Link

Program Overview & Matrix

Index:

1. Introduction

Trio's **Link** products provide consumers access to homeownership through an affordable long-term financing agreement. **Link** delivers yet another way for consumers otherwise unable to obtain affordable financing to access homeownership.

- Offers up to 96.5% financing up to FHA loan limits
- **Link** is a Financing Agreement providing the rights and privileges of homeownership via equitable title, similar to a standard mortgage and deed of trust
- Financial counseling and payment protection included
- Includes an underlying FHA 203(b) loan and is subject to HUD's FHA loan guidelines for final approval

2. Consumers that Benefit from the **Link** Financing Programs

- First time home buyers
- Self-employed
- 1099 and gig workers
- Relocation
- New job / income seasoning
- College graduates
- Student loans burdened
- Expat including ITIN/DACA
- Certain credit issues preventing mortgage approval
- Those in transition
- Down payment seasoning

3. How Does **Link** Work?*

- Lender uploads consumer application to **Link**'s automated underwriting system
    - If consumer is eligible, an email will be sent with qualifying details including maximum loan amount – if lender has delegated authority, it has immediate access to qualifying criteria
- Consumer shops for home with their Agent
- Agent or Lender uploads accepted contract to Trio
- Trio or lender prices the **Link** payment and issues related disclosures
- Trio accepts assignment and submits to its lender who then orders the appraisal
- Trio and its lender work together to clear both the **Link** Loan and FHA loan to close
- Consumer signs the **Link** closing package and pays required costs
    - **Link** agreement is signed a day before FHA closing
    - See Cash Required
- Lender issues FHA loan documents for the home purchase and Trio's team executes closing package
    - Closing is guaranteed provided:
        - Purchase price value is supported by the FHA appraisal
        - Purchase contract has been assigned properly
        - Title has been reviewed and accepted

        - Chain of title subject - no 90-day flips
    - LDP / GSA meets FHA requirements
    - Consumer meets and performs under **Link** Loan guidelines
- The transaction closes, the home is purchased, and the consumer moves in!
- **Link** financing agreement is delivered to Trio, and the FHA loan is sold to Master Servicer
- Master Servicer will service the **Link** transaction and underlying FHA loan

**Process may vary by lender depending on delegated status*

4. Link Fixed Rate Guidelines

Pre-Approvals	• For a **Link** pre-approval, submit an FNMA 3.4 file, credit report, and 1003 on Trio's website ○ If a delegated lender, submit FNMA 3.4 file through Trio AUS • Trio's system pulls a soft credit report from Equifax (FICO Classic v5) to determine qualification • One month's approved payment in reserves required at time of approval • All approvals are based on a 3.5% minimum down payment and 1% property tax rate • Escrow Holdbacks not allowed unless work is required on FHA appraisal and approved by lender and Trio
Eligible Applicants	• Maximum two applicants per financing • Background checks are required on all applicants before closing. ○ Applicants with convictions for dangerous crimes that pose a threat to safety of property and individuals, crimes related to fraud, crimes related to property damage, sexual offenders, and past evictions will be subject to denial of underwriting approval. ○ Contact Trio to review any such findings on a criminal background check. ○ Ordered by Trio or lender - varies by lender and delegated status **Eligible Applicants:** • U.S Citizens ○ Inter Vivos (Living) Trusts allowed ○ DACA recipients allowed • Non-U.S Citizens (no exceptions made on documentation needed below) ○ Lawful Permanent Residents ▪ Eligible with green card, requires a U.S. social security number ○ Non-Permanent Resident Aliens ▪ Eligible with proof of employment and Individual Taxpayer Identification Number (ITIN) **or** ▪ Eligible with U.S. social security card (if valid for work only with DHS authorization, Employment Authorization card also required) • Non-Occupant Co-Applicants ○ Must sign the loan documents as an additional guarantor ○ Income may be used for qualifying income ○ Occupancy is not required ○ Must have no interest in the transaction as a seller **Non-Eligible Applicants:** • Consumer(s) with diplomatic immunity
Occupancy	**Eligible Occupancy Use of Link Home:** • Primary residence • Second or vacation home allowed if only used for personal use

Not Eligible Occupancy Use of Link Home:

- Investment property
- No subletting or renting allowed – must be occupied by the applicant(s) only

Accepted Documentation

- Trio reserves the right to request further documentation and/or make further limitations as it deems appropriate
- If any documentation has low resolution, missing data, errors (such as misspelled names), altered text, or unusual formatting, Trio will request new copies

Credit Scores

Minimum Credit Scores

Applicant Type	Minimum Score
W2 Applicant	600 (no score accepted)
Self-Employed Applicant	660 (no score accepted)
Retaining Current Home	660
Home Price $750,000+	660

Credit Score Rate Tiers

- 600-639 (includes no score)
- 640-679
- 680+
    - **Link** interest rates are provided via rate sheet from correspondent leads
        - Use your company's FHA rate sheet to determine Link interest rate (match the rate to the applicant's credit tier above)

Applicants with No Credit Score

- No credit score is acceptable only if the following can be verified:
- One active tradeline (open for at least 12 months):
    - Must show on the credit report or credit supplement
    - Must not show any late payments in the last 12 months
    - Last payment must have been made within 90 days of credit pull

  <u>OR</u>

- One current utility bill paid on time for 12 months:
    - Accepted bills: auto insurance, internet, phone, electricity, water, sewer, trash, gas
    - Can be verified through:
  - Bank statements
  - Credit supplement
  - Rental ledger (if utilities are charged separately from rent)

Trio Credit Reports & Usage

- Trio pulls its own credit report for every applicant (soft credit report from Equifax - FICO Classic v5)
- Trio's credit report will always be used for calculating approvals
    - If there are two applicants, lower score is used for calculation
- If a duplicate application is submitted within 30 days, the original Trio credit report will be reused

How Credit Scores Are Used for Pricing

1. If Trio's Equifax report shows a score:
    - That score will be used for pricing (lower of the two scores used if multiple applicants)
2. If Trio's Equifax report shows no score, but lender's credit report shows a score:
    - Lender credit report must be dated within 30 days of contract upload
        - Trio will use the Equifax score from the lender's report
        - If no Equifax score is available, Trio will use the next best available score from the lender's report

Credit History & Debt Obligations

All debt obligations are per applicant (if tradelines are not joint)	
Standard Creditor	• Include minimum payment in debt obligations as listed on credit report • To omit reported debts, balance must be completely paid off prior to approval • Installment or auto loan with less than 10 payments left omitted
Tradelines	• At least 1 active & current tradeline for at least 12 months (see 'Credit Scores' section above for accepted alternate forms if no score or no credit history)
Student Loans	• If payment listed on credit, included in debt obligations • If deferred, payments not included in debt obligations
Tax Liens	• Must be in payment plan, settled, or discharged • If in payment plan, payment included in debt obligations
Charge-offs & Medical Debts	• Not included
Collections & Judgements	• No unpaid collections allowed (excluding medical collections) ○ Can be paid or settled prior to submission with proof ○ Payment plans allowed with supporting documentation; payment included in debt obligations
Delinquencies	• No delinquent accounts or late payments in last 12 months on any tradelines allowed
Bankruptcies, Foreclosures, & Short Sales	• No active bankruptcies, foreclosures, or short sales • Past bankruptcy, foreclosure, or short sale acceptable if: ○ Been discharged or resolved ○ Discharge/resolution reflected on the credit report
Overdrafts	• Bank statements cannot contain any overdrafts or overdraft fees

*Letter of explanation required for any negative items listed on credit report (i.e., late payments, collections, charge-offs, bankruptcies, etc.)

Approved Payment Calculation

How Trio Calculates the Maximum Approved Monthly Payment:

- To determine the maximum monthly payment an applicant can be approved for, **two different calculations are used** — and the **lower result** is what will be used as the approved payment.

1. PTI Ratio (42% max – see below for PTI modifiers, PTI ratio can be as low as 34%)
   Formula: 42%*monthly income
2. DTI Calculation
   Formula: (55%*monthly income)-monthly debt obligations

PTI Modifiers

Certain applicant situations require a **lower PTI limit** and/or a **maximum Loan-to-Value (LTV)** cap
The standard PTI cap is 42%, but in the following cases, it is reduced.

Applicant Scenario	**Max PTI**	**Max LTV**
Self-Employed or 1099 Income	38%	96.5%
Currently Owns a Home or Property (includes mobile homes and land) *Rental Income from property may be used in qualification*	38%	95%

Bankruptcy, Foreclosure or Short Sale within the Last 3 Years	38%	96.5%
No Credit Score (based on Trio's Equifax report)	38%	96.5%
Household Income ≤ $50,000	38%	96.5%
Payment Shock ≥ 200% (maximum approved monthly payment before payment shock is **2x or more** than current housing payment)	38%	96.5%
Payment Shock ≥ 400% (maximum approved monthly payment before payment shock is **4x or more** than current housing payment)	36%	96.5%
Combination of the Above	36% (or 34% if Payment Shock ≥ 400%)	96.5%

Identification

- Two forms of government-issued ID
    - One form must be a picture ID
    - If not a US Citizen or Permanent Resident, provide proof of ITIN documentation
    - Foreign government-issued IDs accepted
    - Expired identification not accepted

Housing History

Verification of 12 months of **<u>on-time</u>** housing payments required

<u>General Requirements:</u>

- **Not Accepted:**
    - Cash payments, money orders, and pictures of cancelled checks (even if documented through a landlord ledger or credit report)
    - Unresolved housing or utility collections
    - History of late payments, collections, or other rental violations in the most recent 12 months
    - Evictions in the most recent 24 months
- **Payments must be:**
    - Made on time according to lease terms
    - Free of late fees and without rolling balances
    - Verifiable through approved verification methods below
    - Clearly shown changing hands/transferring to another party

<u>Acceptable Verification Methods:</u>

1. Payment Ledger: provide the applicant(s) payment ledger from a verifiable online property management system

- **Accepted Systems Include** (not limited to):
    - Rent Manager, AppFolio, Yardi, Propertyware, OneSite
- **Not Accepted Systems:**
    - QuickBooks, Stessa, Landlord Studio
- **Additional Notes:**
    - Ledgers are cross-checked with income bank statements
    - If payments don't appear in uploaded statements, submit 3 additional recent statements
    - Trio may request verification of property management system if unclear from ledger

	2. Bank Statements: provide 12 months of bank statements showing rent payments • **Accepted payment forms:** ○ Checks ○ Mobile transfer services (e.g., Zelle, Venmo) • **Not Accepted:** ○ Cash receipts ○ Money orders ○ Pictures of cancelled checks **3. Credit Report Rent Tradeline**: tradeline on credit report shows 12+ months of history • **Credit Score 680+:** No additional documentation required • **Credit Score <680 (includes no score):** Requires 3 months of bank statements and a 5% minimum down payment **4. VOR/Credit Supplement Combined With 3 Months of Bank Statements** • **Credit Score 680+:** Requires 5% minimum down payment • **Credit Score <680 (includes no score):** Requires 10% minimum down payment **<u>Other Housing Scenarios:</u>** • **Related Party Housing History** ○ If two parties are listed on rental verification and will live in the new home, both must be on the application unless it is verifiable one paid the rent. ○ If only one will live in the new home, a signed letter of explanation is required; rent shock will apply to the applicant's portion only. ○ If two applicants have separate rental histories, documentation is required for both. • **Mortgage Housing History** ○ On-time mortgage payments shown via credit report or credit supplement for past 12 months ○ If home was paid off within last 2 years: ▪ Provide payoff documentation ▪ Show 12 months of on-time property tax/insurance payments ○ If home was paid off more than 2 years ago: ▪ Requires 10% minimum down payment ○ If home is pending sale or recently sold, proof of home sale required • **Lot Rent Housing History** ○ Lot rent is an accepted form of rental history with the following requirements ▪ 5% minimum down payment required (if retaining mobile home or trailer) ▪ Rent shock guidelines apply and are dependent on lot rent amount
Homeownership Counseling	• First time homebuyer class from eHome America https://www.ehomeamerica.org/thinktrio • Applicant to pay for course, required prior to close as part of UW - Estimated cost: $99 • 18-month minimum post-purchase counseling class is required with costs to be paid by the applicant at time of closing - Estimated cost: $270 ○ Post-purchase counseling may be waived with a credit score of 680 or greater and a 5% minimum down payment

Income

W2 Employee (2 months history required unless new employment)

- Most recent W2
- 2 months of most recent & consecutive paystubs
- 2 most recent bank statements verifying deposits (Verify full net amount of paystub is being deposited. If it's not, can only use amount deposited as qualifying income.)
- Should new cycle's paystubs or bank statements become available prior to closing, work number verification or lender-completed VOE accepted if dated within 15 days of closing
- **For new employment less than 2 months:** Employment letter, most recent paystub, & bank statement allowed

Income Calculation for W2

Gross Year-to-Date Income from Most Recent Pay Stub (dated within the last 30 days) / Number of Months in Current Year

Self-Employment, 1099, or Independent Contractor (3 months history required)

- Most recent year tax return & 1099 (if applicable)
    - Tax return must show SE/1099 income *except* where income is new since last tax filing and therefore has not been reported on tax returns or if income was below filing minimum
- Profit & Loss (P&L) Statements
    - Current year to date P&L and prior year to date P&L (if less than 6 months into the year)
    - CPA prepared, electronic accounting system prepared, or self-prepared accepted
- 3 Months Business Bank Statements
    - Personal bank statements also accepted if no business account exists
        - If 2 people are listed on personal bank statements and both receive income, both must be on application
- Third-party verification of business existence and good standing (i.e. CPA letter, business license/registration, etc.)

Income Calculation for Self-Employed/1099

Monthly Income = Total qualifying deposits (from bank statements) – Average monthly expenses (from P&L)

**Monthly income amount to be cross-checked with net monthly income from P&L(s) to verify calculation was accurate. If the net monthly income from P&L(s) is lower than the calculated Monthly Income above, use the net income from P&L(s) instead.*

Income Deposits:

- Deposits must be consistent and reasonable based on the applicant's profession
- If a large or unusual deposit appears, it must be supported with:
    - An invoice showing the source of payment, and
    - A letter of explanation
- Deposits that are transfers between accounts or refunds **cannot** be counted
- Deposits across multiple accounts are allowed, if each deposit is income-related and not duplicated (i.e., not the same income moved between accounts)

Expenses:

- Average the monthly expenses listed on the applicant 's P&L(s)
- Include all expenses on the P&L (including costs of goods and services)

Rental Income

- Signed lease agreement
- Proof of first month's rent or security deposit through bank statement
- May not be a related party

Awarded Income

- Child support, social security, retirement, and foster care income are accepted forms of awarded income
  - Documentation needed for **child support** income:
    - Award letter & two most recent bank statements showing deposits
    - Verification payment will continue for 3+ years after expected close date
  - Documentation needed for **social security** and **retirement** income:
    - Award letter & two most recent bank statements showing deposits
  - Documentation needed for **foster care** income:
    - Written verification of foster care payment from the organization providing it
    - Documentation showing 2-year history of providing foster care services and receiving foster care payment
    - Verification that services/payment will continue for 3+ years after expected close date

Maternity Leave

- Documentation from employer stating return to work date
- 2 months of paystubs prior to leave
- Proof of maternity pay
- Bank statements verifying deposits
- If no return date has been set, we will need to wait until they return to work

IHSS Income

- Most recent W2
- Written Verification of Employment covering most current 2 years
- 60 days of most recent & consecutive paystubs
- Two most recent bank statements verifying deposits

Reimbursement Funds/Stipends

- Not allowed as qualifying income

Other General Notes:

- No income limits
- All income to be reviewed by lender and then by Trio
- Income must be appropriate for described employment (utilize salary.com or other such resource to determine reasonableness for independent contractors)
- Bank statements cannot have any overdrafts in last 6 months

Cash Required

Proof of funds is required for all cash to close - this includes the down payment, applicable closing costs, and any required fees. Must be verified through liquid cash reflected in a checking or savings account.

Minimum Down Payment Requirements:

Standard Minimum Down Payment	3.5% down
Retaining Another Home or Property	5% down
Using VOR or Credit Supplement for Housing History	• Credit Score 680+: 5% down • Credit Score <680 (includes no score): 10% down
Home Price of $750,000 or More	10% down (subject to exception)

	Closing Costs: ○ FHA Closing Costs: ▪ Can be reduced by seller credit (up to 6% of the purchase price) ▪ Lender and title fees will vary by market and Master Servicer ○ Link Program Fees*: Servicing Fee, Home Payment Protection, Closing Fee, Program Fee, Signing & Notary, HOA Servicing, First Month's Payment *If delegated, refer to the correspondent rate sheet for details **Additional Requirements:** ○ No seasoning required ○ Must be in the form of liquid cash (checking or savings account) ○ May include earnest money and seller credit for the financed property ○ May be from gifted funds ▪ Grantor bank statement must be provided showing proof of gifted amount ▪ Letter from grantor stating funds do not need to be repaid ○ **Excluded**: cash value of life insurance, retirement assets, investment assets, employer pension plans, non-liquid assets
Loan Limits	• Minimum: $120,000 • Maximum: Up to the county area FHA loan limit ○ See $750,000 **home price** exception guideline in 'Cash Required' section above
Seller Credit	• Up to 6% per FHA limits
Agent Compensation	• Real Estate Agents receive full compensation as included in the PSA
Time to Close	• Standard lender closing timeframes, typically 30-40 days
Home Payment Protection Plan (HPP)	• Obtain a quote and enter the "Payment Due at Closing" amount into the **Link** Payment and Fee calculator https://www.appliedassurance.net/pricing-calculator ○ HPP is an annual premium with the first year paid as a part of the FHA loan closing with premiums included in the monthly payment. The HPP will continue throughout the duration of the Seller Financing Agreement. ○ Self-employed applicants are not eligible for two types of coverage: income reduction and job loss. A 20% discount on the standard rate is provided for self-employed households. If there are two applicants on the application and only one has self-employed income, a 10% discount on the standard rate will apply.
Contract Terms	• **Contract Type:** Seller Financing • **Term Length:** 40 years • **Fully Amortizing:** Yes • **Payments:** Monthly • **Due Date:** 1st, ACH required • See Contract and/or Explainer Videos for full details. ○ Contract Overview & Home Care & Living with Link ○ Videos are in English with Spanish subtitles available
Payment Info	• ACH is set up at closing for monthly payment to payment servicer ○ Taxes, Insurance and Mortgage Insurance are a direct passthrough from the FHA loan ○ Taxes and Insurance fluctuate throughout the life of the loan, similar to any mortgage • Costs covered on behalf of Link consumer (when they go unpaid) will be added to a separate ledger managed by Trio. Consumer remains obligated to repay these costs timely.

Prepayment Penalty & Payoff	- Consumers can refinance/purchase from equitable title into direct title by paying the contract in full (with no prepayment penalty) at any time. Any ***sale*** of the property is allowed only under the restrictions below: ○ Buyer is responsible for all costs and fees associated with the transfer of the Property ○ After 24 months selling is permitted with approval by Trio, subject to review to ensure sufficient proceeds will be available to complete the payoff and cover the costs to transfer the property ○ After 24 months a partial payoff may also be allowed. Trio will review on a case by case for exceptions & require proper documentation of the same
Number of Properties	- If the subject transaction is for a primary residence, there is no limit to the number of financed properties - If the subject transaction is for an additional home (second home), the number of financed properties is limited to 4, including the primary residence - 5% minimum down payment is required if the consumer currently owns a home and is retaining it
Link Title Insurance	Preferred title insurance for the FHA loan (policies underwritten by): - Westcor Land Title Insurance - First National Title Insurance - First American Title Insurance (Choctaw only) *Please note: Owner policies are preferred, but not required

5. Reserved

6. Property Guidelines*

*In addition to the guidelines below, lenders must follow FHA guidelines.

Eligible Locations	**Nationwide program, excluding the following:** ○ Alaska ○ New York City Metro Area (includes the 5 Boroughs) ○ Hudson county in New Jersey ○ Coastal counties in Florida along the Atlantic seaboard: ▪ Miami-Dade ▪ Broward ▪ Palm Beach ▪ St Lucie ▪ Martin ▪ Indian River ▪ Key West (**Note**: Key West is in Monroe County, but not all of Monroe County is excluded) ○ Properties located in flood zones: https://msc.fema.gov/portal/home **Service Location Requirements** ○ Property must be within 50 miles of a major metro market (population of 50,000+) with qualified inspection/maintenance provider ○ If property is outside of the service area and an exception is granted by Trio, an additional 2% minimum down payment is required from the consumer
Eligible Home Types	1. Single Family ○ Fee simple, single housing units ○ Factory-built housing (such as prefabricated, panelized, modular, or sectional housing) allowed if it assumes the characteristics of a site-built structure and meets local zoning and building codes 2. Condos ○ Must qualify for FHA financing ○ Warrantable condos and Planned Unit Developments are eligible ○ A Condo questionnaire is required ○ The Homeowners Association (HOA) must be reviewed and approved by legal to confirm eligibility (see 'Homeowners Associations (HOAs)' section below for more info) 3. Townhomes 4. Newly Built and Resale Homes 5. Manufactured Homes ○ Must be no older than 5 years ○ Must meet additional FHA guidelines **Additional Requirements:** • Must meet all FHA requirements and appraisal standards, including flipping rules • **Max Acreage**: 5 Acres ○ Lot size must be typical for the surrounding area • Rehabilitation Options ○ **FHA 203k < $7,500:** Must be approved by **Link** and must improve the value of the home to meet or exceed appraisal. Can be used to improve move-in homes to comply with minimum requirements deficient during inspection.

	○ **FHA 203k Renovation > $7,500:** Must be approved by **Link** and aimed at improving the value of the home with possible value gain. Construction must be coordinated and completed by a HUD approved local contractor.
Ineligible Home Types	• Mobile Homes • Homes located in flood zones • Leaseholds or homes where ground rent is in effect • Properties with resale or rental restrictions • Foreclosures or short sales • Less than 90 days since the previous sale (FHA flip)
Solar	• Solar Panels must be paid off in full prior to or at closing ○ Must supply documentation of paid in full satisfaction and include what company the solar panels are through
Homeowners Associations (HOAs)	HOAs must not contain rental, leasing, or resale restrictions. Verification required. **Required Documentation:** • HOA Letter of Authorization ○ Required for HOA monitoring service to ensure post-closing compliance on dues and restrictions • Trio's Seller Financing Disclosure for HOA document ○ If HOA will not sign, they can provide the CC&Rs showing no rental, leasing, or resale restrictions **Fees & Responsibilities:** • Trio HOA monitoring service - **Cost:** $325 • All HOA costs, dues, requirements are the responsibility of the consumer • Fees to join homeowner's associations are due from consumer at closing **HOA Reviews:** • Subject to review of Covenants, Conditions, and Restrictions (CC&Rs), homeowners' association documents, and financial reserves • Condos, Townhomes or Planned Unit Developments are subject to internal legal review with costs to be covered by the consumer
Home Condition Overview	To clear a property's condition for approval, four primary reports are required: 1. Home Inspection 2. FHA Appraisal 3. Roof Certification 4. Pest Inspection Supplemental reports may be required based on: • Findings noted in the primary reports (e.g., pest report reinspection, 1004D, etc). **Inspection Requirements:** • Inspections are required to be completed for all homes *except* new construction ○ Proof of payment required ○ Trio's signed acknowledgement form required on all transactions • Lender teams should review inspection report findings and remain prepared to respond and provide needed documentation should Trio request • Subject and neighboring properties must have a minimum standard curb appeal as determined by inspector, fit of property to neighborhood and subject to Trio's review

Appraisal Requirements:

- See condition rating details in ‘Appraisals’ section below
- Lender teams should review appraisal reports and remain prepared to respond and provide needed documentation should Trio request

Roof Certification Requirements:

- Roof certification is required if:
  - Property is older than 10 years
  - Appraisal condition rating is C3 or C4
- Must be from a qualified roofing company
- Roof must have a minimum remaining lifespan of 2+ years
- Proof of payment and photos may be submitted in lieu of a roof certification if the roof was replaced in the most recent 5 years. Documentation must be clear and verifiable with the company that did the installation.

Pest Inspection Requirements:

- Clean pest report required on all properties *except* new construction
  - If pest issues are found:
    - A reinspection is required confirming issues have been resolved
  - If non-pest issues are found: (i.e. moisture issues, wood rot, leaks, fungal growth, etc.)
    - Issues must be corrected and reinspected
    - Must comply with ‘Home Inspection Requirements’ listed in the section below

Home Inspection Requirements

The Home Inspection is a critical component of the home purchase process. Trio recommends using a qualified third-party inspector who is not related or affiliated with the seller or any real estate professionals. BPG inspection services is Trio’s preferred provider when and where available. The following guidelines are intended to assist the consumer. This list is *not exhaustive* in reviewing the property’s condition and risk but highlights key inspection criteria.

Required Repairs

Material & Major Defects (Must Be Corrected Prior to Closing)

1. Mold & Moisture

- No visible mold (including on surfaces)
- No condensation on windows, toilets, or pipes
- No water stains or standing water

2. Basement & Crawlspace

- No signs of moisture, standing water, or stains
- No major cracks, flaking, sagging, or structural decay

3. Structure & Exterior

- Proper grading and downspouts diverting water away from the structure
- No evidence of standing water
- No leaks related to septic or plumbing systems
- All external structures (sheds, decks, retaining walls) in good condition
- No termite damage or wood rot
- Straight and level fascia boards, sides, windows, and doorframes
- Foundation free of sagging, deterioration, or cracking
- Siding intact, free of cracks, decay, or looseness

- Masonry/stucco free of cracks

4. Roof

- No curling, cupping, broken/missing shingles, granule loss, mold, or decay
- Flashing must be properly secured
- Fascia and soffits free of decay or stains
- Vents and gutters clean and operable (not sealed or painted shut)
- Flat roofs must have no cracks, patches, silt deposits, or excess roof cement/tar, and blistering must be minimal
- Roof certification is required if:
    - Property is older than 10 years
    - Appraisal condition rating is C3 or C4
    - Certification must be from a qualified roofing company showing at least 2+ years of roof life remaining

5. Attic

- No stains or decay
- Properly installed insulation and ventilation
- No plumbing vents or open electrical splices terminating in attic

6. Electrical

- Wiring must be intact, secured, and in good condition
- No “knob and tube” wiring
- No exposed splices
- No open grounds; cables must be secured and protected

7. Mechanical Systems & Appliances

- All systems and appliances must be functional
- Remaining lifespan should be 5+ years
- Must support capacity of home for efficacy and efficiency
- Must be recently serviced before closing

8. Safety Features

- Smoke and carbon monoxide detectors must be installed and functioning

9. Pest Inspection

- Clear pest report required
- All pest-related issues must be resolved before closing

Minor Defects

May be repaired after closing, unless they:

- Present a safety hazard
- Are flagged in the appraisal or pest inspection
- Are required by local law or loan guidelines

Examples include:

- Secure and adequate railings, stair treads, and risers
- Driveways, patios, and walkways in good condition and properly sloped
- Minimum 6” clearance between ground and wood siding
- Gutters free of rust/decay and securely fastened with joints sealed and no sagging
- Chimneys must be straight, properly flashed, free of damage/cracks, and all mortar/cement must be in good condition
- All GFCIs in bathrooms and kitchens must be functional and grounded
- No aluminum wiring for branch circuits
- Air conditioner and water heater pans must be rust- and leak-free
- All filters recently replaced, and vents cleaned prior to closing

Appraisals

Lender Responsibilities:

- Review all appraisal reports thoroughly
- Be prepared to provide supporting documentation upon request from Trio
- Ensure there is a fully executed assignment or purchase contract in the entity's name to order FHA case number and appraisal.
- Appraisal must reflect fee simple

Condition Ratings Overview

Condition Rating	Action Required
C1 & C2	No further action or documentation required unless there are 'subject to' conditions. If so, then a 1004D is required.
C3 & C4	May require further action or documentation. If there are 'subject to' conditions, a 1004D is required. If other health and safety items have been identified in the inspection report or appraisal report, an action plan to resolve the items is required to obtain Clear to Close.
C5 & C6	Not eligible for financing – home needs to be repaired and re-appraised at a better rating to be reconsidered

Note: Repairs or damages called out by the home inspection, but not by the appraisal, are still required to be addressed if not in compliance with 'Home Inspection Requirements' above

1004D Form

- Required when the appraiser requests verification of repaired conditions
- Confirms the appraisal as "as-is" for final approval

Appraised Value Requirements

- Standard FHA appraisal forms must be used for all originations
- Appraised value must be equal to or greater than the purchase price
- If appraisal comes in below the purchase price:
  - Consumer may pay the difference in cash, or
  - Seller must reduce the purchase price to meet appraised value
- Sales price must agree with appraised value to avoid inflated sales prices for any given market
  - Review comparative market analysis or other standard industry metrics to ensure sales price aligns with market value – typically within 3% of value

Soft Markets

- Properties located in soft markets as determined by their respective HOC are subject to approval by Trio
- Soft markets include areas (as indicated on the appraisal) where:
  - The average real estate marketing period is over 6 months
  - There is a declining market or oversupply of homes
  - The area is less than 25% developed

Hazard Insurance	- Hazard insurance is provided and maintained via escrow on the property by the entity - Trio will assist with any hazard insurance claims subject to coverage and deductible policies
Renter's Insurance	- Consumer is responsible for obtaining and maintaining renter's insurance coverage throughout the **Link** term - Consumer is required to provide proof of coverage each year to loan servicer - Coverage must be $100,000 minimum liability
Home Warranty	- Home warranty is required and must be obtained by the consumer prior to closing - Consumer is responsible for renewing and maintaining home warranty coverage throughout the **Link** term - Builder warranties are acceptable for new construction if provided directly by the builder - For resale homes, warranty must be issued by an approved warranty provider such as First American, American Home Shield or another reputable provider **Special Feature Coverage** ○ If the property includes a pool or additional dwelling unit, warranty coverage extension must be included to cover such items ○ Coverage for septic systems (if applicable) or any other special features of the home is strongly recommended

7. FHA Mortgage Details*

Mortgage Type	• 30-year fixed rate mortgage with standard non-owner-occupied terms FHA 203(b) mortgage • FHA county loan limits apply
Consumer (Trio)	• The Trio designated Instrumentality of Government (IOG) entity must be reflected as the Consumer on the mortgage
Occupancy	• Non-owner occupied as an IOG with consumer terms and pricing
Purpose	• FHA purpose is to promote homeownership and access to credit as well as to lock in affordability and ability to assume a standard fixed rate loan
Interest Rate	• Par rate Periodically set by **Link** and Master Servicer.

*For further details, please contact your Master Servicer

8. Agency Partner Details

Cedar Band HFA	• Tax ID Number: 87-0893146 • States: AZ, CO, ID, MT, NM, NV, OR, UT, WA, WY • For Link Buyout Agreement, Ceder Band HFA is the agency partner for all states
Choctaw American Insurance, Inc.	• Tax ID Number: 87-1968327 • States: AL, AR, CA, CT, DC, DE, FL, GA, HI, IA, IL, IN, KS, KY, LA, MA, MD, MI, MN, MO, MS, NC, ND, NE, NH, NJ, NY, OH, OK, PA, RI, SC, SD, TN, VA, VT, WI, WV
IHFC TX	• Tax ID Number: 83-2778223 • State: TX

*Trio reserves the right to direct the lender to use either entity consumer at its sole discretion. Trio will not disrupt a transaction to do so unless absolutely necessary. Some lenders may have internal overlays for use of entity consumers, please verify with your team.

9. **Link** Closing Process*

- Entity IOG FHA loan balanced with final closing disclosure to be provided to Trio.
- Final consumer closing disclosure (delegated) and Schedule B including payment amount and cash to close amount for consumer
- Should the closing disclosure change, consumer funding must be updated and wired prior to closing
- For non-delegated, Trio will request the **Link** Loan contract package & notary appointment for the consumer
- Lender to provide/prepare FHA loan closing package with title & provide to Trio
- All **Link** transactions are closed via “Mail Away” or “Digital Delivery”
    - “Mail Away” = Closing documents are emailed to Trio for printing and signing, then Trio sends back to escrow via overnight delivery
    - “Digital Delivery” = Electronic closing documents and eNotary via approved electronic device
- BOTH loans must receive a Clear to Close (CTC)

    - The **Link** transaction can be scheduled to close once the final CD from the Purchase can be provided to Trio
    - The FHA loan can close once Trio has received Consumer funds from the closing of the Seller Financing Agreement (typically 1-2 days after)

**Process may vary by lender depending on delegated status*

10. FHA Closing Process

- **Link**'s administrators from Trio sign the FHA mortgage with **Link** internal notaries
- Recording occurs when escrow confirms funding has been received
- Keys are released to Consumer once closing is confirmed, and Consumer can move into their new home!
- No different than any other transaction after FHA closing occurs
- HBA process is different, see related supplement

11. Post-Closing

- Consumer makes a monthly payment direct to servicer via ACH (required)
- Consumer needs to set up HOA, utilities, etc. just like any other homeowner
- Consumer is responsible for maintenance and repairs as well as remaining compliant with any state, county, city, or homeowners' association requirements
- HOA & Utility Support - After closing, if consumer requires Government Entity permission to connect utilities or HOA accounts, please contact via email linkservicing@thinktrio.com

12. **Link** Home Buyout Agreement Supplement

The **Link** Home Buyout Agreement (HBA) is a 40-year home financing agreement providing equitable ownership and a seller-financed buyout program that is compliant with international Shariah standards. Under a **Link** Buyout Agreement, the home is first purchased by Trio from the original seller and then sold to the consumer through monthly payments over a 40-year term. **Link** Buyout Agreements are legally structured as seller financing agreements with each payment including a buyout amount and a risk premium/profit charge. **Link** Buyout Agreements do not charge interest however, an equivalency disclosure is provided with the signing package for US compliance purposes. The **Link** Buyout Agreement is a Shariah compliant Murabaha contract and certified under AAOIFI standards with annual audits provided by an international compliance firm. Certificates of compliance are provided with each HBA closing for consumer records.

*All **Link** program and property guidelines apply to the **Link** Buyout Agreement except for the changes listed below.

Contract Terms	**Contract Type:** 40-year home purchase contract **Payments**: Monthly **Due Date:** 1st, ACH required
Payment Info	• ACH is set up at closing for monthly payment to payment servicer. • Monthly Payment includes Buyout and Risk Premium, Program Servicing Charge (which is inclusive of the HPP Monthly Program Charge), Taxes, Insurance, and MI. ○ Taxes, Insurance and Mortgage Insurance are a direct passthrough from the FHA loan ○ Taxes and Insurance can fluctuate throughout the life of the loan, similar to any mortgage • Costs covered on behalf of consumer (when they go unpaid) will be added to a separate ledger managed by Trio. Consumer remains obligated to repay these costs timely.
Termination	• Consumer can purchase from equitable title into direct title
Cash Required	• Proof of funds for cash to close required ○ Down payment on FHA loan should be 3.5% down ○ Down payment on Link Buyout Agreement is minimum 10% of the Link Purchase Price • The Link Purchase Price is an adjusted amount of the real estate sales or contract price that incorporates closing costs required to be paid to purchase the property on behalf of the consumer (approximately 7.25% premium) • The Buyout Amount at closing is the Link Purchase Price minus the 10% down payment • In addition to the 10% down payment, the following Trio costs will also be required in cash to close – see correspondent rate sheet for amounts ▪ Link Closing Charge ▪ Link Program Charge ▪ Signing & Notary Charge ▪ HOA Servicing Charge (if applicable) ▪ Regional Closing Charge, if any. This charge captures any amount in excess of the FHA closing costs that are factored into the Link Purchase Price.
Agency Partner	Cedar Band HFA <u>only</u> • Tax ID Number: 87-0893146 • States: AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY