



Converted One Time Close (OTC) Construction-To-Permanent Program Guidelines Correspondent

Initial 5/14/2019 rev. 100

Summary	Plaza will purchase Fannie Mae eligible converted one time close construction-to-permanent loans. All construction must be complete and the loan must be converted to permanent financing including any modifications to the note as required. All loans must meet Fannie Mae requirements.																														
Products	<table border="1"> <thead> <tr> <th>Product Name</th> <th>Product Code</th> </tr> </thead> <tbody> <tr> <td>Conforming 30 Year Fixed OTC Conversion</td> <td>CF300C</td> </tr> <tr> <td>Conforming 30 Year Fixed OTC Conversion High Balance</td> <td>CF300CHB</td> </tr> </tbody> </table>	Product Name	Product Code	Conforming 30 Year Fixed OTC Conversion	CF300C	Conforming 30 Year Fixed OTC Conversion High Balance	CF300CHB																								
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4506-T / Tax Transcripts	<ul style="list-style-type: none"> A signed 4506-T for all years in which income was used in the underwriting decision are required regardless of DU results; however, for FNMA eligible loans with all income validated using DU Validation Service, a 4506-T is not required. A 4506-T is always required for any income not validated using DU Validation Service. Tax / W-2 transcripts are only required in the following circumstances: <ul style="list-style-type: none"> qualifying income source is not solely from W-2 and/or fixed income reported on a 1099 handwritten pay stubs are used as verification of income commission is > 25% of income borrower(s) is employed by a family member there is a relationship between the parties: <ul style="list-style-type: none"> Borrower and Seller are related Borrower/Seller/Loan Originator are related Borrower is employed by the Third Party Originator Company 																														
Appraisal	<p>One full appraisal and 1004D is required.</p> <ul style="list-style-type: none"> The initial appraisal report must provide an "as completed" value that estimates the value of the property after completion of construction. At completion of construction an Appraisal Update and/or Completion Report (Form 1004D) is obtained. 																														
Borrower Eligibility	<p>Ineligible Borrowers:</p> <ul style="list-style-type: none"> Partnerships Corporations Guardianships Life Estates LLCs Non-Revocable Inter Vivos Trusts Foreign nationals Borrowers with diplomatic immunity 																														

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	<p>Social Security Number:</p> <ul style="list-style-type: none"> • Each borrower on the loan transaction must have a valid Social Security number. • ITIN (IRS Tax Identification Numbers) are not allowed.
Buydowns	Ineligible
Construction Term	The construction loan period may not exceed 12 months.
Conversion Documentation	<p>All construction work, including any work that could entitle a party to file a mechanics' or materialmen's lien, must be completed and paid for, and all mechanics' liens, materialmen's liens, and any other liens and claims that could become liens relating to the construction must be satisfied.</p> <p>Completion Documentation Required:</p> <ul style="list-style-type: none"> • A certificate of completion provided by the appraiser on a 1004D including a photograph of the completed property. • A certificate of occupancy or an equivalent form from the applicable government authority. <p>Loan Conversion Documents:</p> <p>The loan must be converted to permanent financing prior to delivery to Plaza. The construction loan is converted into a permanent mortgage by a construction loan rider that modifies Fannie Mae's uniform instrument that is used for the permanent mortgage. If any of the loan terms change then a loan modification agreement will be required.</p> <p>Option 1: Construction Loan Rider</p> <ul style="list-style-type: none"> • The rider must state the construction loan terms • The construction-related provisions of the rider must become null and void at the end of the construction period • If the construction is completed sooner or later than originally anticipated the rider and the accompanying uniform instrument must be amended to provide the new dates on which amortization for the permanent mortgage will begin and end. The amended rider and uniform instrument will need to be recorded at time of conversion. • The first payment date must be no later than two months from the date of conversion to permanent financing. • Fannie Mae Form 3737. <p>Option 2: Loan Modification</p> <p>Only the following loan terms may be modified. Changes to any other loan terms will require a two-closing transaction.</p> <ul style="list-style-type: none"> • Interest rate • Loan amount (permitted only as necessary to cover documented increased costs of construction of the property) • Loan term • Amortization type only if changing from an adjustable rate to a fixed rate. • Fannie Mae Form 3179.
Credit	<p>Qualifying Credit Score:</p> <ul style="list-style-type: none"> • A tri-merge credit report is required. • The qualifying score is the lower of two or the middle of three scores. • The lowest qualifying score of all applicants is used to qualify. • At least one borrower must have a valid credit score.
Disaster Policy	Refer to Plaza's Natural Disaster Policy for requirements.
Employment Contracts	Plaza only allows Fannie Mae's Option 2. Refer to Fannie Mae's Selling Guide B3-3.1-09 Employment Offers or Contracts .
Flood Insurance	When flood insurance is required, an escrow account must be established for flood insurance premiums.
Geographic Restrictions	<p>Hawaii: Properties in Lava Flow Zone 1 and 2 are not allowed.</p> <p>Texas: TX 50(a)(6) transactions are not eligible.</p> <p>West Virginia: Delegated deliveries only.</p>
Ineligible	<ul style="list-style-type: none"> • Borrower may not act as an interested party to a sales transaction for the subject if the builder and/or property seller is a company owned by the borrower or where the borrower is a principal agent, sales agent, loan originator, mortgage broker or partner for the builder or property seller. • Realtor/loan broker acting as the listing agent as well as the mortgage originator/broker.

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	<ul style="list-style-type: none"> • Borrower is a principal of the title company and/or settlement agent for the subject transaction. • Second Homes where the borrower has a relationship or business affiliation with the builder, developer, or seller of the property.
Loan Limits	<p>Standard conforming and High Balance loan limits.</p> <p>The original construction loan amount at time of initial closing (construction) and the final loan amount delivered to Plaza must meet the Fannie Mae loan limits in effect at the time of each event.</p>
Maximum Loans	A maximum of four Plaza loans is permitted to one borrower.
Mortgage Insurance	<ul style="list-style-type: none"> • Standard MI coverage is required regardless of AUS findings; custom or reduced MI is not eligible. • Lender Paid Monthly, Borrower Paid Annual and Lender Paid Annual premium mortgage insurance is not eligible.
Property Eligibility	<p>Eligible Properties:</p> <ul style="list-style-type: none"> • Detached SFRs • Detached PUDs • Detached Condos <p>Ineligible Properties:</p> <ul style="list-style-type: none"> • Attached properties • 2-4 unit properties • Manufactured Housing • Co-ops • Commercial properties • Condotels • Geodesic dome homes • Geothermal homes • Mobile homes • Non-warrantable condos • Timeshares • Working farms, ranches, orchards • Properties with C6 quality rating • Properties with C5 or C6 condition rating • Properties secured with PACE obligations or PACE like assessments
Repair Escrows	Not allowed. All work must be completed.
Texas Home Equity	Texas Section 50(a)(6) transactions are not eligible.
Title Insurance	<p>In addition to standard title insurance requirements, the following applies:</p> <ul style="list-style-type: none"> • A title update or endorsement is required at time of conversion that extends the effective date of coverage to the date of conversion. • If the loan is modified and the loan amount increases, an endorsement to the title insurance policy is required. The endorsement must: <ul style="list-style-type: none"> ○ extend the effective date of the coverage to the date of the recording of the modification agreement ○ increase the amount of the policy to the modified loan amount ○ confirm that the lien of the mortgage, as modified, continues to be a first lien
Transactions	<p>Purchase:</p> <ul style="list-style-type: none"> • The borrower is not the owner of record of the lot at the time of the first advance of interim construction financing. • LTV: Divide the loan amount by the lesser of the purchase price (sum of the cost of construction and the sales price of the lot), or the “as completed” appraised value of the property (the lot and improvements). <p>Rate/Term Refinance:</p> <ul style="list-style-type: none"> • The borrower is the owner of record of the lot at the time of the first advance of interim construction financing. • LTV: Divide the loan amount by the “as completed” appraised value of the property (the lot and improvements). <p>Cash-out Refinance: Ineligible</p>

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<p>Underwriting Method</p>	<ul style="list-style-type: none"> • DU Approve/Eligible findings required • All loans must meet Fannie Mae eligibility requirements • Manual Underwriting is not permitted <p>Loans are underwritten at the time of the initial construction closing based on the terms of the permanent mortgage. Re-underwriting at the time of conversion to permanent financing is not always required. If re-underwriting is required, the file must include updated credit documents, re-submission to DU and an appraisal update.</p> <p>Re-underwriting at time of conversion to permanent financing is required in the following situations:</p> <ul style="list-style-type: none"> • LTV/CLTV/HCLTV > 70% • FICO <700 • Loan Modifications (except for the exceptions listed below) <ul style="list-style-type: none"> ○ Interest rate changes that cause the DTI to increase less than 3 percentage points AND not exceed 45% DTI do not require resubmission. ○ Refinance loan amount increases up to \$500 or 1% of the original loan amount, whichever is less, do not require resubmission. ○ Refinance loan amount decreases up to 5% of the original loan amount do not require resubmission. • Purchase loan amount changes must always be resubmitted to DU. • If the new LTV/CLTV results in changes to the amount of required mortgage insurance coverage, different loan-level price adjustments, or loan eligibility, the loan must be re-submitted to DU. <p>Special Feature Code (SFC) 151 is required</p>
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