High Balance Access Program Guidelines
Correspondent

Revised 6/11/2019 rev. 101

Summary

Plaza's High Balance Access program utilizes Desktop Underwriter (DU) findings and offers loan amounts up to the FHFA maximum loan amount for properties that receive DU Approve/Ineligible findings based on the property location.

All High Balance Access loans must be Qualified Mortgages (QM) and within the QM Safe Harbor. High Balance Access loans that are Higher Priced Mortgage Loans (HPML), non-QM, or that are QM with Rebuttable Presumption are not eligible.

Products

Product Name	Product Code
High Balance Access 30 Year Fixed	HBAJF30

Eligibility Matrix

Primary Residence — Purchase and Rate/Term Refinance

Property Type	LTV/CLTV	Credit Score	Minimum Loan Amount[2]	Maximum Loan Amount	DTI
1-Unit/PUD Condo	Purchase - 90%[1]	700	$484,351	$726,525	43%
	Rate/Term - 80%	680			
2 Units	75%	700	$620,201		

1. LTV > 80% eligible for purchases only. Max rate/term refinance LTV 80%.
2. Minimum loan amount must be greater than the FHFA loan amount based on the property type and location.

Primary Residence — Cash-Out Refinance

Property Type[1]	LTV/CLTV	Credit Score	Minimum Loan Amount[2]	Maximum Loan Amount	DTI
1-Unit/PUD Condo	75%	700	$484,351	$726,525	43%

1. 2-units not eligible for cash-out.
2. Minimum loan amount must be greater than the FHFA loan amount based on the property type and location.

Second Home — Purchase and Rate/Term Refinance

Property Type[1]	LTV/CLTV	Credit Score	Minimum Loan Amount[2]	Maximum Loan Amount	DTI
1-Unit/PUD Condo	80%	680	$484,351	$726,525	43%

1. 2-units not eligible as second home.
2. Minimum loan amount must be greater than the FHFA loan amount based on the property type and location.

Second Home — Cash-Out Refinance

Property Type[1]	LTV/CLTV	Credit Score	Minimum Loan Amount[2]	Maximum Loan Amount	DTI
1-Unit/PUD Condo	75%	720	$484,351	$726,525	43%

1. 2-units not eligible for cash out.
2. Minimum loan amount must be greater than the FHFA loan amount based on the property type and location.

4506-T / Tax Transcripts

A signed 4506-T and tax transcripts are required for all years in which income was used in the underwriting decision. The tax transcripts must be obtained from the IRS prior to closing.

- Regardless of the type of income used to qualify, complete tax return transcripts are required for all transactions. W-2 only transcripts are not sufficient.
- For self-employed borrowers, the 4506-T and transcript requirement applies to both personal and

	business returns (for businesses where the borrower has 25% or more ownership and the income from the business is being used to qualify).

Appraisal	• One full appraisal is required. PIWs are not eligible.
	• All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR).
	    o Appraisals with a Collateral Underwriter (CU) score > 2.5 will require a satisfactory CDA ordered by Plaza
	    o Appraisals with a Collateral Underwriter (CU) score <= 2.5 do not require a CDA
	• Transferred appraisals are allowed.

ARM Adjustments	Not applicable

Borrower Eligibility	**Eligible Borrowers:**
	• U.S. citizens
	• Permanent resident aliens:
	    o An Alien Registration Card or other acceptable documentation to verify that the borrower is legally present in the U.S.
	    o Must be employed in the United States for the past 24 months.
	    o Income must be likely to continue for 3 years.
	• Inter Vivos Revocable Trusts – Refer to Plaza's **Seller Guide for additional requirements**
	• Non-occupant co-borrowers are allowed
	• Note: Maximum 4 borrowers on the loan
	
	Ineligible Borrowers:
	• Partnerships, Limited Partnerships, Corporations and LLC's
	• Non-Revocable Trusts
	• Non-Permanent Resident Aliens
	• Borrowers with Diplomatic Immunity
	• Land Trusts
	• Borrowers with only an ITIN (Individual Taxpayer Identification Number)

Credit	**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:** • All applicants must have a minimum of 2 credit scores. • 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. • Non traditional credit is not eligible. **Trade Lines:** Per DU **Housing Payment History:** Per DU **Bankruptcy / Foreclosure / NOD / Short Sale / Deed-in-Lieu:** • Must be seasoned 7 years with 7 years re-established credit. • Multiple derogatory credit events not allowed. **Collections, Charge-offs, Judgments, Garnishments & Liens:** Delinquent credit including taxes, judgments, charged-off accounts, collection accounts, past-due accounts, tax liens, mechanics' liens, and any other liens that have the potential to affect the first lien position or diminish the borrower's equity, must be paid off at or prior to closing.

Down Payment / Gifts	• Per DU:
	    o 1-unit primary residence: All funds may be gift funds regardless of LTV/CLTV.
	    o Second homes and 2-unit properties:
	        ▪ LTV/CLTV <= 80%: All funds may be gift funds
	        ▪ LTV/CLTV >= 80%: 5% minimum contribution from borrower's own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down

	payment and closing costs.
	• Gift funds may not be used to meet reserve requirements
	• Donor must be an immediate family member, future spouse, or domestic partner living with borrower.
	• An executed gift letter with the gift amount, donor's name, address, and telephone number and relationship is required.
	• Proof of donor's ability to give (bank statement or fully executed letter from the depository confirming account balance).
	• Proof of transfer and receipt of funds. Acceptable documentation includes the following:
	  ○ A copy of the donor's check and the borrower's deposit slip.
	  ○ A copy of the donor's withdrawal slip and the borrower's deposit slip.
	  ○ A copy of the donor's check to the closing agent.
	  ○ A settlement statement showing receipt of the donor's check. When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, cashier's check, or other official check.

Assets	
Type	**Documentation**
Checking and Savings Accounts	• The 2 most recent, consecutive month's statements for each account are required. • Large deposits inconsistent with monthly income or other deposits must be verified.
Marketable Securities	• 2 most recent, consecutive months stock/securities account statements are required. • Evidence of liquidation is required when funds are used for down payment or closing costs. • 100% of full value of stock accounts can be considered in the calculation of assets available for reserves. • Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
Retirement Accounts	• 100% of the vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves. • 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. • Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves.

Business Funds	• Business funds may be used for down payment, closing costs, or reserves.
	  ○ 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.
	  ○ The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
	  ○ Business bank statements reflecting overdrafts or NSFs are not eligible.

1031 Exchange	• Allowed on second home purchases only. Reverse 1031 exchanges not allowed.
	  ○ HUD-1/CD for both properties.
	  ○ Exchange agreement.
	  ○ Sales contract for exchange property.
	  ○ Verification of funds from the Exchange Intermediary.

Geographic Restrictions	**Hawaii:** Properties in Lava Flow Zones 1 or 2 are not allowed. **Texas:** Cash-out not allowed.
Identity of Interest	Plaza uses the term Identity of Interest and Non-Arms Length Transactions to describe certain transactions that pose increased risk. 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. Transactions are eligible; however additional precautions or requirements may be warranted when evaluating risk.
Income & Employment	**Stability of Employment & Income:** • Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next 3 years. For each income source used to qualify the borrower, the underwriter must determine that both the source and the amount of the income are stable. A 2-year history of receiving income is required in order for the

	income to be considered stable and used for qualifying. When the borrower has less than a 2-year history of receiving income, the underwriter must provide a written analysis to justify the determination that the income that is used to qualify the borrower is stable. While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.
	• The initial and final application must disclose a minimum 2-year employment and income history. Gaps in employment in excess of 30 days, but less than 6 months, during the past 2 years require a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of 6 months to qualify. Borrowers with employment gaps in excess of 6 months are not eligible for consideration of qualifying income.
	• For a Borrower who has less than a 2-year employment and income history, the borrower's income may be qualifying income if the mortgage file contains documentation to support that the borrower was either attending school or in a training program immediately prior to their current employment history. School transcripts must be provided to document.
	• Income may not be used for qualification purposes if it comes from any source that cannot be verified, is not stable, or will not continue.
	• Asset depletion, deferred compensation, retained earnings, education benefits, trailing spouse income, and rental income from the borrower's single family primary residence or second home are ineligible sources of income.
	• All income sources must be legal in accordance with all applicable federal, state, and local laws, rules and regulations, without conflict. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying:
	  ○ Foreign shell banks
	  ○ Medical marijuana dispensaries or any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
	  ○ Businesses engaged in any type of internet gambling.
	
	Paystubs:
	• Paystubs must meet the following requirements:
	  ○ Clearly identify the borrower as the employee.
	  ○ Show the borrower's current pay period and year-to-date earnings.
	  ○ If the borrower is paid hourly, the number of hours must be shown on the paystub.
	  ○ Paystubs must be computer generated.
	  ○ Paystubs issued electronically via email or downloaded from the Internet must show the URL address, date and time printed, and identifying information on place of origin and/or author of the documentation.
	
	W-2 Forms: W-2 Forms must be complete and be a copy provided by the employer.
	
	Verification of Employment (VOE):
	A written VOE is required for a borrower's income sourced from commissions, bonus, overtime, or other income when the income detail is not clearly documented on W-2 Forms or paystubs. Written VOE must include:
	• Borrower's date of employment
	• Borrower's employment status and job title
	• Name, phone number and title of person completing the VOE
	• Name of employer
	• Base pay amount and frequency
	• Additional salary information, which itemizes bonus, commission, overtime, or other variable income.
	• VOE must be sent directly to the employer, attention of the personnel department. The VOE must be returned to Plaza.
	
	Self-Employed Confirmation must include:
	• Verification of the existence of the borrower's business from a third party, such as a CPA, regulatory agency, or applicable licensing bureau. A borrower's website is not acceptable as third party verification.
	• Listing and address of the borrower's business using a telephone book, internet, or directory

assistance.
- Name and title of the person completing the verification.

Tax Returns:
The following standards apply when using Income Tax Returns to verify income:
- Personal Income Tax Returns
  - Must be complete with all schedules (W-2 forms, 1099 Forms, K-1 schedules, etc.)
  - Signed and dated by each borrower on or before the closing date
- Business Income Tax Returns
  - Must be complete with all schedules (K-1 schedules, Form 1065, etc.)
  - Signed and dated by each borrower on or before the closing date
- For Unfiled Tax Returns for the prior year's tax return
  - Between Jan 1 and the tax filing date (typically April 15), borrowers must provide:
    - IRS form 1099 and W-2 forms from the previous year
    - Loans closing in January prior to receipt of W-2s may use the prior year year-end paystub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided.
  - Between the tax filing date (April 16) and the extension expiration date (typically October 15), borrowers must provide (as applicable):
    - Copy of the filed extension.
    - Evidence of payment of any tax liability identified on the federal tax extension form.
    - W-2 forms.
    - Form 1099, when applicable.
    - Year-end profit and loss for prior year.
    - Current year profit & loss.
    - Balance sheet for prior calendar year.
  - After the extension expiration date, loan is not eligible without prior year tax returns.

Income Analysis Form:
An income worksheet must be provided on every loan. Borrowers with multiple businesses must show income/loss details separately, not in aggregate on the Income Worksheet. **Plaza's Income Worksheet**, Fannie Mae Form 1084 (dated 8-25-15), or Freddie Mac Form 91 is required for self-employment income analysis.

Specific Income Documentation Requirements:

Income Type Employment Income	Documentation Requirement
Salaried	An earnings trend must be established and documented. Large increases in salary over the previous 2 years must be explained and documented. • W-2 forms or personal tax returns, including all schedules, for prior 2 years. • Year-to-date paystub up through and including the most current pay period at the time of application and not earlier than 90 days prior to the Note date. • If borrower is claiming overtime pay, it must be shown on the YTD paystub.
Hourly & Variable Income	An earnings trend must be established and documented. Stable to increasing income should be average over a minimum 2 year period. Declining income must be explained by the employer/borrower and a written determination by the underwriter must be provided if declining income is used for qualifying. • W-2 forms or personal tax returns, including all schedules, for prior 2 years. • Year-to-date pay stub up through and including the most current pay period at the time of application.
Part-Time Income	Borrower must have worked the part-time job uninterrupted for the past 2 years, and plans to continue. If the part-time income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. • W-2 forms for prior 2 years • Year-to-date pay stub up through and including the most current pay period at the time of application.

Commission	Commission income must be averaged over the previous 2 years. If the commission income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. • W-2 forms for prior 2 years if commissions are less than 25% of the total income. • Tax returns, including all schedules, and W-2 forms from the previous 2 years if commissions are ≥ 25% of the total income. • Unreimbursed business expenses (Form 2106) must be subtracted from income. • Year-to-date paystub up through and including the most current pay period at the time of application. • Written VOE covering two (2) full years with employer confirmation of commission. Income cannot be used if VOE reflects the income is not likely to continue.
Overtime & Bonus	An earnings trend for bonus and overtime must be established and documented. A period of more than 2 years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year. If either type of income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. • W-2 forms or personal tax returns, including all schedules, for prior 2 years. • Year-to-date paystub up through and including the most current pay period at the time of application. • Written VOE covering two (2) full years with employer confirmation of overtime and/or bonus. Income cannot be used if VOE reflects the income is not likely to continue
Borrowers Employed by Family	• YTD Paystub • Two years W-2 • Two years personal tax returns • Two years tax transcripts • Verbal VOE • Borrower must provide evidence they are not owners of the business (CPA letter)
2106 Expenses	Employee business expenses must be deducted from the adjusted gross income.
Self-Employment & Other Income Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income. Unless otherwise noted, the more restrictive of Fannie Mae's Selling Guide or **Appendix Q**, must be followed when evaluating income. **Income cannot be averaged for self-employed borrowers with declining income**. **Appendix Q** specifically states "If the consumer's earnings trend for the previous 2 years is downward and the most recent tax return or P&L is less than the prior year's tax return, the consumer's most recent year's tax return or P&L must be used to calculate his/her income."	

Sole Proprietorship	• Personal tax returns, including all schedules, for prior 2 years signed and dated by each borrower on or before the closing date
	• Year-to-date through current quarter's P&L
	• Balance Sheet
	• The P&L and Balance Sheet:
	  ○ May be borrower prepared or may be prepared by a qualified individual
	  ○ Must be signed by the preparer and the borrower
	• See Tax Returns for additional information for unfiled returns

Partnerships (General, Limited) Limited Liability Companies "S" Corporations Corporations	• Personal tax returns, including all schedules, for prior 2 years signed and dated by each borrower on or before the closing date
	• Year-to-date through current quarter's P&L
	• Balance Sheet
	• The P&L and Balance Sheet:
	  ○ Must be prepared or reviewed by an unrelated and qualified individual (e.g. accountant / bookkeeper)
	  ○ May be prepared by the borrower as long as they are reviewed by a qualified third party
	  ○ Must be signed by the preparer/reviewer and the borrower
	• Business tax returns (1065/1120), including all schedules, for the prior 2 years signed and dated by each borrower on or before the closing date are required if the borrower has an ownership percentage ≥ 25%; they are not required if reporting positive income via the K-1, and the income is not used for qualification purposes.
	• See Tax Returns for additional information for unfiled returns
	
	K-1 Income/Loss on Schedule E

		• K-1s from prior 2 years, showing ownership percentage.
		  ○ K-1s are not required if the source is reporting positive income and the income is not used for qualification.
		  ○ If K-1s show a loss, they are required, regardless if they are used for qualifying purposes.
		• If < 25% ownership with income/loss used in qualifying:
		  ○ Standard verification of employment is required.
		  ○ Year-to-date income must be verified if the most recent K-1 is more than 90 days old as of the note date.
		• If using capital gains, interest/dividend or W-2 income, K-1s are required.

	Retirement Income (pension, annuity, 401(k) and IRA distributions)	• Fixed income payments such as pension income can be used at full value/distribution and may not be considered in any annuitization calculation.
		  ○ Copies of retirement award letters, and
		  ○ Proof of current receipt with two (2) months bank statements.
		• Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for a minimum of 3 years.
		  ○ Distribution must have been set up at least six (6) months prior to loan application if there is no prior history of receipt or, two (2) year history of receipt evidenced.
		  ○ Distributions cannot be set up or changed solely for loan qualification purposes.
		  ○ Document regular and continued receipt of income as verified by:
		    ▪ Letters from the organizations providing the income or copies of retirement award letters.
		    ▪ Copies of federal income tax returns signed and dated by each borrower on or before the closing date, IRS W-2 or 1099 forms
		    ▪ Proof of current receipt with two (2) months bank statements
		• If any retirement income will cease within the first three years of the loan, the income may not be used.

	Social Security Income	• Social Security income must be verified by a Social Security Administration benefit verification letter. • Most recent two (2) months bank statements to document the regular deposit of payments. • If any benefits expire within the first full 3 years of the loan, the income source may not be used in qualifying. • Benefits with a defined expiration date (children or surviving spouse) must have a remaining term of at least three (3) years.
	Alimony, Separate Maintenance & Child Support Income	• A divorce decree, court ordered separation agreement, court decree, or other legal agreement providing the payment terms confirming that income will continue for at least 3 years. • If the income is the borrower’s primary income source and there is a defined expiration date (even if beyond 3 years), the income may not be acceptable for qualifying purposes. • Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 12 months. • See non-taxable income for child support income treatment.
	Long Term Disability Income	• Copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date. • Termination date may not be within 3 years of Note date; please note reaching a specific age may trigger a termination date depending on the policy.
	Capital Gains	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income. If the trend consistently shows a loss, it must be deducted from the total income. • Tax returns for the prior 3 years, including Schedule D. • Gains must be consistent amounts from consistent sources. • Verified assets to support continuance must be documented.
	Dividend/ Interest	Interest and Dividend income may be used as long as documentation supports a 2-year history of receipt. • Tax returns for the prior 2 years • Proof of asset(s) to support the continuation of interest and dividend income for minimum of 3 years.

	Stock Options & Restricted Stock Grants	Not allowed.
	Note Income	• A copy of the note must document the amount, frequency and duration of payments. • Regular receipt of note income for the past 12 months must be documented, and evidence of note income must be reflected on tax returns. • Verification that income is expected to continue for a minimum of 3 years.

	Trust Income	Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years.
		• Regular receipt of trust income for the past 12 months must be documented.
		• A copy of the Trust Agreement or Trustee Statement showing:
		  ○ Total amount of borrower-designated trust funds
		  ○ Terms of payment
		  ○ Duration of trust
		  ○ Portion of income that is not taxable
		  ○ Evidence the trust is irrevocable
		• Non-taxable trust income must include proof of distribution.
		• If trust funds are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income.

	Foreign Income	• W-2 forms and personal tax returns, including all schedules, showing the income was reported for prior 2 years. • Year-to-date pay stub • All income must be converted to U.S. currency.
	Non-Taxable Income including child support, disability, foster care, military, etc.	The amount of continuing tax savings attributed to regular income not subject to Federal taxes may be added to the borrower's gross income. The percentage of non-taxable income that may be added *cannot* exceed the lesser of 25% or the appropriate tax rate for the income amount. **Additional allowances for dependents are *not* acceptable**. • Documentation must be provided to support continuation of income for a minimum of 3 years. • Tax returns must be provided, where applicable, to confirm income is non-taxable. • Documentation must support the amount of income *grossed-up* for any nontaxable income source. • The underwriter should use the same tax rate the borrower used to calculate his/her income tax from the previous year. **Note**: If the borrower is not required to file a federal tax return, the tax rate to use is 25%.
	Rental Income	

	All Properties	Lease agreements must be provided if rental income is used for qualifying purposes.
		• Current lease for each rental property, including commercial properties listed in Part 1 of Schedule E of the 1040s. Rent rolls are unacceptable.
		• For leases that have a roll over clause or the property is in a state where all leases roll over, the following requirements must be met:
		  ○ Copy of most recent lease
		  ○ Current documentation to evidence receipt of rent (copy of check or deposit into bank account) which must be consistent with most recent lease.
		• Personal tax returns, including all schedules, for prior 2 years
		• For properties listed on Schedule E of the borrower's tax returns, net rental income should be calculated as: ((Rents received – Total expenses) + (depreciation + interest + taxes + insurance + HOA)) / # applicable months - current PITIA.
		• If rental income is not available on the borrower's tax returns, net rental income should be calculated using gross rents multiplied by 75% minus PITIA.
		• An explanation is required if the rental income on the tax returns is greater than the rental income on the lease. The lesser of the rental income from the lease or Schedule E must be used to calculate net rental income unless satisfactory documentation is provided to support the higher income on the tax returns will be continuing.
		• Net rental income must be added to the borrower's total monthly income. Net rental losses must be added to the borrower's total monthly obligations.
		• See Tax Returns for additional information for unfiled returns.

	Departing Residence	If the borrower's current residence is pending sale or the borrower is converting their current primary residence to a rental property the following requirements apply: • Pending Sale: PITIA must be including in the debt ratio. • Converting to Rental Property. The PITIA must be included in the debt ratio if the following requirements are not met: ○ Borrower must have documented equity in departure residence of 25%. ○ Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction, OR ○ Documented equity may be evidenced by the original sales price and the current unpaid principal balance. ○ Copy of current signed lease agreement. ○ A vacancy factor of 25% must be applied to the rental income. ○ Copy of security deposit and evidence of deposit to borrower's account. ○ 6 months reserves of the departing residence PITIA are required.

Insurance

Refer to Plaza's **Seller Guide**

Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. Contribution limitations:

Occupancy	LTV/CLTV	Maximum Seller Contributions
Primary Residence and Second Home	> 75%	6%
	≤ 75%	9%

Seller Concessions:
All seller concessions must be addressed in the sales contract, appraisal and HUD-1. A seller concession is defined as any interested party contribution beyond the stated limits, in the above section, or any amounts not being used for closing costs or prepaid expenses (i.e., funds for repairs not completed prior to closing is a seller concession). If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV/CLTV.

Loan Limits

Units	Contiguous U.S.	
	Min Loan Amount	Max Loan Amount
1	$484,351[1]	$726,525
2	$620,201[1]	$726,525

1. The minimum loan amount is $1 above the FHFA eligible loan amount based on the property location. DU Findings must be Approve/Ineligible due to loan amount.

Max Financed Properties / Exposure

The maximum number of financed properties, including the subject property and including the borrower's primary residence, regardless of the lending source is limited as outlined below.

- Primary Residence: No restrictions
- Second Home:
  - 1 - 6 financed properties: no additional restrictions. See **Reserves Requirement**.
  - 7 - 10 financed properties: DU Approve/Eligible or LPA Accept/Eligible required, minimum 720 Credit Score required, see **Reserves Requirement.**
  - > 10 financed properties is not allowed

Maximum Loans/Maximum Exposure: A maximum of four Plaza loans is permitted to one borrower.

Mortgage Insurance

Not Applicable, regardless of LTV.

Occupancy

- Owner-occupied primary residences
- Second homes

Property Eligibility

Eligible Properties:
- Attached/detached SFRs
- Attached/detached PUDs
- Condos
- 2-units

Condominiums:
- Must be documented and warranted per Fannie Mae

	• Condominiums with HOA litigation are not eligible. **Properties with > 10 ≤ 20 acres:** 3 comparable sales with similar acreage are required **Ineligible Properties:** • Properties with condition rating of C5/C6 • Properties with construction rating of Q6 • 3-4 unit properties • 2-4 unit 2nd homes • Acreage > 20 acres ○ It is not acceptable to have property appraised with only 20 acres in order to meet eligibility. • Agriculturally zoned properties (agricultural/residential is eligible) • Commercial or commercially zoned properties • Condos that are non-warrantable • Condotels • Cooperatives • Geodesic dome homes • Geothermal homes • Indian/Native American tribal land • Leasehold • Log Homes • Manufactured housing • Mixed use • Model home leaseback • Oil or gas leases (exceptions allowed case-by-case) • Private transfer covenants • Timeshares • Unique properties • Working farms, ranches, orchards **Unpermitted Additions:** Properties with unpermitted additions will be reviewed on a case-by-case basis. The property must meet zoning requirements and the appraiser must identify that the improvements have been made in a workmanlike manner and are consistent with the architecture of the remainder of the home.
Property Flips	If the owner (individual or entity other than the Mortgage holder) sells a property within 12 months after the date of acquisition, the underwriter should ensure that value is supported. **Property Flips:** • The property seller must have taken title to the property a minimum of 90 days prior to the date of the current sales contract. • Non-arms length or Identity of Interest transactions are not permitted. • There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months. • No double escrows or assignment of sales contract. • Seller of record must own the property at the time of the purchase contract. • Value increases must be supported. If the value increase is not the result of documented improvements, an additional valuation product may be required to support the value or sales price.
Qualifying Ratios	• Max 43% DTI regardless of DU Findings. • For other properties owned, documentation to confirm the amount and/or presence or absence of liability for P&I, taxes, insurance, HOA dues, lease payments or other property-related expenses must be provided. **Installment Debt:** All installment debt must be considered part of the borrower’s recurring monthly debt obligations regardless of how many monthly payments remain and be included in the borrower’s debt ratio.

	30-day Charge Accounts: For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, lenders must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves. **HELOC:** HELOCs with a balance must include the payment in the debt ratio. If the HELOC is paid off at closing the line must be closed to any future draws. A requirement on the title commitment for payoff and cancellation of HELOC is acceptable to document this requirement. **Student Loans:** Follow Fannie Mae guidelines for treatment of student loan payments. **Auto Lease Payments:** Payment must be included in qualifying DTI regardless of the remaining payments due. **Alimony, Child Support and Maintenance Payments:** Payments must be included in qualifying DTI unless it is fully documented that there are 10 or fewer payments remaining. • **Agreement dated prior to 1/1/19:** Payments must be deducted from the borrower's income. • **Agreement dated on or after 1/1/19:** Payments must be treated as a liability. **Inquiries:** A detailed explanation letter that specifically addresses both the purpose and outcome of each inquiry in the last 120 days is required. If additional credit was obtained, a verification of that debt must be obtained and the borrower re-qualified with the additional debt.
Repair Escrows	Loans with escrows for completion of postponed improvements (escrow holdbacks) are not eligible.

Reserves	Reserves are required. Reserves are per DU, however if DU does not require reserves then the following reserve requirement must be met.
	• If DU Finding have a reserve requirement: Per DU
	• If DU Findings do not require reserves:
	    ○ LTV/CLTV <= 80%: 2 months PITIA
	    ○ LTV/CLTV > 80%: 3 months PITIA
	    ○ Second Home: 4 months PITIA
	
	Reserves and Multiple Financed Properties:
	• Subject Property: Per DU
	• Other Financed Properties: Additional reserves are required for all financed properties other than the subject property and the borrower's principal residence. The reserves are determined by applying a percentage to the aggregate of the unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:
	    ○ 1 – 4 financed properties: 2% of the aggregate UPB[1]
	    ○ 5 – 6 financed properties: 4% of the aggregate UPB[1]
	    ○ 7 – 10 financed properties: 6% of the aggregate UPB[1] (DU Approve/Eligible only).
	
	[1] The aggregate UPB calculation does not include mortgages and HELOCs on:
	    ➢ the subject property,
	    ➢ the borrower's principal residence,
	    ➢ properties that are sold or pending sale, and accounts that will be paid by closing.
	
	Business Funds for Reserves:
	• Business funds for reserves or a combination of personal/business funds for reserves require the total amount of reserves to be 2X or double the normal requirement for the subject property and additional financed REO.
	• 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.
	• The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
	• Business bank statements reflecting overdrafts or NSFs are not eligible.

	Ineligible Sources for Reserves: • Gift funds • Cash proceeds from the subject transaction • Bridge loans • Borrowed funds, including funds secured by other assets • Proceeds from the sale of non-real estate assets
Subordinate Financing	Subordinate financing is allowed per the Credit Matrix and all subordinate liens must meet Fannie Mae requirements.
Temporary Buydowns	Not allowed

Transactions	Purchase, Rate/Term Refinance and 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 2% or $2,000.
	• Properties currently listed for sale at time of loan application are not eligible for a refinance transaction. If the property was listed within the last 6 months, the following is required:
	  ○ Proof of canceled listing prior to application date.
	  ○ Acceptable letter of explanation from the borrower detailing the rationale for changing the intention to sell.
	• If the new refinance is paying off a loan that combined a first lien and non-purchase money second lien, at least 6 months seasoning is required since the second lien was paid off. The closing disclosure (CD) must be provided to evidence the liens paid off for any refinances seasoned < 6 months.
	
	Rate & Term Loan-to-Value (LTV) Calculation: LTV is based on the current appraised value.
	
	Cash-Out Refinance:
	• The property must have been purchased by the borrower and the borrower must have held title to the property for at least 6 months prior to the loan application unless the borrower meets the requirements in the **Delayed Purchase Refinance** section.
	• There must be seasoning of at least 6 months since any prior financing or refinancing was obtained.
	• Properties currently listed for sale at time of loan application are not eligible for a refinance transaction. If the property was listed within the last 6 months, the following is required:
	  ○ Proof of canceled listing prior to application date.
	  ○ Acceptable letter of explanation from the borrower detailing the rationale for changing the intention to sell.
	
	Cash-Out Loan-to-Value (LTV) Calculation: LTV is based on the current appraised value.
	
	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 rate & term refinance for LTV/CLTV purposes.
	• Owner-occupied primary residence and 2nd homes allowed.
	• The CD from the original purchase. 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 and are ineligible.
	
	Construction to Permanent Financing:
	The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to

	a Borrower for the purpose of replacing interim construction financing that the Borrower has obtained to fund the construction of a new residence. The Borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.
	• Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan.
	• Construction loan refinances in which the borrower has acted as builder are not eligible.
	• A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy proof must be provided
	• For lots owned ≥12 months from closing date for subject transaction, LTV, CLTV, HCLTV is based on the current appraised value.
	• For lots owned < 12 months from the closing date for subject transaction, LTV, CLTV, HLCTV is based on the lesser of:
	    o the original purchase price of the lot plus documented construction costs, or
	    o the current appraised value of the lot plus documented construction costs
	
	Texas Section 50(a)(6) transactions: Ineligible
	
	New York Consolidation, Extension and Modification Agreement (CEMA):
	CEMA transactions are allowed for cash-out refinance and rate & term transactions subject to Plaza's **Seller Guide** requirements. Lost Note Affidavits are not acceptable under any circumstance.
	
	Ineligible Transactions:
	• Land Contracts
	• Contract for Deed
	• Lease Option to Buy
	• Cash-out in the state Texas

Underwriting Method	• DU Approve/Ineligible findings required (due to loan amount only) • Loans must meet Fannie Mae eligibility • Manual underwriting is not permitted
Other Requirements	Any item that will include a UCC associated with the property and/or will create an easement on title is ineligible (example HERO/PACE/Solar Panels)