

TRIO / LINK HOME INSPECTION REVIEW GUIDANCE

The home inspection is a critical part of the purchase process. Trio recommends using a qualified third party inspector not related to the seller or real estate professionals. BPG inspection services is Trio's preferred provider and understands our requirements. Please consult the attached property underwriting guidelines for our minimum requirements.

Buyers should be aware that many sellers may not know the actual condition of the home they are selling and thus may not adequately disclose deficiencies. Once the home purchase is closed, the Buyer is taking on the existing condition of their financed home. Although Trio's financing programs require home warranties and include hazard insurance, the Buyer should be aware that many deficiencies and future repairs may not be covered.

It is Trio's recommendation that the Buyer (at a minimum) address all deficient items flagged by the inspector that are health and safety issues as well as any items that could indicate water or electrical damage of any kind or that the plumbing, furnace / air conditioning systems could be at risk of failure. Pay particular attention to deficiencies noted for roof, foundation, siding, windows and site drainage as water damage is rarely covered by insurance.

All Buyer-inspector noted structural deficiencies should be reviewed by qualified professionals prior to accepting the home for financing.

Should the Buyer proceed without verifying completion of the repairs, the Buyer is accepting the deficiencies as part its ongoing obligations. By conducting any review, Trio is not taking on responsibility for items not noted, rather Trio is simply reviewing the inspection for its own diligence. Buyers should be engaged directly with their real estate professionals and home inspector on responses. Should the Buyer wish for Trio to review anything in particular, please email closings@thinktrio.com.

The following guidelines are intended to assist the Buyer address significant items of their inspection report that should likely be reviewed and repaired prior to closing. Trio recommends the Buyer use their judgement as well as the judgement of their real estate professional, engaged home inspector and other experts in making a final decision on whether to proceed with their home financing with the Seller's agreed upon remedies. The guidelines presented below are merely for generating the discussion between the Buyer and its local professionals and are not intended to be exhaustive.

INSPECTION GUIDELINES

Inspection Terminology

A material defect is a specific issue with a system or component of a residential property that may have a significant, adverse impact on the value of the property, or that poses an unreasonable risk to people.

A major defect is a condition of a system or component that renders it non-working, non-performing, non-functioning or unsafe, and requires a professional contractor to further evaluate and repair, correct or replace.

A minor defect is a condition of a system or component that renders it non-working, non-performing, or non-functioning, and may be repaired, corrected or replaced by a professional contractor or the homeowner.

A cosmetic defect is a superficial flaw or blemish in the appearance of a system or component that does not interfere with its safety or functionality.

Any repairs completed by Seller should be cleared by a reinspection or photos and paid invoice.

Any agreed upon post-closing repairs must be accepted by Buyer with signed LOE for the same.

Trio recommends that all Material Defects & Most Major Defects should be repaired prior to closing.

If any items in list below are identified on the third-party home inspection, Trio recommends they be repaired prior to closing as they can cause home warranty and hazard insurance coverage issues post-closing, leaving the Buyer open to liability and expensive repairs.

Exterior

- Proper grading and downspout drainage directed away from structure
- No evidence of standing water
- No leaks from septic tank or leech field (if applicable)
- Exterior structures (fences, sheds, decks, retaining walls, detached garages) in good condition, no evidence of termite damage or rotted wood
- Railings on stairs and decks are adequate and secure
- Driveways, sidewalks, patios, entrance landings in good condition, and pitched away from structure
- Adequate clearance between ground and wood siding materials (6" minimum); no wood-to-earth contact

Structure

- Ridge and fascia board lines appear straight and level
- Sides of house appear straight, not bowed or sagging
- Window and doorframes appear square (especially bowed windows)
- Visible foundation in good condition - appears straight, plumb, with no significant cracks
- Siding: no cracking, curling, loose, rot or decay
- Masonry veneers: no cracks in joints, no broken, spalling or flaking components
- Stucco: no large cracks (discuss all stucco cracks with a professional inspector)

Roof

- Composition shingles: no curling, no cupping, no loss of granulation particulate, no broken, damaged or missing shingles, no more than two layers of composite roofing
- Wood shingles or shakes: no mold, rot or decay, no cracked/broken/missing shingles, no curling
- Flat roofs: no obvious patches, no cracks or splits, minimal blisters/"alligatoring" and wrinkles, no silt deposits (indicates improper drainage), sealed tar at flashings
- Flashing around roof penetrations in good condition and attached properly.
- No evidence of excess roofing cement/tar/caulk
- Soffits and fascia: no decay, no stains
- Exterior venting for eave areas: vents are clean and not painted over
- Gutters: no decay or rust, joints sealed, attached securely to structure, no bending or sagging, no sections of gutter or downspout missing, gutters clean, no mud deposits

- Chimneys: straight, properly flashed, no evidence of damaged bricks or cracked joints, mortar/cement cap in good condition
- Roof certification is recommended providing a warranty from a local vendor should the roof be in question and the Buyer elect to continue with their financing

Attic

- No stains on underside of roofing, especially around roof penetrations
- No evidence of decay or damage to structure
- Sufficient insulation and properly installed insulation (moisture barrier installed closest to the heated area of the house)
- Adequate ventilation, clear path into attic for air entering through soffit vents, adequately sized gable end louvers, all mechanical ventilation operational
- No plumbing, exhaust or appliance vents terminating in attic
- No open electrical splices

Miscellaneous

- Smoke and carbon monoxide detectors where required by local ordinances and in working condition
- Stairway treads and risers where needed and in good condition
- Stair handrails where needed and in good condition

Electrical

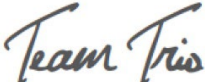
- Visible wiring: in good condition, no "knob-and-tube" wiring, no exposed splices, cables secured and protected
- Service panel: adequate capacity, all cables attached to panel with cable connectors; fuses or breakers are not overheating
- All GFCI in bathrooms and kitchens are working and adequately grounded; no open grounds
- No aluminum cable for branch circuits

Mechanical

- Inspect and test air conditioning unit, verify capacity to support sq ft of home
- Ensure filters for furnace are new or are replaced
- If roof mounted air conditioner, ensure pan is free from rust and leaks
- Ensure dryer vent is clean and or replaced prior to closing
- Furnace has adequate output to heat the home, consider HVAC service contract for maintenance

NOTE: The above is by no means intended to be an exhaustive or complete list. Each home is unique and requires local experts to advise the Buyer for recommended actions.

All the best,



Link Home Loan Property Underwriting Guidelines – Updated 07/15/2022

Property Types	<ul style="list-style-type: none"> • <u>Must Meet FHA Requirements, including FHA appraisal and professional inspection</u> • <u>Single Family:</u> Fee simple; single housing units; factory-built housing such as prefabricated, panelized, modular, or sectional housing okay as long as it assumes the characteristics of a site-built structure and meets local zoning and building codes; manufactured homes if built in the last 5 years. • <u>Condominiums:</u> Condo questionnaire required; warrantable condos, and Planned Unit Developments. Homeowners Association review must be completed and reviewed by legal to confirm eligibility • <u>Ineligible:</u> <ul style="list-style-type: none"> ○ Properties with resale or rental restrictions ○ Foreclosures and short sales ○ Manufactured homes older than 5 years, log homes, co-ops, mobile homes
Acreage	<ul style="list-style-type: none"> • <u>Minimum:</u> Lot size must be common for the area • <u>Maximum:</u> No acreage allowed in excess of 5 acres
Appraisals	<ul style="list-style-type: none"> • Standard FHA appraisal forms must be used for all originations and value be at least equal to the purchase price. If appraisal is below purchase price, borrower may contribute additional cash for the difference; otherwise seller must reduce the purchase price to conform • AVM / BPO must agree with appraisal – within 3% of value • <u>Soft Markets:</u> Loans secured by properties in an area where, as indicated on the appraisal, the average real estate marketing period is in excess of six months, where there is a declining market, an oversupply of housing, or in an area less than 25% developed, are considered soft markets and subject to approval by Link
Condos, Single Family with HOAs and Planned Urban Developments	<ul style="list-style-type: none"> • <u>Must not contain rental or resale restrictions</u> • <u>Condos and Single Family with HOAs:</u> Subject to review of homeowners' association documents and reserves. Exceptions on a case-by-case basis. Fees to join homeowners associations are due from borrower at closing. • <u>Planned Unit Developments:</u> Subject to review of covenants, conditions, and restrictions, homeowners' association documents, and reserves • <u>Legal Review:</u> Condos, townhomes or PUD's subject to internal legal review with costs to be covered by the borrower
Geographic Restrictions	<ul style="list-style-type: none"> • <u>Eligible States:</u> All markets where Link Loans are available • <u>Flood Zones:</u> Ineligible for homes located in flood zones or requiring flood insurance • <u>Service Location:</u> Must be within 50 miles of a major metro market (population of 50,000+) with qualified inspection / maintenance provider; if outside of service area and an exception is granted, 2% minimum required down payment is required from the customer.
Occupancy	<ul style="list-style-type: none"> • <u>Primary Residence:</u> Eligible • <u>Second or Vacation Home:</u> Eligible • <u>Investment:</u> Not Eligible
Property Characteristics	<ul style="list-style-type: none"> • <u>Resale Homes:</u> Homes must pass building inspection with preferred vendor BPG Inspections, a Fidelity Company. Any deferred maintenance should be completed by the Seller or have a signed commitment to be completed by the customer post-closing. • <u>Recent Renovations:</u> FHA guidelines for financing require a minimum of 90 days since the previous sale. See flipping rules in HUD's handbook. • <u>Inspection Requirements:</u> Must conclude 'good' to 'excellent' condition with minimal deferred maintenance as determined inspection company; waived on new construction. Should BPG Inspections not be available in the local market, a state qualified inspector may be substituted with comparable qualifications to BPG. • <u>Minimum Qualities of Resale Homes:</u> All major systems (electrical, HVAC, appliances, plumbing, water heater) must meet requirements for use over a 5 year or greater term. Inspection must document that the useful life of major systems, including HVAC, plumbing, electrical, appliances, roof, major fixtures and flooring are in 'good' condition or better and that the effective life is expected to be greater than 5 years.

	<ul style="list-style-type: none"> • <u>Rehab FHA 203k < \$7,500</u>: May include light rehab of up to \$7,500 under FHA 203k provided as improved value will meet or exceed appraisal. Ideally used to improve move-in homes to comply with minimum requirements deficient during inspection • <u>FHA 203k Renovation > \$7,500</u>: Must be approved by Link and provided to improve value with some value gain possible in addition to meeting as improved value. Construction must be coordinated and completed by a HUD approved local contractor • <u>Year Built Impacts</u>: Single Family –must pass inspection or qualify for light rehab of less than \$7,500. If older than 10 years, 203k may be utilized for core systems and light remodel. Condominiums, townhomes with HOAs reviewed for interior compliance including mechanical, plumbing, appliances, flooring and HOA adequacy for exterior. • <u>Recent Substantial Remodel</u>: Must be documented with proof such as construction permit or inspection documents from local permitting agency. Details of renovation must be documented by the lender. Building inspection must be completed to confirm that the homes major systems were replaced or are in 'new' condition. • <u>Property Minimums</u>: For homes older than 10 years, 5 year roof or valid roof certification, no significant plumbing, electrical, HVAC, sewage issues, 10% standard deviation from adjusted pricing from appraisal and AVM. • <u>Red Flags</u>: No high voltage lines, sewage treatment plants, industrial adjacent properties with significant impacts or potential impacts; noise factors including flight path, freeway or high traffic area, public nuisances, zoning proposals altering adjacent parcels to non-residential purposes; and flood plain designations are not allowed • <u>Street Appeal</u>: Subject and neighboring properties must have 'standard' to 'plus' appeal as determined by inspector; fit of property to neighborhood
Home Warranty	<ul style="list-style-type: none"> • <u>Builder</u>: Provided by builder on all new construction homes • <u>Resale</u>: Provided by approved warranty provider, First American, American Home Shield or similar • <u>Special Features</u>: If property contains a pool or additional dwelling unit, warranty extension must be included to cover such items. • <u>Term</u>: Coverage through the term of the Link Home Loan with annual renewal paid for by borrower
Valuation Analyst	<ul style="list-style-type: none"> • <u>Reports Completed</u>: In addition to FHA appraised value, at least 2 of the following must support the purchase price: Automated Valuation Model, Broker Price Opinion, Neighborhood Profile from Agent, Rent Range, CoreLogic HPI Validation (to be prepared by the agent).