AUS Non-Conforming Program Guidelines

Revised 5/7/2019 rev. 102

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Section 1 Program Summary

Plaza's AUS Non-Conforming loan program utilizes Desktop Underwriter (DU) findings for a more simplified origination of a non-conforming program. Conforming and non-conforming loans amounts from $100,000 to $3,000,000 are available. The AUS Non-Conforming program offers Fixed Rate and ARM fully amortized and Interest Only products.

Section 2 Product Codes

Product Codes and Loan Term			
Product Name	**Product Code**	**Loan Term**	**Available Term in Months**
AUS Non-Conforming 15 Year Fixed	NQDUF15	15 YR	180
AUS Non-Conforming 30 Year Fixed	NQDUF30	30 YR	360
AUS Non-Conforming 5/1 LIBOR ARM	NQDUA51	30 YR	360
AUS Non-Conforming 7/1 LIBOR ARM	NQDUA71	30 YR	360
AUS Non-Conforming 10/1 LIBOR ARM	NQDUA101	30 YR	360
AUS Non-Conforming 40 Year Fixed Interest Only	NQDUF40IO	40 YR	480
AUS Non-Conforming 10/1 LIBOR ARM Interest Only 40 Yr	NQDUA1040I	40 YR	480

Primary Residence Purchase and Rate/Term Refinance					
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount**	**Max DTI**
1-Unit SFR PUD Condo	95%[1]	95%[1]	680	$1,500,000	35%
	90%	90%	720	$3,000,000	45%
	90%	90%	680	$2,000,000	45%
	85%	85%	640	$2,000,000	45%
2-4 Units	85%	85%	720	$3,000,000	45%
	85%	85%	640	$2,000,000	45%

1. LTV/CLTV > 90%:
   - Non-occupant co-borrowers not allowed.
   - Maximum combined 1st and 2nd lien loan balance $1,500,000.

Primary Residence Cash-out Refinance						
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount**	**Max Cash-out**	**Max DTI**
1-Unit SFR PUD Condo	95%[1]	95%[1]	720	$1,500,000	$100,000	35%
	85%	85%	720	$3,000,000	$250,000	45%
	85%	85%	680	$2,000,000	$250,000	45%
	75%	75%	640	$2,000,000	$500,000	45%
2-4 Units	80%	80%	720	$3,000,000	$500,000	45%
	80%	80%	680	$2,000,000	$500,000	45%
	75%	75%	640	$2,000,000	$500,000	45%

1. LTV/CLTV > 85%:
   - Non-occupant co-borrowers not allowed.
   - Maximum combined 1st and 2nd lien loan balance $1,500,000.

Second Home Purchase and Rate/Term Refinance					
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount**	**Max DTI**
1-Unit SFR PUD Condo	85%	85%	720	$3,000,000	45%
	85%	85%	640	$2,000,000	45%

Second Home Cash-out Refinance						
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount**	**Max Cash-out**	**Max DTI**
1-Unit SFR PUD Condo	80%	80%	720	$3,000,000	$500,000	45%
	80%	80%	680	$2,000,000	$500,000	45%
	75%	75%	640	$2,000,000	$500,000	45%

Investment Property Purchase and Rate/Term Refinance					
Property Type[1]	LTV	CLTV	Credit Score	Loan Amount	Max DTI
1-Unit SFR PUD 2-4 Units	85%	85%	720	$3,000,000	45%
	85%	85%	640	$2,000,000	45%

1. Condominiums not allowed on investment property transactions.

Investment Property Cash-out Refinance						
Property Type[1]	LTV	CLTV	Credit Score	Loan Amount	Max Cash-out	Max DTI
1-Unit SFR PUD 2-4 Units	80%	80%	720	$3,000,000	$500,000	45%
	80%	80%	680	$2,000,000	$500,000	45%
	75%	75%	640	$2,000,000	$500,000	45%

1. Condominiums not allowed on investment property transactions.

Section 4 Occupancy

- Owner-occupied primary residence
- Second home
- Investment properties

Section 5 Transactions

- Purchase
- Rate/Term Refinance
- Cash-Out Refinance

Rate/Term Refinance:

The new loan amount is limited to the payoff of an existing first lien mortgage, any subordinate liens used to purchase the property, and closing costs and prepays.

- Cash to the borrower is limited to the lesser of 1% or $2,000.
- Properties currently listed for sale at time of loan application are not eligible for a rate/term refinance transaction.
- If the property was listed within the last 6 months, the following is required:
  - Maximum 80% LTV/CLTV
  - Proof of canceled listing prior to closing.
  - Acceptable letter of explanation from the borrower detailing the rationale for changing the intention to sell.

Cash-Out Refinance:

- The property must have been purchased by the borrower at least 6 months prior to the loan application.
- For properties purchased with cash within the last 6 months, refer to the Delayed Financing section below.
- There must be seasoning of at least 6 months since any prior financing or refinancing was obtained.
- Properties that have been listed for sale within the past 6 months of loan application are not eligible for a cash-out refinance transaction.
- Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens, and any cash in hand.

Delayed Purchase Refinance:

A Delayed Purchase Refinance is the refinance of a property purchased by the borrower for cash within 6 months of the current loan application date and requires the following:

- The LTV/CLTV is calculated based on the lesser of the purchase price or appraised value of the subject property.
- Loan is underwritten as a cash-out refinance for LTV/CLTV purposes and cash-out pricing applies.
- Owner-occupied primary residence and 2nd homes allowed.
- The CD from the original purchase must be provided. Documentation must show that no financing was obtained for the purchase of the property.
- Funds used to purchase the property must be fully documented and sourced and must be the borrower's own funds (no borrowed funds, no gift funds, no business funds, no retirement funds, no pledged assets).
- Reimbursement of business funds, funds secured by a pledged asset, or funds from the borrower's retirement account are not considered "borrower's cash" for the purposes of this Delayed Purchase Refinance program.

Loan-to-Value (LTV) Calculation:

- Cash-Out refinance:
  - If the borrower has less than 12 months ownership in the property, the LTV/CLTV is calculated on the lesser of the purchase price or appraised value.
  - If the borrower has owned the property for 12 months, the LTV/CLTV is based on the appraised value.
- Rate/Term refinance: The LTV/CLTV is based on the appraised value.

Continuity of Obligation:

Refinances must have continuity of obligation. When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements has been met. If continuity of obligation is not met, the following permissible exceptions are allowed:

- The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
  - Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months prior to the closing date of the new refinance transaction, or
  - Is related to the borrower on the mortgage being refinanced. Relatives are individuals related by blood, marriage, adoption, or legal guardianship. The definition also includes domestic partners and fiancés.
- The borrower on the new refinance transaction was added to title twenty-four (24) months or more prior to the closing date of the new refinance transaction.
- The borrower on the refinance inherited, or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership.
- The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:
  - Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer.
  - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the closing date of the new loan.

NOTE: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

Texas Section 50(a)(6) transactions: Not allowed.

New York Consolidation, Extension and Modification Agreement (CEMA): Not allowed.

Ineligible Transactions:

- Cash-out in the state Texas

Section 6 Property Flips

Flips are generally not allowed. Case-by-case exceptions may be granted in cases of inheritance, divorce settlement, employer relocation, lender REO or in cases with substantial documented improvements.

A flip transaction is a purchase transaction of a property that has been acquired within the last 180 days by the seller and is being sold for a quick profit.

Section 7 Identity of Interest

Non-arm's length transactions are not allowed.

A non-arm's length transaction is any transaction where there is a relationship or business affiliation between the borrower(s) and/or any parties in the transaction. If a direct relationship exists between any of the parties to a transaction, including the borrower/buyer, property seller, employer, lender, broker or appraiser, then the transaction will be considered non-arm's length.

Section 8 Loan Limits

Minimum loan amount: $100,000
Maximum loan amount: $3,000,000

Section 9 Subordinate Financing

Subordinate financing is allowed per the Credit Matrix with the following requirements/restrictions:

- Institutional financing only.
  - Certain employer sponsored second liens may be acceptable by exception.
- Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
- Full disclosure must be made on the existence of subordinate financing and the repayment terms.
- ATR/QM Final Rule repayment calculation method for simultaneous loans must be used.
- Acceptable Subordinate Financing Types:
  - Mortgages with regular payments that cover at least the interest due.
  - Mortgage terms that require interest at a market rate.
  - Seller subordinate financing not allowed.

Ineligible Subordinate Mortgages:

- Subordinate mortgages subject to an interest rate buydown plan.
- Subordinate mortgages that allow negative amortization.
- Subordinate mortgages that involved graduated or variable payments.
- Subordinate mortgages that have wraparound terms.
- Subordinate mortgages through a Community Second Mortgage/Down Payment Assistance Program.
- Subordinate mortgages held by the property seller.

- Any type of tax or judgment lien.

Section 10 Borrower Eligibility

Eligible Borrowers:

- U.S. citizens
- Permanent resident aliens
  - A copy of the Alien Registration Card is required.
- Inter Vivos Revocable Trusts – Refer to **Plaza's Living Trust Policy** requirements.
- Non-occupant co-borrowers

First-time Homeowners: Primary residences only

Ineligible Borrowers:

- Non-permanent resident aliens
- Partnerships, Limited Partnerships, Corporations and LLC's
- Non-Revocable Trusts
- Borrowers with Diplomatic Immunity
- Land Trusts
- Borrowers with only an ITIN (Individual Taxpayer Identification Number)
- Greater than 4 borrowers on one loan

Section 11 Underwriting Method

All loans must be processed through Desktop Underwriter (DU) and receive an Approve/Ineligible or Approve/Eligible finding. Approve/Ineligible findings should be based on loan amount and/or purpose/LTV/loan amount. Program requirements are listed in these program guidelines; for anything not addressed in these program guidelines refer to Fannie Mae guidelines.

Underwriters must complete the **Alternative Loan Analysis Form – FM-383** to ensure the loan is processed on the most appropriate program for the applicant.

All loans should contain an Ability to Repay (ATR) Borrower Attestation form signed by the borrower. Plaza's disclosures include an ATR Borrower Attestation form.

All loans must receive a second level approval. Clients should allow for extra time to receive second level approval prior to close. Plaza underwriters should refer to **Plaza's Non-conforming Underwriting Procedures** for second level review requirements and procedures.

Manual underwriting is not permitted.

Credit Standards:

A tri-merged credit report is required. Unless otherwise addressed below, Fannie Mae underwriting guidelines must be followed for evaluating a borrower's credit history. Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

Credit Scores:

- Minimum Credit Score: Refer to the **Program Matrix** in section 3.
- The lowest qualifying score of all applicants is used to qualify. The qualifying score is the lower of 2 or middle of 3 scores and must be reviewed for each borrower.

Trade Lines: Each borrower must have:

- 3 open and active trade lines:
  - 1 trade line reported for a minimum of 24 months
  - All trade lines must have activity within the last 12 months
  - At least one trade line must have a minimum $2,500 high credit limit

  OR
- 4 years of established credit history as follows:
  - At least 1 tradeline established over 4 years from the application date
  - At least 8 tradelines reported within the last 4 years (may be established less than 4 years)
  - At least 1 tradeline active in the last 12 months
  - At least 1 tradeline must be a mortgage tradeline (the same tradeline can meet the mortgage and active tradeline requirement if applicable)

Housing Payment History:

- 0 x 30 mortgage/rental delinquency in the past 12 months.
  - This applies to all mortgages and all borrowers on the loan.
  - Mortgages must be rated up to and including the month of the new loan closing.
- At least one borrower must have a fully documented, recent, consecutive, 12 month primary housing history with the exception of primary residences owned free and clear.
- For primary residence transactions, if the borrower's primary residence is owned free and clear for the most recent 12 months, the borrower's housing payment history for the primary residence will be considered acceptable, however the payment history on any other property must still be considered.

Bankruptcy:

- Chapter 7 bankruptcy: 4 years[1] from discharge date.
- Chapter 13 bankruptcy: 2 years[1] from discharge date. 4 years[1] from dismissal date.

Foreclosure: 7 years[1] from discharge date.

NOD / Short Sale/Short Payoff / Restructured or Modified Loan / Deed-in-Lieu: 4 years[1] from completion date.

Collections, Charge-offs, Judgments, Garnishments & Liens: Delinquent taxes, judgments, charged-off accounts, collection accounts, past-due accounts, tax liens, and anything that has the potential to affect title must be paid off at or prior to closing. Tax repayment plans must be paid off at or prior to closing.

1. Timeframes for measuring derogatory credit seasoning is based on the application date, not the note date.

Section 13 Income & Employment

Income must be documented per the DU findings certificate subject to any limitations listed within these guidelines.

Ineligible Income: Regardless of DU findings, the following are ineligible:

- Employment and income commencing after the note date.
- Non-employment related assets used for qualifying income.
    - Standard Fannie Mae employment related assets as qualifying income is allowed.
- Restricted Stock Units (RSU) income.
- Foreign Income

The following is required on all loans:

- **1003:** A completed and signed 1003 including a 2-year employment history is required for all borrowers.
- **4506-T/Tax Transcripts:**
    - A signed 4506-T for all years in which income was used in the underwriting decision is required.
    - Transcripts are required. The transcript requirement must match the documentation required by DU (e.g., if W-2 only income is used then W-2 transcripts are allowed).
- **Income/Employment:**
    - **Validated by DU:** When income and employment have been validated by DU, the DU findings along with Employment and Income Verification report is acceptable documentation.
    - **Not Validated by DU** (either DU Validation Services not utilized or DU is unable to validate income) If income and employment have not been validated by DU, standard documentation per the DU findings report is required.
- **Verbal Verification of Employment:**
    - **Employment Validated by DU:** DU employment validation obtained within 10 days of closing is acceptable to satisfy the VVOE requirement.
    - In all other situations and for all other employment verification methods, standard VVOE requirements apply.

When relying on DU validation services all Fannie Mae requirements must be met. Refer to the Fannie Mae Selling Guide for additional information.

Refer to the Employment and Income chapter in Plaza's **Credit Guidelines** for additional details.

Section 14 Qualifying Ratios

- Refer to the **Program Matrix** for maximum DTI. In no case can the DTI exceed 45%.
- **5/1 Fully Amortized ARM:** Qualify at the greater of the note rate plus 2% or the fully indexed rate.
- **Fixed Rate & 7/1 & 10/1 Fully Amortized ARM:** Qualify at the greater of the note rate or the fully indexed rate.
- **Interest Only:** Qualify on the PITIA based on the 30-year fully amortizing loan term after the IO period ends.

Section 15 Down Payment / Gifts / Assets

A minimum of 5% of occupant borrower's own funds is required.

- Gift funds are allowed after the borrower has contributed a minimum 5% of borrower's funds.
- Gift funds are not allowed on investment property transactions.

Eligible Assets and Documentation:

All required funds must be disclosed and documented.

- Two months' current and consecutive account statements from each bank, brokerage, mutual fund account, or investment portfolio covering a minimum of 60 consecutive days.
- Account statements must include the following information:
  - Borrower as the account holder
  - Account number
  - Time period covered
  - Current balance
  - Statement date
  - Name of the depository or investment institution
- The Borrower must explain any recent large deposits, newly opened accounts (within the last 90 days), or account balances that are considerably greater than the average balance over the previous few months. Any indications of borrowed funds must be investigated and the funds must be sourced.

Earnest Money Deposits:

- Copy of the Borrower's cancelled check and two months' bank statements, up to and including the date the check cleared, to evidence a sufficient average balance to support the amount of the earnest money deposit.
- Any large deposit to the account must be addressed in writing with supporting documentation.
- Verification that there are sufficient funds on deposit to cover the earnest money deposit and any other required funds to close.
- The canceled check or bank statement and the deposit receipt must agree with the Purchase Agreement. If additional earnest money deposits are made, an amendment to the original Purchase Agreement must be provided.

Business Funds:

- Business funds may be used for down payment, closing costs, or reserves.
- The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
- The individual federal income tax returns must be evaluated including, if applicable, the business federal income tax returns for that particular business.
- A Fannie Mae cash flow analysis must be provided using the most recent 3 months business bank statements to determine no negative impact to business based on withdrawal of funds.

Marketable Securities:

- Two most recent, consecutive months stock/securities account statements are required.
- Evidence of liquidation, including evidence of borrower receipt of funds, is required when funds are used for down payment or closing costs.
- 70% of the value of stock accounts can be considered in the calculation of assets available for reserves.
- Restricted stock subject to SEC rule 144 may be eligible subject to additional requirements.

Retirement Accounts:

- Most recent retirement account statement covering a minimum 2-month period.
- Evidence of liquidation is required when funds are used for down payment or closing costs.
- The following percentage of the vested amount may be used after reduction of any outstanding loans:
  - If the borrower is < 59.5 years old, 55% of the vested value of retirement accounts
  - If the borrower is ≥ 59.5 years old, 65% of the vested value of retirement accounts

- Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves.
- If the retirement account only allows withdrawals in connection with borrower's termination of employment, retirement or death, the vested funds may not be considered for reserves.

Section 16 Reserves

Reserve requirements are determined by DU.

Reserves must come from the borrower's own funds. Refer to the **Assets** section above for documentation requirements and any limitations on allowable assets.

Reserves for additional financed properties: Additional reserves are not required for additional financed properties.

Ineligible Assets for Reserves:

- Gift funds
- Proceeds from cash-out

Section 17 Interested Party Contributions

Occupancy	CLTV	Maximum Seller Contributions
Owner-Occupied and Second Home	> 90%	3%
	> 75% and ≤ 90%	6%
	≤ 75%	9%
Investment Properties	All LTVs	2%

Section 18 Property Eligibility

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- Condos (Fannie Mae Warrantable)
- 2-4 units

Ineligible Properties:

- Properties in declining markets
- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Model home leaseback
- Properties with a private transfer covenant
- Properties with age restrictions or with any other resale restrictions
- Properties with litigation
- Commercial properties
- Co-ops
- Condominium conversions less than three years from completion
- Condominiums that are Unwarrantable

- 2-4 unit condominium projects
- Condotels
- Log, earth or geodesic dome homes
- Geothermal homes
- Factory built housing including Modular Homes and Manufactured housing
- Mixed use
- Timeshares
- Unique properties
- Properties > 20 acres
- Rural property as defined by any of the following: per appraiser, rural zoned, on a gravel road, comps > 5 miles, < 25% of surrounding market developed
- Agriculturally zoned, Hobby farms, ranches, orchards
- Properties located on Indian/Native American tribal land

Section 19 Appraisal

All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). Appraisals on wholesale transactions must be ordered through a Plaza approved Appraisal Management Company (AMC).

- Appraisals with a Collateral Underwriter (CU) score > 2.5 will require a satisfactory CDA ordered by Plaza.
- Appraisals with a CU score <= 2.5 do not require a CDA.

Number of Appraisals:

- Loan amount < $1,500,000: 1 appraisal
- Loan amount > $1,500,000: 2 appraisals
- Loan amounts include the combined loan amount of this program and any concurrent Plaza second lien.

Transferred Appraisals: Transferred appraisals are allowed.

Section 20 Geographic Restrictions

Program specific geographic restrictions are identified below. Refer to Plaza's **Geographic State Restrictions** for general guidelines and restrictions.

Hawaii: Properties in Lava Flow Zones 1 and 2 are not allowed.

Texas: Cash out refinance transactions are not eligible.

Section 21 Max Financed Properties / Exposure

Primary Residence: There is no restriction on the number of financed properties.
Second Home or Investment Property: If the borrower has greater than 10 financed properties, the LTV is limited to 70%.

Maximum Loans/Maximum Exposure:

- A maximum of four Plaza loans are permitted to one borrower.

- A maximum of $4,000,000 combined loan amounts under the AUS Non-Conforming Program and Plaza's Second Lien program to one borrower.

Section 22 Mortgage Insurance

Not required.

Section 23 Repair Escrows

Not allowed.

Section 24 ARM Adjustments

<table>
<tr><th>Characteristic</th><th colspan="4">LIBOR ARM</th></tr>
<tr><td>Index</td><td colspan="4">LIBOR – The average of interbank offered rates for 1-year U.S. dollar-denominated deposits in the London market (LIBOR) as published in The Wall Street Journal.</td></tr>
<tr><td>Margin</td><td colspan="4">3.00%</td></tr>
<tr><td>Life Floor</td><td colspan="4">The floor is the margin</td></tr>
<tr><td rowspan="4">Interest Rate Caps</td><th>Product</th><th>First Adjustment</th><th>Subsequent Adjustments</th><th>Lifetime</th></tr>
<tr><td>5/1</td><td>2%</td><td>2%</td><td>5%</td></tr>
<tr><td>7/1</td><td>5%</td><td>2%</td><td>5%</td></tr>
<tr><td>10/1</td><td>5%</td><td>2%</td><td>5%</td></tr>
<tr><td rowspan="3">Change Date</td><td>5/1</td><td colspan="3">The first Change Date is the 60th payment due date. Subsequent Change Dates are every 12 months thereafter.</td></tr>
<tr><td>7/1</td><td colspan="3">The first Change Date is the 84th payment due date. Subsequent Change Dates are every 12 months thereafter.</td></tr>
<tr><td>10/1</td><td colspan="3">The first Change Date is the 120th payment due date. Subsequent Change Dates are every 12 months thereafter.</td></tr>
<tr><td>Assumability</td><td colspan="4">Assumable.</td></tr>
<tr><td>Conversion Option</td><td colspan="4">Not Available.</td></tr>
</table>

Section 25 Temporary Buydowns

Not allowed.

Section 26 Insurance

100% of the insurable value of the improvements with replacement cost coverage, as established by the property insurer, or the unpaid principal balance of the first and any subordinate mortgage.

Section 27 Other Requirements

Title: UCC filings (including solar), private transfer covenants, mechanics liens and other items that would impact title, marketability or foreclosure are not allowed.

Broker Required Disclosures: All broker and lender required disclosures are reviewed in the closed loan file. Plaza requires that brokers provide us with a full and complete loan file including all disclosures.

Escrows/Impounds: Unless prohibited by State law, all loans require escrow accounts to be established for the payment of taxes and insurance.

Higher Priced Mortgage Loans: Higher Priced Mortgage Loans may be allowed by exception with the following additional requirements:

- Regardless of LTV, loan must have an escrow account for a minimum of 5 years.
- Properties acquired by the seller within 180 days:
  - If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required.
  - If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20% then a second full appraisal is required.

High Cost: Federal, State and Local High Cost Loans are not permitted. Loans that meet the definition of "high cost," "high risk," "covered," "subprime," or any similar designation under state or local law are ineligible.

Points and Fees: Points and Fees must be less than 3%.

Title: UCC filings, private transfer covenants, or any other item affecting title are not allowed.

Section 28 Interest Only

Product Code	Interest Only Term	Amortized Term	Total Term	Fixed Period	Adjustable Period
NQDUF40IO	10 Years	30 Years	40 Years	30 Years	NA
NQDUA10140I	10 Years	30 Years	40 Years	10 Years	30 Years