the Arrive™ Home EEP Closing Dept. Once approved, the Closing representative will generate the Addendum and coordinate with all parties to execute.

In addition:

- The Addendum DOES NOT need to be recorded with the county/title
- The Closing representative or Servicing representative must validate the contact information for the Addendum applicant prior to final approval
- Upon request, "Consent to Homeownership Agreement: is also available in lieu of the Addendum, for co-occupants or additional parties requesting legal consent only, rather than co-ownership considerations available under the Addendum

8.3.3 Agreements in Delinquent or Defaulted Status

If Addendum applications are requested on current agreements that are thirty (30) or more days delinquent, or otherwise in default, the specific case must be reviewed by Servicing for payment arrangements, workout plans, or other hardship plans. Agreement must be in good standing to process any Addendum applications.

9 || 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.

9.1 | 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

9.2 | Wiring Instructions (First Mortgages)

9.2.1 Forwarded Payments—Payment Clearing (Subject to change – consult with your Acct Executive)

Bank Name: Zions Bank

Attn: United Security Financial Corporation

Account #: 018034215

ABA Routing #: 124000054

9.2.2 Forwarded Payoffs—Payoff Clearing Beneficiary (Subject to change – consult with your Acct Executive)

Bank Name: Zions Bank

Attn: United Security Financial Corporation

Account #: 018034215

ABA Routing #: 124000054

9.2.3 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.

9.3 | Qualified Written Requests

9.3.1 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 (Subject to change-consult with your Acct Executive)

930 E 6600 S

Murray, UT 84121

9.4 | 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.

9.4.1 1st Mortgage Collateral Package Instructions

Southstar Bank

Document Custody Services

100 South Main Street

PO Box 37

Calvert, TX 77837

Endorsements/Allonges: All original collateral should be sent with a corresponding allonge, which may be sent blank. Originals require wet signature or stamped signature.

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.

9.4.2 1st Mortgage Bailee Letter Instructions

Southstar Bank

Document Custody Services

100 South Main Street

PO Box 37

Calvert, TX 77837

RIKI Underwriting Framework

RIKI Score Range (80–150)

RIKI utilizes direct-source verification of income and assets to assess a homebuyer's ability to repay.

Decision Framework:

- RIKI Score > 120

Homebuyer is approved. No further credit, income, or asset underwriting is required for qualification purposes. Standard documentation (income, credit, housing history) is still required to satisfy Ability-to-Repay (ATR) requirements prior to closing.

- RIKI Score 100–119

Homebuyer is approved subject to additional underwriting review. Traditional documentation must be reviewed to validate the homebuyer's overall credit profile and ability to repay.

- RIKI Score 80–99

Homebuyer requires manual underwriting. Loan terms, including purchase price, may require adjustment based on risk assessment. Full documentation is required, including compensating factors where applicable.

RIKI may be utilized when income calculation is inconclusive or there are concerns regarding income representation. It is not required for all transactions and may be used at underwriting discretion.

Bank Statement Program Clarification

The Bank Statement Only program is the primary income documentation method for the EEP program and is primarily intended for self-employed homebuyers.

Additional documentation may be required:

- Business License: Required when the existence of the homebuyer's business cannot be independently verified.
- Business Tax Returns: Required when the homebuyer has partial ownership in a business.

When analyzing bank statements:

- Non-income deposits must be excluded, including gift funds, transfers, and one-time deposits.
- Only recurring, verifiable income may be used.