Earned Equity Program (EEP)

GENERAL	
Program Introduction	The Earned Equity Program (EEP) is a home-buying program that helps buyers—especially non-permanent resident aliens and self-employed workers turned down for standard loans—qualify for mortgages by using alternative criteria. A heavy emphasis is placed on the property/collateral. A governmental entity purchases the home and the borrower is financed using a separate financial agreement.
Homebuyer Eligibility	U.S. Citizens Permanent Resident Aliens Non-Permanent Resident Aliens, including ITIN, DACA, and Temporary Protected Status
General Terms	Loan Purpose: Purchase only Term: 30-Year Fixed Rate Loan Amount: Standard and High Balance. High Balance is available on a case-by-case basis with prior approval and subject to an additional Loan-Level Price Adjustment (LLPA).
Debt-to-Income (DTI)	Max 50% PTI (housing payment to income/housing ratio) Max 60% DTI (total debt to income) Exceptions may be considered with strong compensating factors
Program Fees & Cash to Close	Homebuyers must document sufficient cash/liquidity to consummate the transaction, including the following: • Sufficient down payment funds (minimum 3.5%) • Closing Costs, including title fees (per title fee sheet) • Loan Program/EEP fees (see below) • 1st Payment Due (lease/contract payment and taxes/insurance) The Homebuyer(s) is responsible for the following Loan Program/EEP program fees (paid to the governmental entity) at closing: • 0.5% of the Purchase Price - Homeownership Agreement Management Fee or Program Management Fee • $1,500 - Program Underwriting Fee • $250 - HOA Service Fee (if property is in a HOA) • $150 - Notary Fee • $100 Occupancy Agreement Security Deposit Fee - Refundable. Only applicable if the homebuyer is using a long-term purchase agreement for financing • Note: One (1) month contract/lease payment to be collected at closing
Real Estate Owned	A Homebuyer with additional real estate owned will be reviewed on a case-by-case basis and allowed by exception only. Contact your Account Executive for details.

Proposed Property Tax Calculation	When FHA guidelines allow property taxes to be calculated on unassessed land value (or without proposed assessments), you must qualify the borrower using one of the following two paths:
	• Path A: Qualify Using Unassessed Value (Requires Compensating Factors)
	    ○ Buyer Attestation: The homebuyer must sign an attestation acknowledging the impending tax increase.
	    ○ Debt-to-Income (DTI): The maximum allowable DTI is strictly capped at 43% to 50%.
	    ○ Asset Reserves: A minimum of 3 months of verified financial reserves is required.
	    ○ Underwriter Documentation: The underwriter must formally document the borrower's clear ability to repay.

	• Path B: Qualify Using Estimated Future Value (No Extra Restrictions) ○ Calculation Rule: Calculate the future qualification payment by applying the standard local mill or transfer rate to the higher, proposed fully-assessed property value.

Payment Shock	Payment shock is calculated on all transactions and is capped at a maximum of 225%.
	• Exceptions (Above 225%): If payment shock exceeds 225%, the loan may still be approved ONLY if the borrower has a minimum 640 credit score AND meets one of the following requirements:
	  ○ A maximum Debt-to-Income (DTI) ratio of 43% to 50%.
	  ○ A minimum of 3 months of verified financial reserves.
	• Exemptions: This policy does not apply to homebuyers who currently own their primary residence free and clear.

Additional Parties	Persons not on the Homeownership Agreement/Land Installment Contract, such as a spouse or family member, may be added to the lease/contract and memorandum recorded to title per agency and state guidelines.
Title Company	The title company for the transaction must be listed on the approved title list (see Exhibit A)
Homeowner Insurance	The Homeowner Insurance must either be procured from the lender or if using an outside agency, must meet the requirements listed in Exhibit B Maryland: Homebuyers may procure H03 insurance policies themselves if using the Homeownership Agreement and the Land Installment Contract (MD). Virginia: H03 policies are not eligible in the state of Virginia.
Exceptions Policy	• Standard Limit: A maximum of one exception is allowed per loan transaction. • Reserve Requirement: All exception requests require a minimum of 2 months of financial reserves (unless other program guidelines require a higher reserve amount). • Multiple Exceptions (High Down Payment): If the homebuyer puts down 10% or more, multiple exceptions may be reviewed on a case-by-case basis for approval.

COLLATERAL	
Property Eligibility	Eligible: • Single Family (attached and detached) • 2-Unit (attached and detached) • Planned Unit Development (PUD) • Condominium (FHA approved only, spot approval is ineligible) • Manufactured Home (Multi-Wide only) • Modular Home • Townhome

	Ineligible: • 3-4 Unit (attached and detached) • Condominium with Spot Approval • Cooperative/Co-Op • Mobile Home • Single-Wide Manufactured Home

Appraisal	• Appraiser must certify that the subject property meets FHA minimum property requirements; no health, safety or adverse conditions can be present
	• Subject property must not have commercial influence, be considered a "working farm," or have commercial agricultural income potential
	• If the appraisal is marked "subject to," a Completion Cert/1004D is required prior to close.
	• Appraisal must indicate the property condition as C1-C4
	  ○ If a C2, C3 or C4, the Home Inspection Report is required.
	  ○ If a C5, an exception would be required.
	• A Property Condition Disclosure (or equivalent) is recommended for all transactions
	• An Automated Valuation Model (AVM) is no longer required for every appraisal review but may be ordered in cases where our due diligence review indicates that the appraisal value for the subject property may be unsupported. Additional comps may be necessary based upon the AVM results.

Home Inspection	A home inspection is required prior to closing for all properties listed in C2-C5 condition (according to the FHA appraiser) and for properties built prior to 1978. Inspections must be performed by a licensed home inspector prior to closing. Inspection requirements include: • All health and safety items must be addressed and/or repaired, as required by the inspection • All major systems must be inspected, including HVAC, plumbing, electrical, appliances, siding, major fixtures, and flooring • Roof inspection (with a useful life expectancy of at least 10 years) • Smoke detectors and carbon monoxide systems must be tested and certified as operable per local building and health/safety codes • Septic systems must have separate septic inspections performed, and they must be pumped and inspected along with the drain field • If electrical tests are not performed, it must be confirmed that power meters are functioning and are not bypassed **Note:** Additional inspections may be required and will need to list the estimated cost of repairs. **Note:** A Certified Home Warranty must be obtained when a home inspection has been completed. This warranty is required for all properties where full inspections are performed.
Repairs	Minor defects are defined as faulty items that do not impact safety or structure and usually do not need a professional such as cosmetic issues, sticky doors, worn trim, or minor appliance glitches.

<table>
<tr><td></td><td>Major defects are defined as unsafe or broken systems and require a licensed professional to evaluate and fix. Some examples include gas/plumbing leaks, structural damage, electrical hazards, mold, or infestations.

The following issues whether noted by an appraiser or a home inspector must be fully repaired prior to closing:
Health & Safety
Any active health and safety hazard.
Smoke and Carbon Monoxide (CO2) detectors not up to local code.
Water & Moisture
Any presence of mold.
Unacceptable moisture levels.
Standing water, active water stains, or evidence of 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).
Pests
Any evidence of termite damage (requires full inspection and remedy).
Utilities
Dysfunctional components in private wells or septic systems.
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 performing or paying for any PTC repairs, they must prove they have the funds to cover them. These funds must be completely separate from their required down payment, closing costs, and financial reserves.</td></tr>
<tr><td>Post-Closing Repairs</td><td>Repairs may be completed after closing if they do not involve health and safety hazards, do not affect the main functionality of a system, and are not explicitly required to be fixed prior to closing (PTC). Eligible post-closing repairs include:
Doors & Windows: Minor repairs to doors, windows, or exterior structures where no major defect is cited.
HVAC & 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: Minor repairs to exterior fences or railings.
Pest Control: Treatment for minor, localized pest infestations.
Mold: Cosmetic mold issues (e.g., a small patch in a tub, shower, or sink area).</td></tr>
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	Approval & Deadlines: All deferred repairs are subject to Underwriter (UW) discretion and must be fully completed within 6 months of the closing date. Required Forms: The homebuyer must sign both the Property Inspection Acknowledgment / Attestation and the new 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

Roof	The following requirements must be met and fully repaired prior to closing:
	• Age Rule: Homes older than 10 years require a certified 5-year roof certification.
	• Mandatory Repairs (All Roof Types):
	    ○ Damaged shingles (including curling, cupping, or missing shingles).
	    ○ Cracks, holes, or active leaks.
	    ○ Damaged or improper flashing.
	• Home Warranty: If the program requires a home warranty, the policy must include a roof leak provision.

Electrical	All of 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 entirely).
	• Service Panels: Must have adequate capacity, be in serviceable condition, and show no signs of overheated fuses or breakers.
	• Safety & Codes: All identified electrical hazards and code violations must be remedied or properly permitted to meet local code.

State-Specific Requirements	Florida: • All properties require a Wind Mitigation Report and a 4-Point Inspection (roof, electrical, plumbing, HVAC); any noted unsatisfactory items must be fully repaired prior to closing. Texas: • Additional steps are required. Please contact your Account Executive for details. States Requiring Wood-Destroying Organism Inspection: • 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.
Renter's Insurance	Renter's insurance is recommended but is not required. If obtained, documentation must support the policy is paid in full prior to closing and the renter's insurance policy should include the following standard coverage: • Personal property, liability, and additional living expenses • Deductible should be standard for the policy, not to exceed $1,000. • Any additional coverages that are considered standard for the marketplace of the subject property

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 may be acceptable on a case-by-case basis only.

CREDIT	
Liabilities	Unless indicated otherwise in the guidelines, liabilities are evaluated per FHA 4000.1

Housing History	12-month housing history verification required (0x30)
	
	Additional requirements apply if a foreclosure is present
	
	No Housing History & Qualifying Tiers - Homebuyers are evaluated under one of three tiers based on their housing history & credit:
	• Tier 1: Documented Housing History (Standard)
	  ○ Must document the most recent 3 months of housing payments with a formal Verification of Rent (VOR).
	  ○ Minimum 580 credit score and a minimum of 2 months of financial reserves.
	• Tier 2: Undocumented Housing History (Restricted)
	  ○ Applicable if the Homebuyer cannot document 3 months of housing payments.
	  ○ Minimum 640 credit score and a minimum of 3 months of financial reserves.
	• Tier 3: Owned Free and Clear (Exempt)
	  ○ Homebuyers who owned their previous primary residence free and clear are fully exempt from these housing history and reserve restrictions.

Verification of Rent (VOR)	Twelve (12) months of documented payment history are required. History must show good standing: no prior evictions, no late payments (greater than 30 days), and no balances remaining upon termination of lease agreement.
	The following documentation is acceptable:
	• Fully completed VOR
	• Private Landlord/Private VOR; additional supporting documentation required unless one of the following guidelines is met:
	  ○ 40/50 DTI (or less); or
	  ○ 125% payment shock (or less) and
	  ○ 620 or greater Fico score
	• Renting from Relative: Canceled checks or bank statements
	
	Alternative methods of documenting housing history, including electronic payments (Venmo, Zelle, PayPal) are acceptable with a complete history documented.Cash payments can be verified by a VOR (even with a private landlord) if one of the following is provided:
	• Copies of cashier's checks for the most recent two (2) months
	• Three (3) months bank statements showing money going to the landlord

	Note: If the Homebuyer is unable to properly document the above, a minimum FICO score of 580 and two-months reserves will be required.

Credit Report	Homebuyers must have a tri-merged credit report with a minimum qualifying score of 580.
	• Standard Tradelines: The credit report must feature at least 2 active tradelines with a 24-month history.
	• Alternative Tradelines: If standard tradelines are unavailable, you may substitute them using the exact same criteria (2 accounts with a 24-month history). No exceptions are allowed outside of these four approved sources:
	    ○ Major Utility Bills
	    ○ Cell Phone Bills
	    ○ Cable Bills
	    ○ Medical Bills
	• Ineligible / No-Tradeline Fallback: If a Homebuyer cannot meet either the standard or alternative tradeline criteria, the transaction may still be approved ONLY if you document both of the following:
	    ○ A minimum of 24 months of verified housing history.
	    ○ A minimum of 3 months of verified reserves.

Derogatory Credit	Bankruptcy requirements: • Chapter 7: Eligible if discharged at time of closing • Chapter 13: Eligible if discharged OR if filed within 12 months of closing and documentation supports 0x30 payments since filing • **Note:** All bankruptcies must be recorded on the credit report. Foreclosure, Deed-in-Lieu, and Short Sale allowed if discharged or satisfied at least one (1) year prior to closing **Note:** All events must be recorded on the credit report.

INCOME	

Employment History	12 months of consistent employment history is preferred
	
	Employment history of less than 12 months may be acceptable with compensating factors
	
	New Employment History For homebuyers with no prior two-year work history who are brand new to the workforce, the following criteria must be met:
	• Eligible Pay Types: Homebuyer must be employed full-time and compensated via hourly or salaried rates only.
	• Mandatory Documentation: You must provide:
	    ○ A fully completed Written Verification of Employment (WVOE).
	    ○ The Homebuyer's most recent 2 months of consecutive pay stubs.
	• Commission Income Exception: Commission pay structures are not automatically eligible. They will be reviewed on a case-by-case basis and require the following compensating factors:

	○ A Debt-to-Income (DTI) ratio strictly under 43% to 50%. ○ A minimum of 2 months of verified financial reserves.
Income	• Income will be calculated according to FHA and mortgage industry standards, unless otherwise indicated in these guidelines • Eligible income includes, but is not limited to: ○ Wage Earner Income ○ Self-Employed Income ○ Bank Statement Only (see Bank Statement section for additional details) ○ Independent Contractor/1099 Employee Income ○ Asset Depletion ○ Asset Liquidity ○ Dividends and Interest ○ Rental Income ○ Individual Taxpayer Identification Number (ITIN) Income - Documentation that reflects a 3rd party SS# will not be accepted. To use W-2 wages for an Individual Taxpayer Identification Number (ITIN) borrower, you must provide the following documentation to prove stable income: ▪ Verification of Employment: A formal Verification of Employment (VOE) completed by the employer. ▪ Bank Statements: The most recent 3 months of bank statements prove consistent, matching payroll deposits. ▪ Tax History: The previous year's federal tax return to verify both filing status and the receipt of wages. ▪ Income Gross-Up Rule: If needed for qualifying purposes, net income may be grossed-up by 125% to calculate gross wages ▪ Exceptions to ITIN W2 Income Requirements: For individuals not able to provide the required documentation, exceptions may apply with a well documented LOE and may qualify for the traditional, bank statement only option. Contact your Account Executive for the income documentation requirements.
3- Month Bank Statement	***Self Employed Only Information*** While standard guidelines apply, underwriters have full discretion to require 6 or 12 months of complete bank statements if any of the following risk layers are present: • High Debt-to-Income (DTI): A DTI ratio exceeding 48% to 55%. • DTI Exceptions: Any formal request for a DTI guideline exception. • Payment Shock: A monthly housing payment increases exceeding 225% compared to current housing expenses. • Declining Assets: Bank statement deposit averages that decrease monthover-month. • Profile Discrepancies: A misalignment between the borrower's overall credit risk profile and the income stability presented in the application. Fixed Expense Ratio: • A 45% expense ratio required, regardless of business type

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Qualifying Income Calculation: Eligible deposits from the business bank statements are reduced by a 45% expense ratio, determining the qualifying income of the business
Evidence MAY BE required to provide the number of employees and business type

Tiered Expense Ratio

Eligible deposits from the bank statements are reduced by the expense ratio selected, determining the qualifying income of the business
Expense ratio is tiered, based on certain aspects of the borrower's business, including but not limited to the industry, number of employees, business type, business location, etc - see details below.

Business Type: Service Business (Offers Services)

Examples: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, IT, Sub-Contractor
Employees:
0: 10% Expense Ratio
2–5: 25% Expense Ratio
>5: 50% Expense Ratio

Business Type: Product Business (Sells Goods)

Examples: Retail, Food Services, Restaurant, Manufacturing, General Contracting, Construction
Employees:
0: 25% Expense Ratio
1–5: 35% Expense Ratio
>5: 55% Expense Ratio

Additional Note:
To be eligible for the tiered expense ratio option, buyers will be required to provide supporting documentation, including Articles of Incorporation, CPA letters, online/internet website
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<td>Foreign Income</td>
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To use foreign income for qualification, the transaction must meet the following five standards:

History & Continuity: Must show a stable, consistent two-year history of receipt. The underwriter must verify that the income is reasonably expected to continue for at least three years.
Employment Verification: You must provide:

The borrower's current, active employment contract.
A formal employer letter confirming ongoing, future employment.

U.S. Tax Returns: You must provide signed U.S. federal tax returns for the most recent two years reflecting the foreign income. (Note: If the borrower is self-employed, full business tax returns are also required).

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	• Currency Conversion: All income and financial figures must be converted to, and listed in, U.S. Dollars (USD).
	• Mandatory Documentation: All foreign documentation must be verifiable. The standard file must include:
	  ○ Recent pay stubs or earnings statements.
	  ○ Foreign tax returns and matching bank statements showing the deposits.
	  ○ Proof of valid work authorization (when applicable)

ASSETS	
Program Fees & Cash to Close	Homebuyers must document sufficient cash/liquidity to consummate the transaction, including the following: • Sufficient down payment funds (minimum 3.5%) • Closing Costs, including title fees (per title fee sheet) • Loan Program/EEP fees (see below) • 1st Payment Due (lease/contract payment and taxes/insurance) The Homebuyer(s) is responsible for the following Loan Program/EEP program fees (paid to the governmental entity) at closing: • 0.5% of Purchase Price - Homeownership Agreement Management Fee or Program Management Fee • $1,500 - Program Underwriting Fee • $250 -HOA Service Fee (if property is located in a HOA) • $150 - Notary Fee • $100 Occupancy Agreement Security Deposit Fee - Refundable. Only applicable if the homebuyer is using a long-term purchase agreement for financing • Note: One (1) month contract/lease payment to be collected at closing
Assets	Assets must be documented with two (2) months of bank statements (most recent), covering two (2) statement periods • Assets must be liquid at time of closing • Business assets and investment accounts may be eligible • Gift funds are acceptable for funds to close, but may not be used for reserves • An LOE may be required to certify the deposited funds did not come directly, or indirectly, from the seller, real estate agent, lender, or any other interested party to the transaction
Reserves	Additional reserves may be required to support an exception or meet certain program requirements, contact your Account Executive for more details

Exhibit A – Approved Title Companies

- Allegiance Title Company
- Alliant National Title Agency
- Alliant National Title Insurance Company
- American Home Title and Escrow Company
- American Security Title Insurance Company
- American Title Company of Houston
- Agents National Title Insurance Company (ANTIC)
- Apirra Abstract & Title
- Axxis Title Agency, LTD
- Canyon Title
- Capital Title of Texas, LLC
- Capital Title
- CATIC
- Central Title and Escrow, Inc.
- Core Title Company
- DHI Title Insurance Company
- DOMA Title Insurance Company
- Equity Title Company, A California Corporation
- First American Title Insurance Company
- First Integrity Title Company
- First National Title Insurance Agency
- First National Title Insurance Company
- First National Title Insurance
- Fist Option Mortgage, LLC
- First American Title Insurance Company
- Great American Title Agency
- Hollingshead Title & Escrow
- Investors Title Insurance Company

- Lake Area Title Services, Inc.
- Landmark Title Insurance Agency
- Lendmark Title Agency
- Lone Star Title Company
- Maryland First Title, LTD
- Mason Title & Escrow Company
- Maverick Title of Texas, LLC dba Texas Title
- Merit Title, LLC
- ORNTIC
- OS National LLC
- Paramount Title Agency
- Parkway Title LLC, a Georgia Limited Liability Company
- Placer Title
- Priority Settlement Group of Texas
- Providence Title Company
- Provident Title Company
- REALtech Title, LLC
- Saturn Title LLC
- Secured Title of Texas
- Security 1st Title
- SoCAL
- Superior Title & Escrow, LLC
- TEEMA Title & Escrow Agency, Inc
- Texas National Title (TNT)
- Title Resource Guaranty Company
- Tricor Title Company
- Trinity Title of Texas, LLC.
- Title of Texas
- Upward Title & Closing Texas LLC
- Velox Title and Escrow, Inc.
- Visionary Abstract Services, LLC

- Westcor
- WFG National Title Insurance Company
- Worth National Title Insurance Company
- WTJB, PLLC dba Byers and Taylor

Exhibit B – Homeowner Insurance Requirements

All HO3 policies are submitted to and reviewed by the governmental entity.

- Must be utilizing the Homeownership Agreement.
- Borrower must be listed as the named insured.
- Tule River Homebuyer Earned Equity Agency must be listed as the additional insured and include the address: 10885 S State St, Sandy UT 84070.
- The insurance carrier's credit rating must be provided. The carrier must meet the minimum rating category from one of the agencies listed below (State backed insurance programs may not have carrier ratings and thus would be exempt).
- The Replacement Cost Estimate (RCE) must be provided. In Florida this is not required but needs attestation from the insurance provider that coverage meets or exceeds replacement cost.
- Deductible must not be greater than $5,000.00 or 5% for wind/hail.
- Contact information for both broker and carrier must be provided.
- Policy coverage must cover the Replacement Cost Value (RCV), not Actual Cash Value (ACV) except for the roof. The roof ***may*** be ACV.
- Liability coverage of at least $100,000.00
- Borrower must execute the Property Insurance Disclosure.
- Insurance representative must execute the Insurance Provider Disclosure Acknowledgment

These are minimum standards and encourage the homebuyer to seek better coverage than these minimum guidelines.

Revisions Table

Date	Topic (effective immediately unless otherwise noted)	Page
2026.03.02	Deleted Second Lien Requirement Section	2
2026.08.03	Multiple sections were rearranged and some added for ease of use	All
2026.08.03	Proposed Property Tax Calculation – Clarified	2
2026.08.03	Payment Shock – Section/requirements added	2
2026.08.03	Exceptions Policy – Section/requirements added	2
2026.08.03	Automated Valuation Model (AVM) – Requirement removed	3
2026.08.03	Home Inspection – C2 & C3 now required	3
2026.08.03	Repairs – Minor and Major defined	3
2026.08.03	Repairs – Additional requirements added	4
2026.08.03	Post-Closing Repairs - Section/requirements added	4
2026.08.03	Roof – Section/requirements added	5
2026.08.03	Electrical - Section/requirements added	5
2026.08.03	State-Specific Requirements – Texas and Wood-Destroying Inspection requirements added	5
2026.08.03	Housing History – Requirements updated	7
2026.08.03	Employment History – New employment history requirements clarified	8
2026.08.03	Income – ITIN documentation clarified	9
2026.08.03	3-Month Bank Statement – Additional bank statements requirement clarified	9
2026.08.03	Foreign Income – Requirements added	10