Preferred Jumbo Fixed and ARM Program Guidelines

Revised 8/6/2019 rev. 104

Section 1 Program Summary

These Program Guidelines supplement Plaza's Credit Guidelines. Refer to Fannie Mae's Selling Guide for any information not specified in the Program Guidelines and Credit Guidelines.

The Plaza Preferred Jumbo program offers 15 and 30 year fixed rate and 5/1, 7/1, and 10/1 hybrid ARMs for non-conforming loan amounts up to a maximum of $3 million. The minimum loan amount is $484,351 or $1 above the standard conforming limit for the number of units. Loan amounts do not need to exceed the FHFA High Balance loan limits.

All Preferred Jumbo loans must be Qualified Mortgages (QM) and within the QM Safe Harbor. Loans that are non-QM, QM with Rebuttable Presumption, or defined as Higher-priced covered transactions are not eligible.

Section 2 Product Codes

Product Name	Product Code	Available Term in Months
Preferred Jumbo 15 Year Fixed	PPJF15	180
Preferred Jumbo 30 Year Fixed	PPJF30	360
Preferred Jumbo 5/1 LIBOR ARM	PPJA51	360
Preferred Jumbo 7/1 LIBOR ARM	PPJA71	360
Preferred Jumbo 10/1 LIBOR ARM	PPJA101	360

LTV > 80%[1,2]						
Primary Residence – Purchase FIXED RATE & 7/1 & 10/1 ARM						
Loan Amount	**Property Type**	**LTV**	**CLTV**	**Debt Ratio (Front/Total)**		**Credit Score**
				Fixed	**ARM**	
$750,000 $1,500,000[3]	1-Unit, PUD, Condos[1]	85	NA[1]	30/35	30/32	740

1. Additional requirements for loans with LTV > 80%:
   - 5/1 ARMs are not eligible.
   - Subordinate financing not allowed.
   - Escrow/impounds required unless prohibited by applicable laws.
   - Condos (attached or detached) in Miami-Dade County, FL are not eligible.
   - Properties with more than 10 acres are not eligible.
2. The following counties are not eligible if LTV > 80% (alphabetical by state):
   - Connecticut – Fairfield
   - New Jersey – Atlantic
3. Loan Amounts > $750,000 up to $1,500,000 may be allowed based on property location. Refer to Plaza's **PPJ 85% Property Eligibility List.**

LTV <= 80%												
Primary Residence – Purchase and Rate/Term Refinance FIXED RATE & ARM												
Loan Amount[1]	**1-Unit, PUD, Det. Condo[2] ≥ 700 Attached Condo[2] ≥ 720**		**Attached Condo[2] < 720**		**2-Unit**		**3-4-Unit**		**Debt Ratio**		**Credit Score**	
	LTV[3]	**CLTV[3]**	**LTV[3]**	**CLTV[3]**	**LTV[3]**	**CLTV[3]**	**LTV[3]**	**CLTV[3]**	**Fixed**	**ARM**	**Fixed**	**ARM**
$2,000,000	80	80	75	75	75	75	70	70	43	40	700	720
$2,500,000	75	75	70	70								
$3,000,000	70	70	65	65								

1. Loan amount includes the total of all liens against the property when subordinate financing exists.
2. Maximum LTV/CLTV for condo (attached or detached) in Miami-Dade County, FL is 70%.
3. Reduce the maximum LTV/CLTV by 5% for properties located in the following counties:
   - Connecticut – Fairfield
   - New Jersey – Atlantic

Primary Residence – Cash-Out Refinance[1] FIXED RATE & ARM				
Loan Amount[2]	**1-Unit, PUD, Condo**		**Debt Ratio**	**Credit Score**
	LTV[3]	**CLTV[3]**		
$1,500,000	70	70	40	720
$2,000,000	65	65		

1. Maximum Cash-Out:
   - LTV > 65%: $400,000
   - LTV <= 65%: $500,000
2. Loan amount includes the total of all liens against the property when subordinate financing exists.
3. Reduce the maximum LTV/CLTV by 5% for properties located in the following counties:
   - Connecticut – Fairfield
   - New Jersey – Atlantic

Second Home – Purchase and Rate/Term Refinance FIXED RATE & ARM							
Loan Amount[1]	1-Unit, PUD, Det. Condo[2] ≥ 700 Attached Condo[2] ≥ 720		Attached Condo[2] < 720		Debt Ratio	Credit Score	
	LTV[3]	CLTV[3]	LTV[3]	CLTV[3]		Fixed	ARM
$1,500,000	80	80	75	75	40	700	720
$2,000,000	75	75	70	70			

1. Loan amount includes the total of all liens against the property when subordinate financing exists.
2. Maximum LTV/CLTV for condo (attached or detached) in Miami-Dade County, FL is 70%.
3. Reduce the maximum LTV/CLTV by 5% for properties located in the following counties:
    - Connecticut – Fairfield
    - New Jersey – Atlantic

Second Home – Cash-Out Refinance[1] FIXED RATE & ARM				
Loan Amount[2]	1-Unit, PUD, Condo		Debt Ratio	Credit Score
	LTV[3]	CLTV[3]		
$650,000	70	70	40	720
$1,500,000	65	65		
$2,000,000	60	60		

1. Maximum Cash-Out: $350,000
2. Loan amount includes the total of all liens against the property when subordinate financing exists.
3. Reduce the maximum LTV/CLTV by 5% for properties located in the following counties:
    - Connecticut – Fairfield
    - New Jersey – Atlantic

Investment Property – Purchase and Rate/Term Refinance FIXED RATE & 7/1 & 10/1 ARM[2]				
Loan Amount[1]	1-4 Unit, PUD, Condo[3]		Debt Ratio	Credit Score
	LTV	CLTV		
$2,000,000	60	60	38	740

1. Loan amount includes the total of all liens against the property when subordinate financing exists.
2. 5/1 ARMs are not eligible for investment property.
3. Condos (attached or detached) in Miami-Dade County, FL are not eligible.

Investment Property – Cash-Out Refinance[1] FIXED RATE & 7/1 & 10/1 ARM[3,4]				
Loan Amount[2]	1-Unit, PUD, Condo		Debt Ratio	Credit Score
	LTV[3]	CLTV[3]		
$2,000,000	60	60	38	740

1. Maximum Cash-Out: $400,000
2. Loan amount includes the total of all liens against the property when subordinate financing exists.
3. 5/1 ARMs are not eligible for investment property.
4. Condos (attached or detached) in Miami-Dade County, FL are not eligible.

Section 4 Occupancy

- Owner-occupied primary residences
- Second homes
- Investment Properties

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

Rate & Term Refinance:

The new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays.

- A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for 12 months.
- A seasoned equity line is defined as being in place for at least 12 months and total draws in the last 12 months not exceeding 2% of the new first mortgage loan amount.
- Cash to the borrower is limited to 1% of the new loan amount.
- Properties listed for sale within the last 6 months prior to the application date are not allowed.

Rate & Term Loan-to-Value (LTV) Calculation:

- If the borrower has less than 12 months ownership in the property, the LTV/CLTV for a refinance transaction is calculated on the lesser of the purchase price or appraised value.
  - For homes where capital improvements have been made to the property after purchase, LTV/CLTV can be based on the lesser of the current appraised value or original purchase price plus the documented improvements. Receipts are required to document cost of improvements.
- If the borrower has owned the property for 12 months, the LTV/CLTV is based on the appraised value.

Cash-Out Refinance:

- The property must have been purchased by the borrower at least 3 months prior to the loan application unless the borrower meets the requirements in the **Delayed Purchase Refinance** section.
- Properties listed for sale within the last 6 months prior to the application date are not allowed.
- Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens, and any cash in hand.

Cash-Out Loan-to-Value (LTV) Calculation:

- If the borrower has less than 12 months ownership in the property, the LTV/CLTV for a refinance transaction is calculated on the lesser of the purchase price or appraised value.
  - For homes where capital improvements have been made to the property after purchase, LTV/CLTV can be based on the lesser of the current appraised value or original purchase price plus the documented improvements. Receipts are required to document cost of improvements.
- If the borrower has owned the property for 12 months, 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 have 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, or
    - Is related to the borrower on the mortgage being refinanced.
- The borrower on the new refinance transaction was added to title twenty-four (24) months or more prior to the disbursement 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:
    - Borrowers must match the members or the LLC or trust and in the case of a trust must match the settlor/trustor/grantor of the trust.
    - 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 disbursement of the new loan.

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

Delayed Purchase Refinance:

A Delayed Purchase Refinance is the refinance of a property purchased by the borrower with cash within 90 days 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.
- Maximum LTV/CLTV, FICO and DTI is based on the purchase matrix.
- The loan must be locked/priced and closed as a cash-out refinance.
- Owner-occupied primary residence, 2nd homes and investment properties are 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).
- The borrower must exhibit a historic level of assets to support the cash purchase (supported by Schedule B of the last two years' tax returns) or other supportive documentation to verify receipt of such funds. A paper trail evidencing the funds used to acquire the subject property is acceptable as long as the funds had been on deposit at least 90 days prior to the date of the original transaction.

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.

- The LTV/CLTV/HLCTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of documented construction costs and documented purchase price of lot).
- Rate/term refinance proceeds may be used to:
    - Pay off the interim construction financing secured by the property, which may include paying off a lot lien.
    - Pay Closing costs and prepaids.
    - Pay off the remainder owed to the builder when the interim construction loan is insufficient to pay the amount contractually owed to the builder.
    - The borrower may be reimbursed for actual cash investment into the property. Cash investment must be verified. Verification options include, but are not limited to:
        - Obtaining canceled checks showing deposit to the builder.
        - The Closing Disclosure from the interim loan verifying that cash was brought to close.

- If the lot was acquired separately, a copy of the Closing Disclosure, canceled check, etc.

Texas Section 50(a)(6) transactions are ineligible.

New York Consolidation, Extension and Modification Agreement (CEMA) transactions are ineligible.

Section 6 Property Flips

Not allowed.

A flip transaction is generally defined as a purchase transaction of a property that has recently been acquired by the seller and is being sold for a quick profit. A flip transaction is evident if the title reveals several changes in ownership in the course of a few months.

Section 7 Identity of Interest

Identity of Interest and Non-Arms Length Transactions may 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.

Examples of non-arm's length transactions include, but are not limited to:

- Family sales or transfers.
- Borrower(s) purchasing a property from a builder who, in turn, is purchasing the borrower's existing property.
- Renters buying from landlord.
- Property trades between buyer and seller.
- Employer to employee sales or transfers.
- Borrowers or co-borrowers employed in the real estate or construction trades who are involved in the construction, financing or sale (i.e. listing agent) of the subject property.

Non-Arms length transactions are not eligible with the exception of the following:

- Primary residence transactions only.
- Family sales or transfers.
- Property Sellers are representing themselves as agent in real estate transaction.
- Buyers/Borrowers are representing themselves as agent in real estate transaction.
- The borrower is the employee of the originating lender and the lender has an established employee loan program.
- Renter buying from landlord – 24 months canceled checks required to verify satisfactory pay history.

Section 8 Loan Limits

Units	Contiguous U.S.		Alaska & Hawaii	
	Min Loan Amount	Max Loan Amount	Min Loan Amount	Max Loan Amount
1	$484,351	See Matrix	$726,526	See Matrix
2	$620,201		$930,301	
3	$749,651		$1,124,476	
4	$931,601		$1,397,401	

The minimum loan amount is $484,351 or $1 above the standard conforming limit for the number of units. Loan amounts do not need to exceed the FHFA High Balance loan limits.

Section 9 Subordinate Financing

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

- Institutional financing is allowed up to the maximum LTV/CLTV. Subordinate financing is not allowed for LTV > 80%.
- Certain corporate or employer sponsored second liens may be acceptable with Plaza Corporate Underwriting prior approval provided the financing may not include a provision requiring repayment upon termination.
- 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 subordinate financing 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 so that negative amortization does not occur.
    - Mortgage terms that require interest at a market rate.
    - Seller subordinate financing not allowed.
    - When subordinate financing is a HELOC, the credit line limit – rather than the amount of the HELOC in use – must be used.

Ineligible Subordinate Mortgages:

- Interest rate buydown plan.
- Negative amortization.
- Closed-end with Balloon payments.
- HELOCs cannot have a balloon or call option within five years of the date of the Note.
- Graduated or variable payments.
- Equity sharing or wraparound terms.
- Community Second Mortgage/Down Payment Assistance Program.
- Seconds 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.
    - Must be employed in the United States for the past 24 months.
    - Income must be likely to continue for 3 years.
- Inter Vivos Revocable Trusts – Refer to **Plaza's Living Trust Policy** requirements.
- Non-occupant co-borrowers allowed if LTV/CLTV <= 80% (occupant borrower must qualify at 43% DTI)

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)

Section 11 Underwriting Method

All loans must be manually underwritten.

- Plaza underwriters must refer to the **Non-Conforming Underwriting and Appraisal Submission Procedures** for additional information.
- Unless otherwise noted, the more restrictive of these Program Guidelines or **Appendix Q** to part 1026, 12CFR Chapter X – Truth-in-Lending (Regulation Z), must be followed.
- All appraisals must be approved by the investor prior to closing.

NOTE: Loans with the following attributes require a more detailed second level review. Please allow five business days of additional review time at time of initial approval.

- Loan amounts > $1,500,000
- Investment properties
- 2-4 unit properties
- Business use of funds
- Delayed financing

Section 12 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:

- 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.
- The use of credit repair vendors designed to help a borrower falsely repair their credit profile by intentionally manipulating data to improve their credit score for purposes of loan eligibility, pricing improvement, and/or creditworthiness is prohibited. Further documentation may be required when prior credit reports or inquiries are present.

Trade Lines:

To demonstrate sufficient credit, each borrower must have:

- 3 trade lines
- 1 trade line must have activity in the most recent 12 months
- 1 trade line must have at least a 24 month history
- Trade lines may be open or closed

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.
- Mortgage history and/or rental history must be verified either by the credit bureau or by direct verification. Acceptable verification includes:
    - Institutional VOR from a professional management company.
    - Individual landlord VOR and canceled checks or bank statements showing each payment.
- If the borrower has been living with a relative rent free, acceptable documentation to explain and document this must be provided. If the borrower does not have a housing payment history, the underwriter must pay particular attention to the borrower's payment shock and the borrower must be able to document an accumulated savings pattern that supports the new housing payment.

Bankruptcy / Foreclosure /NOD / Short Sale/Deed-in-Lieu /Restructured (Modified) Loan/Short Payoff:

- LTV/CLTV > 70%: None allowed.
- LTV/CLTV <= 70%:
    - Extenuating circumstances: 5 years seasoning and 5 years reestablished credit
    - Financial mismanagement: 7 years seasoning and 7 years reestablished credit

Adverse Credit: Any adverse credit, including disputed accounts, on the borrower's credit report must be sufficiently explained by the borrower in writing.

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.

Regardless of income type, the following are required for all borrowers:

- **1003:** A signed 1003 complete with a 2-year employment history.
- **4506-T/Tax Transcripts:** A signed 4506-T will be processed and tax transcripts obtained for all years in which income was used in the underwriting decision.
  - 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).
- **Verbal Verification of Employment:** A verbal verification to confirm the borrower's current employment status is required for all borrowers within 10 calendar days prior to the Note date for wage income and verification of the existence of the borrower's business through a third-party source is required within 30 calendar days prior to the Note date for self-employment income.
  - Preferred Purchase Jumbo loans require the use of a **program specific VVOE**.

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. Income sources that may have a finite period of receipt must have a continuation period of at least five years. In some cases the continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income (see **Specific Income Documentation Requirements** table later in this section). 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.
- Effective income for borrowers planning to retire during the first three-year period should not exceed the amount of documented retirement benefits, Social Security payments, or other payments expected to be received in retirement.
- 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.
- All income sources must be legal in accordance with all applicable federal, state, and local laws, rules and regulations, without conflict.

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, if applicable.
- VOE must be sent directly to the employer, attention of the personnel department. The VOE must be returned to Plaza.

Self-Employed Verification 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.
  - Balance sheet for prior calendar year.
  - Current year balance sheet and profit & loss.
- After the extension expiration date, loan is not eligible without prior year tax returns.

Income Analysis:

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 Underwriters must refer to Plaza's **Jumbo Underwriting and Appraisal Submission procedures** for additional information.

Two approaches to income calculation must be considered:

1. **Cash Flow Method** - considers distributions that the borrower is taking from the business, and
2. **Baseline Method** - considers the net income from the business.

The lowest income figure resulting from these calculations must be used to qualify.

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 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.
Part-Time Income/ Second Job	Borrower must have worked the part-time job uninterrupted for the past 2 years and plan 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. Income must be expected to continue for a minimum of three years. • W-2 forms 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.
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 • Tax returns, including all schedules, from the previous 2 years. • 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 and not earlier than 90 days prior to the Note date. • Written VOE covering two (2) full years with employer confirmation of commission and likely continuation of receipt. Income cannot be used if VOE reflects the income is not likely to continue.
Overtime & Bonus	Overtime and bonus income must have been received and will be averaged over the previous 2 years. 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 and not earlier than 90 days prior to the Note date. • Written VOE covering two full years with employer confirmation of overtime and/or bonus paid in the last two years and probability of continued receipt. Income cannot be used if VOE reflects the income is not likely to continue.
Military Income	• When using military income, the date that the in-service borrower is scheduled to be released from active duty must be verified. When the veteran will be released from active duty within 12 months of the closing date, additional requirements apply. • Reservist or National Guard: The borrower must indicate if their income is subject to change due to participation in a reserves/national guard unit due to activation. When the answer is yes, additional requirements apply.
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. There are circumstances where borrowers may be considered self-employed if they own less than 25% of a business. An example would be a partnership with each of five general partners owning 20%; the borrower is considered self-employed if the 20% ownership is the borrower's major source of income. Borrowers who are employed by a family member are considered to be self-employed, regardless of the percentage of ownership. Potential ownership by the borrower must be addressed.

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." Additionally, for borrowers with declining self-employed, bonus, overtime or commission income, the CPA must provide documentation and support for income trends and continuance.

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 • K-1s from prior 2 years, showing ownership percentage. • 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 $\geq$ 25%. • See Tax Returns for additional information for unfiled returns
Retirement Income (pension, annuity, and IRA distributions)	• Retirement income may be used if properly documented. • Document regular and continued receipt of income as verified by: • Most recent 2 months bank statements evidencing receipt, and • Letters from the organizations providing the income or copies of retirement award letters, or copies of federal income tax returns signed and dated by each borrower on or before the closing date, IRS W-2 or 1099. • Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for a minimum of least 5 years. The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income.
Social Security Income	• Social Security income must be verified by a Social Security Administration benefit verification letter (sometimes called a "proof of income letter," "budget letter," "benefits letter," or "proof of award letter"). • Most recent 2 months bank statements evidencing receipt • Documentation should indicate continuance for a minimum of 5 years. The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income. • Verification of continuance is not required for Social Security Disability Income.
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 5 years. • The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income. • 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.
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 for at least 3 years 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 5 years. The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income.
Stock & Restricted Stock	May not be used as qualifying income unless: • Income has been received for 2 years as identified on paystubs, W2s and tax returns, and

	• Documentation indicates continuance for a minimum of 5 years. The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income.
	Restricted Stock requires, in addition to the above:
	• Issuance agreement or equivalent (part of the benefits package), and
	• Schedule of distribution of units (shares), and
	• Vesting schedule, and
	• Evidence that stock is publicly traded
	• To determine the restricted stock price use the lower of:
	  • current stock price, or
	  • the two year stock price average
	Stock Options may not be used as qualifying income.

Note Income	• A copy of the note to 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 5 years. The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income.

Trust Income	Income from trusts may be used if guaranteed and regular payments will continue for at least 5 years. The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income.
	• 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
	• Non-taxable trust income must include proof of distribution.

Foreign Income	• Foreign income is acceptable only if the income can be verified on United States personal tax returns for the prior 2 years. • All income should be paid in U.S. currency. Income paid in foreign currency and converted to U.S. currency may be acceptable on a case-by-case basis. • Funds in foreign accounts must be transferred to U.S. account and a completed VOD or two most recent months' bank statements must be provided. • Sufficient assets must exist for payments to continue for at least 5 years. The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income.
Non-Taxable Income including child support, disability, foster care, military allowances, 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. • Tax returns and/or award letters must be provided to verify income is non-taxable. • Documentation must support continuation of income for a minimum of 5 years. The continuance requirement may be reduced to three years if this income source contributes 25% or less of the qualifying income. • The underwriter will add 25% of the non-taxable income to the borrower's qualifying income. This adjustment must be made whenever the non-taxable income source(s) is needed to qualify the borrower.

<table>
<tr><th colspan="2">Rental Income</th></tr>
<tr><td>All Properties</td><td>The borrower must have 2 years of rental management experience. The stability of the rental income must be documented through 24 months of rental income history as verified by personal tax returns. This can include any rental property, not exclusive to the subject property.
Personal tax returns, including all schedules, for prior 2 years verifying 2 year history of rental management experience.
Current lease for each rental property, including commercial properties listed in Part 1 of Schedule E of the 1040s. Rent rolls are unacceptable.
When property has been owned less than 12 months and is not reflected on the borrower's tax returns:
leases may be used only if the borrower has a two-year history of property management experience as evidenced by the most recent two years' complete individual federal tax returns.
a vacancy/maintenance expense factor of 25% must be deducted from the rental income verified by the current signed lease agreement for determining qualifying income.
For refinance transactions, three months of canceled checks or bank statements verifying receipt of rental income is required.
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.</td></tr>
<tr><td>Subject Property Rental Income</td><td>Rent may be received from the subject investment property or other units in the subject owner-occupied 2-4 unit property.
Rental income used to qualify must be supported by operating income statement (216) or comparable rent schedule (1007).
Rent loss insurance in an amount equal to a minimum of six months of the rental income is required if rental income is being used to qualify.
All other requirements in "Rental Income – All Properties" above must be met.</td></tr>
<tr><td>Departing Residence</td><td>When a borrower vacates a principal residence in favor of another principal residence, 75% of rental income may be used to offset the mortgage PITI payment in qualifying when:
The borrower's tax returns reflect a two-year history of managing investment properties
The LTV/CLTV of the retained residence is 70% or less as determined by a residential appraisal. The appraisal of the departing residence must be ordered from Plaza's approved Jumbo AMC.
Rental income is documented with a fully executed lease agreement
Proof is provided that a security deposit was received from the tenant and deposited into the borrower's account.</td></tr>
</table>

Section 14 Qualifying Ratios

- Refer to the **Program Matrix** in Section 3 for qualifying ratios.
- Occupant Borrower with non-occupant co-borrower: Max DTI is 43%. Blended ratios are not allowed. Occupant borrower must qualify at 43% DTI. Non-occupant co-borrowers are not allowed if LTV > 80%.
- Fixed Rate, 7/1 & 10/1 ARM: Borrowers qualify at the greater of the fully indexed rate or the note rate.
- 5/1 LIBOR ARM: Qualify at the greater of the fully indexed rate or the note rate + 2%.
- Transactions resulting in significant payment shock should always be considered by the underwriter. The borrower's income must clearly support the borrower's ability to make the higher monthly payment. It is always at

the underwriter's discretion to require additional verification of assets or a larger down payment as a compensating factor for a loan with high payment shock.

- 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.

Revolving Charges:

If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the underwriter must use the greater of 5% of the outstanding balance or $10.00 as the borrower's recurring monthly debt obligation.

Installment Debt:

All installment debt that is not secured by a financial asset – including student loans, automobile loans and home equity loans – must be considered part of the borrower's recurring monthly debt obligations if there are 10 or more monthly payments remaining. However, an installment debt with fewer monthly payments remaining also should be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet his or her credit obligations.

Payoff of or Paydown of Debt:

Accounts may not be "paid down" to less than 10 months to allow the borrower to qualify. Installment or mortgage accounts must be paid in full in order to exclude the debt from the borrower's qualifying ratios. Payoff of revolving accounts in order to qualify the borrower is not allowed.

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, borrower funds to cover the account balance must be verified. The verified funds must be in addition to any funds required for closing costs and reserves.

In addition, use the greater of 5% of the balance or $10 for a qualifying payment.

401(k), 403(b) and KEOGH Loans:

Payments on loans from 401(k), 403(b), and KEOGH plans must be included in qualifying ratios unless there are sufficient liquid assets to pay off the debt. If sufficient liquid assets exist, then the payment can be excluded.

HELOC:

Fully amortized monthly principal and interest payments are required for all HELOC payment calculations (interest only payment are not allowed for qualifying). A copy of the HELOC note is required. HELOCs must be considered as part of the borrower's recurring monthly debt obligations. Use the following table to determine the HELOC qualifying payment.

Determining HELOC Qualifying Payment			
	New Concurrent Subject Property HELOC	Non-subject Property Seasoned <= 12 Months	Non-subject Property Seasoned > 12 Months
Qualifying Balance	Full credit line limit	Full credit line limit[1]	Outstanding balance
Amortization Term	20-year amortization	20-year amortization	20-year amortization
Qualifying Rate	Fully indexed rate + 2	Fully indexed rate	Fully indexed rate

1. If the borrower has sufficient liquid assets to pay off the full credit line limit amount in addition to standard policy requirements for post-closing reserves, the qualifying payment calculation may be based on outstanding balance rather than the full credit line limit.

Mortgages on Other Properties:

For qualifying purposes, Mortgage payments for other real estate owned must use a fully indexed, fully amortized principal and interest payment calculation. Use the following to calculate a qualifying principal and interest payment:

- Outstanding principal balance
- Fully indexed note rate
- Existing amortization term

Student Loans:

For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in qualifying. Copies of the borrower's payment letters or forbearance agreements must be provided so that a monthly payment amount can be determined. The monthly payment to be used is:

- If deferred or not reporting on the credit report use 1.15% of the higher of the original credit limit or the outstanding balance.
- If the actual payment can be documented directly with the creditor, use the actual payment. An example would be when a copy of the installment loan agreement is provided.
- If the payment is reported on the credit report but with no direct creditor documentation, use the greater of:
  - 1.15% of the higher of the original credit limit or the outstanding balance, or
  - The payment reported on the credit report

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 documented and 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 180 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.

Section 15 Down Payment / Gifts

Gift Funds:

- Allowed for primary residences and second homes with LTV/CLTV <= 80%. Gift funds not allowed for LTV > 80%. Gift Funds are not allowed for investment property transactions.
- The full down payment may be gifted. Gifts may not be used for reserves.
- The donor must be a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner.
- The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.
- 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: All asset sources must be legal in accordance with all applicable federal, state, and local laws, rules and regulations, without conflict.

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, 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.
	• Portion of reserve requirement that can come from retirement funds:
	  • For borrower without penalty free access, only 50% of the minimum reserve requirement may be made up of retirement funds.
	  • For borrowers with penalty free access, 100% of the minimum reserve requirement may be made up of retirement funds.
	• Amount that may be used for reserves:
	  • 60% of the vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves. 70% of vested value may be used if it can be documented that an early withdrawal penalty does not apply.
	  • 100% of Roth IRA funds (less outstanding loan balances) may be used.
	  • 529 college savings plans may be used for reserves.
	    ▪ The borrower must be the custodian of the account
	    ▪ The balance must be reduced by 10% to account for tax consequences for drawing funds for non-educational purposes.
	• Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves.

Bonus Income	A borrower’s recent bonus may be used toward down payment, closing costs and reserves when the impact to the borrower’s qualifying income is analyzed. The bonus income may be required to be deducted from qualifying income when the bonus is used as cash to close. The underwriter must determine that the borrower is able to meet all financial obligations and living expenses until the next bonus payout. Considerations may include, but are not limited to: • How often the bonus is paid (i.e. quarterly, semi-annual, annual) and what is the date of the last and next bonus payout.

	• The amount of the bonus and how much is used for cash to close. • Is base income sufficient to allow borrower to meet all obligations and living expenses until the next bonus is received. • Are liquid reserves sufficient to ensure the borrower has the ability to repay obligations in a timely fashion and to support the borrower's overall income profile for acceptable risk.

Business Funds	Business funds may be used for down payment, closing costs, or reserves. Extreme care needs to be taken when considering business use of funds and in some cases even though a business is profitable, it may not be prudent to use the business assets in the transaction.
	• The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
	• Business average annual cash flow is greater than the amount to be withdrawn/reserves.
	• Cash on company year-end balance sheet for each of the previous three years is greater than the amount to be withdrawn or required for reserves. A three-year history of a balance greater than or equal to the amount being considered for reserves (post-closing liquidity) or down payment is required.
	• Full analysis of the business must consider the effect of the withdrawal of the assets and how it will impact the strength and viability of the business in the future. The following must be considered:
	    • What is the pattern of company cash flows? Is there declining gross or net income?
	    • Are there concerns about the type of business, or might the business be experiencing a downturn?

1031 Exchange	Allowed on second home and investment purchases only. Reverse 1031 exchanges not allowed. • HUD-1/CD for both properties. • Title transfer • Exchange agreement. • Purchase agreements from both properties must contain language to identify the 1031 exchange. • Verification of funds from the Exchange Intermediary.
Ineligible Assets	• Sweat Equity • Group Savings • Pooled Funds • Saving cash to close • Stock options in a qualified plan but not fully vested • Stock options in a non-qualified plan • Assets held in a Uniform Gift to Minors Act (UGMA) account or Uniform Transfers to Minors Act (UTMA) account are ineligible.

Section 16 Reserves

Reserves must come from the borrower's own funds. Refer to the **Assets** section above for eligible sources of funds for reserves.

Required Reserves for Subject Property PITIA				
Occupancy	**Combined Loan Amount[1]**	**1-unit**	**2-unit**	**3-4-unit**
Primary Residence	≤ $1,000,000	12 months	12 months	36 months
	$1,000,001 - $2,000,000	12 months	18 months	36 months
	$2,000,001 - $3,000,000	24 months		
Second Home	≤ $1,000,000	18 months		
	$1,000,001 - $2,000,000	24 months		
Investment Property	≤ $1,000,000	24 months	24 months	24 months
	$1,000,001 - $2,000,000	30 months	30 months	30 months

1. Combined loan amount includes all loans/liens against the property from any creditor or lien holder.

Reserves and Multiple Financed Properties:

- Reserves are required for the subject property only.
- When aggregate financing for all properties owned by borrower exceeds $3 million one of the following is required:
  - Minimum reserve (post-closing liquidity) is 36 months PITI on the subject property, OR
  - Maximum 50% LTV/CLTV

Ineligible Sources for Reserves:

- Maximum of 50% of reserve requirement may be made up of retirement funds
- Gift funds
- Borrowed funds
- Stock in a closely held corporation
- Cash proceeds from the subject transaction
- Proceeds from the sale of non-real estate assets

Section 17 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
Owner-Occupied and Second Home	≤ 80%	6%
Investment Properties	All LTVs	2%

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.

Section 18 Property Eligibility

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- Condos
- 2-4 units

Condominiums:

- Must be Fannie Mae Warrantable
- Must meet Fannie Mae full requirements
- Condo Project Manager (CPM) approval or PERS certificates allowed
- Site (detached) condos are eligible for Limited Review (not allowed for attached condos).

Solar Panels: Additional approval requirements exist for solar panels that are not owned free and clear.

Ineligible Properties:

- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Model home leaseback
- Properties with a private transfer covenant
- 2-4 unit 2nd homes
- Commercial properties
- Cooperatives
- Condos that are Unwarrantable or attached condos with Limited Review
- Condotels
- Log, earth or geodesic dome homes
- Geothermal homes
- Manufactured housing
- Mixed use
- Timeshares
- Unique properties
- Properties with more than 10 acres not eligible if LTV > 80%
- Hobby farms, ranches, orchards
- Properties subject to existing oil or gas leases (exceptions allowed case-by-case)
- 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). Correspondents must order the appraisal from an authorized AMC listed at the end of this section. Appraisals will be reviewed by Plaza and will also require investor approval prior to close. Plaza Underwriters must refer to Plaza's **Non-Conforming Underwriting and Appraisal Submission Procedures**.

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV.

First Lien Loan Amount	Appraisal Requirement
≤ $1,000,000	1 Full Appraisal
> $1,000,000 ≤ $2,000,000	1 Full Appraisal completed by a certified appraiser
> $2,000,000	1 Full Appraisal completed by a certified appraiser and a RVS Interior Field Review[1]

1. The RVS reviews will be ordered by the investor upon review of the full appraisal.

Transferred Appraisals: Transferred appraisals are not allowed.

Authorized AMCs for Correspondent transactions:

- Xome Valuation Services, LLC
- Clear Capital
- CoreLogic Valuation Solutions
- PCV Murcor
- ServiceLink
- Solidifi

Section 20 Geographic Restrictions

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

LTV > 80%: Loan amounts over $750,000 are eligible in specific counties only. Refer to Plaza's **PPJ 85% Property Eligibility List.**

Hawaii: Properties in Lava Flow Zones 1 or 2 are ineligible.

Texas: Texas Section 50(a)(6) transactions are ineligible.

Section 21 Max Financed Properties / Exposure

- **LTV/CLTV <= 80:** The borrower(s) may own a total of 4 financed, 1-4 unit residential properties, including the subject property regardless of occupancy.
- **LTV > 80%:** The borrower(s) may own a total of 2 financed, 1-4 unit residential properties, including the subject property regardless of occupancy.

Notes:

- Partial or joint ownership is considered the same as total ownership in the property.
- Financed properties held in the name of an LLC or other corporation can be excluded from the calculation of number of properties financed only in cases where the borrower is not personally obligated for the mortgage.
- Ownership in commercial properties, multi-family properties containing 5 or more units, lots and properties owned free & clear are not included.

Aggregate Financing > $3,000,000:

When aggregate financing for all properties owned by borrower exceeds $3 million one of the following is required:

- Minimum reserve (post-closing liquidity) is 36 months PITI on the subject property, OR
- Maximum 50% LTV/CLTV

Maximum Loans/Maximum Exposure: A maximum of two Plaza Jumbo loans and no more than four total Plaza loans are permitted to one borrower.

Section 22 Mortgage Insurance

Not applicable, regardless of LTV.

Section 23 Repair Escrows

Loans with escrows for completion of postponed improvements (escrow holdbacks) are not eligible.

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">2.25%</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><td>Product</td><td>First Adjustment</td><td>Subsequent Adjustments</td><td>Lifetime</td></tr>
<tr><td>5/1</td><td>2%</td><td>2%</td><td>5%</td></tr>
<tr><td>7/1</td><td>2%</td><td>2%</td><td>5%</td></tr>
<tr><td>10/1</td><td>2%</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

For Insurance requirements refer to Plaza's **Hazard and Flood Insurance Policy.**

For clarification, flood insurance replacement cost value is defined as 100% of the insurable value of the improvements (with losses to be paid at replacement cost) as determined by the amount of hazard insurance coverage obtained.

Section 27 Other Requirements

Age of Documentation:

- **Credit Report:** No more than 90 days before the date the Note is signed.
- **Income:** No more than 90 days before the date the Note is signed.
- **Assets:** No more than 90 days before the date the Note is signed.
- **Appraisal:** No more than 120 days before the date the Note is signed.
- **Title Commitment:** No more than 90 days before the date the Note is signed.