Solutions Non-QM Program Guidelines

Revised 5/14/2019 rev. 102

Section 1 Program Summary

Plaza's Solutions Program offers Non-Qualified Mortgages on fully amortizing 15 & 30-Year Fixed Rate and 5/1 & 7/1 ARM products and interest-only 40-year Fixed Rate and 5/1 & 7/1 ARM products. Loan amounts from $100,000 to $2,500,000 are eligible.

- Full Documentation
  - 24 Month Full Doc
  - 12 Month Full Doc
- Bank Statement Income Documentation
  - 24 Month Bank Statements - Personal and Business
  - 12 Month Bank Statements - Personal and Business
- Interest-only and fully amortized products
- DTI to 50%
- Asset Utilization for qualifying income
- LTVs to 95% (80% max for IO) with no MI
- Non-warrantable condominiums

The 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.

Section 2 Product Codes

Product Codes and Loan Term			
Product Name	**Product Code**	**Loan Term**	**Available Term in Months**
Solutions 15 Year Fixed	NQF15	15 YR	180
Solutions 30 Year Fixed	NQF30	30 YR	360
Solutions 5/1 LIBOR ARM	NQA51	30 YR	360
Solutions 7/1 LIBOR ARM	NQA71	30 YR	360
Solutions 40 Year Fixed Interest Only	NQF40IO	40 YR	480
Solutions 5/1 LIBOR ARM Interest Only 40 YR	NQA5140IO	40 YR	480
Solutions 7/1 LIBOR ARM Interest Only 40 YR	NQA7140IO	40 YR	480

Section 3 Program Matrix

Full Doc - 24 Month and 12 Month Primary Residence Purchase and Rate/Term Refinance					
Property Type	**Loan Amount**	**Credit Score[4]**	**LTV/CLTV**	**Max DTI**	**Months Reserves**
1-Unit PUD	$1,500,000	720	95%[1,2,3]	43%	6
		660	90%[1,2]	43%	6
		660	85%[1]	50%	6
	$2,500,000	680	85%[1]	50%	12
		660	80%	50%	12
Condo 2-4 Units	$1,500,000	660	85%[1]	50%	6
	$2,500,000	680	85%[1]	50%	12
		660	80%	50%	12
Non-Warrantable Condo	$1,500,000	660	80%	50%	6

1. Asset Utilization, Interest-Only & Rural Property: Maximum 80% LTV/CLTV.
2. NY properties & 12 month full documentation: Maximum 85% LTV/CLTV.
3. LTV > 90%: Loan amount must exceed FHFA limit for the property location, 24 month full documentation & purchase only.
4. Asset Utilization: Minimum 680 Credit Score

Full Doc - 24 Month and 12 Month Primary Residence Cash-Out Refinance[3]						
Property Type	**Loan Amount**	**Credit Score**	**LTV/CLTV**	**Max DTI**	**Months Reserves**	**Max Cash-Out**
1-Unit PUD Condo 2-4 Units	$1,500,000	680	85%[1]	50%	6	$1,000,000[2]
		660	80%	50%	6	
	$2,500,000	720	80%	50%	12	
		660	75%	50%	12	
Non-Warrantable Condo	$1,500,000	660	80%	50%	6	

1. Interest-Only & Rural Property: Maximum 80% LTV/CLTV.
2. Cash-out > $250,000 ≤ $500,000 reduce maximum LTV/CLTV by 5%. Cash-out > $500,000 ≤ $1,000,000 reduce maximum LTV/CLTV by 10%.
3. Asset Utilization not allowed on cash-out transactions.

Full Doc - 24 Month and 12 Month					
Second Home Purchase and Rate/Term Refinance					
Property Type	Loan Amount	Credit Score[1]	LTV/CLTV	Max DTI	Months Reserves
1-Unit PUD Condo	$1,500,000	660	80%	50%	6
	$2,500,000	660	80%	50%	12
Non-Warrantable Condo	$1,500,000	660	80%	50%	6

1. Asset Utilization: Minimum 680 Credit Score

Full Doc - 24 Month and 12 Month						
Second Home Cash-Out Refinance[2]						
Property Type	Loan Amount	Credit Score	LTV/CLTV	Max DTI	Months Reserves	Max Cash-Out
1-Unit PUD Condo	$1,500,000	660	80%	50%	6	$1,000,000[1]
	$2,500,000	720	80%	50%	12	
		660	75%	50%	12	
Non-Warrantable Condo	$1,500,000	660	80%	50%	6	

1. Cash-out > $250,000 ≤ $500,000 reduce maximum LTV/CLTV by 5%. Cash-out > $500,000 ≤ $1,000,000 reduce maximum LTV/CLTV by 10%.
2. Asset Utilization: Not eligible for cash-out transactions.

Bank Statements - Personal and Business 24 Month and 12 Month					
Primary Residence Purchase and Rate/Term Refinance					
Property Type	Loan Amount	Credit Score	LTV/CLTV	Max DTI	Months Reserves
1-Unit PUD	$1,500,000	680	90%[1,2]	43%	6
		660	85%[1]	43%	6
	$2,500,000	720	85%[1]	43%	12
		660	80%	43%	12
Condo 2-4 Units	$1,500,000	660	85%[1]	43%	6
	$2,500,000	720	85%[1]	43%	12
		660	80%	43%	12
Non-Warrantable Condo	$1,500,000	660	80%	43%	6

1. Interest-Only & Rural Property: Maximum 80% LTV/CLTV.
2. NY properties & 12 month Bank Statements: Maximum 85% LTV/CLTV.

Bank Statements - Personal and Business 24 Month and 12 Month Primary Residence Cash-Out Refinance						
Property Type	Loan Amount	Credit Score	LTV/CLTV	Max Cash-Out	Max DTI	Months Reserves
1-Unit PUD Condo 2-4 Units	$1,500,000	680	85%[1]	$1,000,000[2]	43%	6
		660	80%		43%	6
	$2,500,000	660	75%		43%	12
Non-Warrantable Condo	$1,500,000	660	80%		43%	6

1. Interest-Only & Rural Property: Maximum 80% LTV/CLTV.
2. Cash-out > $250,000 ≤ $500,000 reduce maximum LTV/CLTV by 5%. Cash-out > $500,000 ≤ $1,000,000 reduce maximum LTV/CLTV by 10%.

Bank Statements - Personal and Business 24 Month and 12 Month Second Home Purchase and Rate/Term Refinance					
Property Type	Loan Amount	Credit Score	LTV/CLTV	Max DTI	Months Reserves
1-Unit PUD Condo	$1,500,000	660	80%	43%	6
	$2,500,000	660	80%	43%	12
Non-Warrantable Condo	$1,500,000	660	80%	43%	6

Bank Statements - Personal and Business 24 Month and 12 Month Second Home Cash-Out Refinance						
Property Type	Loan Amount	Credit Score	LTV/CLTV	Max DTI	Months Reserves	Max Cash-Out
1-Unit PUD Condo	$1,500,000	660	80%	43%	6	$1,000,000[1]
	$2,500,000	660	75%	43%	12	
Non-Warrantable Condo	$1,500,000	660	80%	43%	6	

1. Cash-out > $250,000 ≤ $500,000 reduce maximum LTV/CLTV by 5%. Cash-out > $500,000 ≤ $1,000,000 reduce maximum LTV/CLTV by 10%.

Full Doc - 24 Month and 12 Month Investment Property Purchase and Rate/Term Refinance					
Property Type	**Loan Amount**	**Credit Score[1]**	**LTV[2]**	**Max DTI**	**Months Reserves**
1-Unit PUD Condo	$1,500,000	660	80%	50%	6
	$2,500,000	660	75%	50%	12
Non-Warrantable Condo	$1,500,000	660	80%	50%	6

1. Asset Utilization: Minimum 680 Credit Score
2. Subordinate financing is not eligible.

Full Doc - 24 Month and 12 Month Investment Property Cash-Out Refinance[2]						
Property Type	**Loan Amount**	**Credit Score**	**LTV[3]**	**Max DTI**	**Months Reserves**	**Max Cash-Out**
1-Unit PUD Condo	$1,500,000	720	80%	50%	6	$500,000[1]
		660	75%	50%	6	
	$2,500,000	660	70%	50%	12	
Non-Warrantable Condo	$1,500,000	660	75%	50%	6	

1. Cash-out > $250,000 ≤ $500,000 reduce maximum LTV/CLTV by 5%.
2. Asset Utilization: Not eligible for cash-out transactions.
3. Subordinate financing is not eligible.

Bank Statements - Personal and Business 24 Month and 12 Month Investment Property Purchase and Rate/Term Refinance					
Property Type	**Loan Amount**	**Credit Score**	**LTV[1]**	**Max DTI**	**Months Reserves**
1-Unit PUD Condo	$1,500,000	660	80%	43%	6
	$2,500,000	660	70%	43%	12
Non-Warrantable Condo	$1,500,000	660	75%	43%	6

1. Subordinate financing is not eligible.

Bank Statements - Personal and Business 24 Month and 12 Month Investment Property Cash-Out Refinance						
Property Type	**Loan Amount**	**Credit Score**	**LTV[2]**	**Max DTI**	**Months Reserves**	**Max Cash-Out**
1-Unit PUD Condo	$1,500,000	660	75%	43%	6	$500,000[1]
	$2,500,000	660	65%	43%	12	
Non-Warrantable Condo	$1,500,000	660	70%	43%	6	

1. Cash-out > $250,000 ≤ $500,000 reduce maximum LTV/CLTV by 5%.
2. Subordinate financing is not eligible.

Section 4 Occupancy

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

Section 5 Transactions

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

Rate & Term Refinance:

The new loan amount is limited to the payoff of 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 not having total draws greater than $2,000 in the past 12 months.
- 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 rate/term refinance transaction. If the property was listed within the last 6 months, the following is required:
  - Proof of canceled listing prior to closing.
  - Acceptable letter of explanation from the borrower detailing the rationale for changing the intention to sell.
- Prior refinances: At least 6 months, note date to note date, must have elapsed since any prior cash-out refinances on the subject property.
- Title must be in the borrower's name at time of application and on the closing date.
- Rate/Term LTV:
  - If the borrower has less than 6 months ownership of the property, the LTV/CLTV 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 6 months, the LTV/CLTV is based on the appraised value.

Cash-Out Refinance:

- A signed letter from the borrower disclosing the purpose of the cash-out must be obtained on all cash-out transactions.
- There must be seasoning of at least 6 months (and title must be in the borrower's name for at least 6 months) since any prior financing (purchase or refinance) was obtained. Note date to note date is used to determine seasoning.
- Properties purchased entirely with cash within the last 6 months do not qualify for cash-out but may be eligible for Delayed Financing. Refer to the **Delayed Purchase Refinance** section. Other than as provided for in Delayed Financing, a mortgage taken out on a property previously owned free and clear is always considered a cash-out refinance.
- Properties that have been listed for sale within the past 6 months of loan application are not eligible for a cash-out refinance transaction.
- Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens, and any cash in hand.

- Cash-Out LTV:
  - If the borrower has less than 12 months ownership of the property, the LTV/CLTV 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.

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 original transaction must have been an arm's-length transaction.
- The LTV/CLTV is calculated based on the lesser of the purchase price or appraised value.
- Loan is underwritten as a cash-out refinance for LTV/CLTV purposes. Cash back to the borrower in excess of documented funds used to purchase the property is not allowed.
- The CD from the original purchase documenting 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, and 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.

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.

- For lots owned ≥12 months from application date for subject transaction, LTV, CLTV, HCLTV is based on the current appraised value.
- For lots owned < 12 months from application date for subject transaction, LTV, CLTV, HCLTV 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).

Texas Section 50(a)(6) transactions:

- 1-unit primary residence only
- 30 year fixed rate only
- 24 Month Full Documentation or 24 Month Personal Bank Statement Programs are allowed only
- Maximum LTV/CLTV of 80%.
- Points and Fees are limited to 2%.
- Regardless if the new loan is a rate/term or cash-out refinance, any loan classified under Texas law as a Texas 50(a)(6), must follow the cash-out eligibility matrix and be locked as a cash-out refinance.
- Refer to Plaza's **Texas Home Equity Section 50(a)(6) guidelines** for additional information.
- All TX 50(a)(6) loans must be must be underwritten by Plaza's Dallas, TX, Regional Office.

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

Section 6 Property Flips

Properties acquired within 12 months after the date of the seller's acquisition where the contract price exceeds the seller's acquisition price by 10% or more are considered flips.

Property Flips:

- 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.
- The property must have been marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- Value increases must be supported including documented improvements and an additional valuation product may be required:
  - A second appraisal is required if > 10% increase in sales price if seller acquired the property in the past 90 days, or
    A second appraisal is required if > 20% increase in sales price if seller acquired the property in the past 91-180 days.

Section 7 Identity of Interest & Non-Arm's Length

Identity of Interest and Non-Arms Length Transactions 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.

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.
- Property seller foreclosure bailouts.
- 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 subject to the following:

- Primary Residence only
- Relationship must be fully disclosed and the Borrower to provide a written explanation stating relationship to the seller and reason for purchase
- Borrower to provide a copy of the canceled earnest money check
- LTV is based on the lesser of sales price or current appraised value
- Borrowers cannot provide services on transaction (closing agent, title agent, appraiser, etc.)
- Borrower may not be an owner of a business entity selling the subject property
- The following additional requirements apply only to family sales:

- Payment history for the seller's mortgage on the subject property must be obtained and show no pattern of delinquency within the past 12 months (if applicable)
- Verification that the borrower has not been in title to the property in the past 24 months
- Gift of equity is permitted

Section 8 Loan Limits

Minimum loan amount: $100,000

Maximum Loan Amount: $2,500,000

Section 9 Subordinate Financing

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

- Primary residences and second homes only.
- Institutional financing only – Seller-held subordinate financing is not allowed.
- Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
- Full disclosure must be made on the existence of subordinate financing and the repayment terms.
- A payment on the subordinate financing must be included in the DTI. If a payment is unable to be determined, 1.5% of the original loan balance can be used.
- If the subordinate lien is a HELOC the total line amount must be used to determine CLTV.

Ineligible Subordinate Mortgages:

- Investment properties with subordinate financing.
- Subordinate mortgages subject to an interest rate buydown plan.
- Subordinate mortgages that allow negative amortization.
- Subordinate mortgages that involved graduated or variable payments.
- Subordinate mortgages that have wraparound terms.
- Subordinate mortgages through a Community Second Mortgage/Down Payment Assistance Program.
- Subordinate mortgages held by the property seller.
- Any type of tax or judgment lien.

Section 10 Borrower Eligibility

Eligible Borrowers:

- U.S. citizens
- Permanent resident aliens with the following acceptable documentation:
  - I-151 – Permanent Resident Card (Green Card) that does not have an expiration date, or
  - I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired, or
  - I-551 – Conditional Permanent Resident Card (Green Card) issued for 2 years that has an expiration date accompanied by a copy of USCIS form I-751 requesting removal of the conditions, or
  - Un-expired Foreign Passport with an un-expired stamp reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized."
- Inter Vivos Revocable Trusts – Refer to **Plaza's Living Trust Policy** requirements.

- First-time homebuyer (no additional restrictions).

Ineligible Borrowers:

- Non-occupant Co-borrower
- Non-Permanent Resident Aliens
- Foreign Nationals
- Non-Revocable Trusts
- Borrowers with Diplomatic Immunity
- Land Trusts
- Borrowers without a Social Security number or with only an ITIN (Individual Taxpayer Identification Number)

Section 11 Underwriting Method

All loans must be manually underwritten and fully documented per these Program Guidelines. If a requirement is not addressed in these Guidelines, refer to the more restrictive of Plaza's Credit Guidelines and Fannie Mae's Selling Guide.

All loans are subject to a second level review. Please allow five business days of additional review time at time of initial approval. Plaza underwriters must refer to **Plaza's Non-conforming Underwriting Procedures** for second level review requirements and procedures.

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

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

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 for each borrower.

Trade Lines:

- 3 trade lines – Each trade line must be open for at least 12 months and must have activity in the last 12 months and may be open or closed.
  OR
- 2 trade lines – Each trade line must be open for 24 months and have activity in the last 12 months and may be open or closed.
- Trade lines used to qualify may not exceed 0x60 in the most recent 12 months.
- Authorized User accounts may not be used to satisfy the trade line requirements.
- Non-traditional credit or trade lines with derogatory credit may not be used to satisfy the trade line requirements.

Credit Evaluation:

All accounts, revolving and installment, reported by the borrower on the application must be verified directly by a credit reference or verified on the credit report. The balance, rating and terms of the account must be verified. If the account has not been updated on the credit report within 90 days of the date of the credit report, a supplement to the credit report or a separate written verification form must be obtained.

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.
- Mortgage/rent must be rated up to and including the month of the new loan closing.
- The subject mortgage must be current at application and closing.

Mortgage history and/or rental history must be verified for the most recent 12 months if this information does not appear on the credit report. Acceptable sources include institutional VOM, institutional VOR or canceled checks. The underwriter must obtain the current balance, current status, monthly payment amount and a payment history for the last 12 months. Direct written verification of rent is acceptable in lieu of canceled checks when the landlord is a large professional management company.

Borrowers Living Rent Free:

If the borrower has been living with a relative rent free:

- Full Documentation only (Bank Statement Income Documentation is not allowed)
- Acceptable documentation to evidence borrowers have not had a housing obligation must be provided.

Payment History on any other Property (Regardless of Occupancy):

All payment ratings on properties will be considered mortgage credit for grading purposes. Payments on a manufactured home, timeshare, or second mortgage are considered to be mortgage debt, even if reported as an installment loan. Any late payment in the last 24 months on a manufactured home, timeshare, second mortgage, will be considered ineligible for the program.

Bankruptcy / Foreclosure / NOD / Short Sale / Deed-in-Lieu / Restructured (Modified) Loan: Four years seasoning is required.

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.

Collection Accounts that meet the following requirements may remain open:

- Collections and charge-offs < 24 months old with a maximum cumulative balance of $2,000 may remain open
- Collections and charge-offs ≥ 24 months old with a maximum of $2,500 per occurrence may remain open
- Cash-out proceeds may not be used to satisfy accounts paid off at closing.
- Any adverse credit, including disputed accounts, on the borrower's credit report must be sufficiently explained by the borrower in writing.
- Medical collection accounts do not have to be paid off.

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.

Lawsuit or Pending Litigation: If the application, title, or credit documents reveal that the borrower is presently involved in a lawsuit or pending litigation, a statement from the borrower's attorney is required. The statement must explain the circumstances of the lawsuit or litigation and discuss the borrower's liability and insurance coverage.

Section 13 Income & Employment – Full Documentation

24 Month Full Doc: Salary/wage, self-employed and other income sources.

12 Month Full Doc: Salary/wage and self-employed.

- Supplemental or other sources of income may not be eligible for 12 month documentation, refer to the Documentation Requirement table in this section.

Regardless of 12 or 24 month income calculation, borrowers must have an acceptable and verifiable minimum 2 year employment history.

All Loans Require 4506-T, Tax Transcripts and a Verbal Verification of Employment in addition to the income documentation requirements listed in this section. Note: 4506-T is not required for Bank Statement Documentation.

- **4506-T/Tax Transcripts:** Must be completed and signed by all borrowers both at application and closing.
  - The 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.
  - Transcripts are not required for business returns.

- **Verbal Verification of Employment:** Verbal Verification of Employment is required prior to closing for all borrowers with qualifying income.
  - **Wage Income:** 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.
  - **Self-Employed Income:**
    - 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
    - Verification must be obtained within 30 calendar days prior to the Note date

Documentation Standards:

- **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 VOEs cannot be used as a sole source for verification of employment, paystubs and W-2s are still required. 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 directly to Plaza.

- **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 1120, 1065, etc.)
    - Signed and dated by each borrower on or before the closing date
  - 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.

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. A 2-year history of receiving income is required in order for the income to be considered stable and used for qualifying. While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.
- Income from self-employment is considered stable if the borrower has been self-employed for 2 or more years.
- Frequent job changes to advance within the same line of work may be considered favorable. Job changes without advancement or in different fields of work should be carefully reviewed to ensure consistent or increasing income levels and the likelihood of continued stable employment.

- Borrowers should provide a signed, written explanation for any employment gaps that exceed 30 days in the most recent 12-month period, or that exceed 60 days in months 13-24.
- Recent graduates and borrowers re-entering the workforce after an extended period are allowed. Documentation must 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.
- All income sources must be legal in accordance with all applicable federal, state, and local laws, rules and regulations, without conflict.

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	Documentation Requirement
Hourly/Salary Wage-Earners	**12 Month or 24 Month Full Doc eligible** • W-2 forms for the most recent 1 or 2 years based on doc type selected • 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	**24 Month Full Doc only** • 2 years uninterrupted history in the same part time job required • Income must be likely to continue • Income should not be declining. If the income shows a decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. If the income is deemed stable and usable the most recent lower income over the prior 2-year period must be used and may not be averaged. • W-2 forms for the most recent 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	**24 Month Full Doc only** • Tax returns for the most recent 2 years if commission >= 25% of annual income • W-2s for the most recent 2 years if commission < 25% of annual income • Most recent year to date paystub reflecting commission earnings • Commission income must be averaged over the previous 2 years • Income should not be declining. If the income shows a decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. If the income is deemed stable and usable the most recent lower income over the prior 2-year period must be used and may not be averaged.

Overtime & Bonus Income	**24 Month Full Doc only** • 2 years uninterrupted history of bonus or overtime income required • Income must be likely to continue • Income should not be declining. If the income shows a decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. If the income is deemed stable and usable the most recent lower income over the prior 2-year period must be used and may not be averaged. • Written VOE providing a breakdown of income for past 2 years • W-2 forms for the most recent 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

Sole Proprietorship	**12 Month or 24 Month Full Doc eligible**
	• Tax returns, including all schedules, for the prior 1 or 2 years (depending on doc type selected) 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

Partnerships Corporations S Corporations	**12 Month or 24 Month Full Doc eligible**
	• Tax returns, including all schedules, for the prior 1 or 2 years (depending on doc type selected) 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
	• W-2s for the prior 1 or 2 years (depending on doc type selected) if applicable
	• Business tax returns (1065/1120), including all schedules and K-1s, for the prior 1 or 2 years (depending on doc type selected) signed and dated by each borrower on or before the closing date are required. If the borrower has an ownership percentage < 25% then the business/partner returns are not required.

Alimony, Maintenance & Child Support Income	**12 Month or 24 Month Full Doc eligible** • 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 • Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 6 months • If payments are not regular, are partial, or not timely the income cannot be used

Annuity Income	**12 Month or 24 Month Full Doc eligible**
	• 12-month history of receipt verified by 1099s, tax returns, or bank statements
	• Annuities established < 12 months must be in a non-revocable trust with a minimum 40 month distribution term remaining
	• Letter from issuer indicating:
	    • Terms of periodic withdrawal
	    • Amount of withdrawal
	    • Duration of withdrawal
	    • Balance of annuity
	• Account balance must be sufficient to sustain continuance for a minimum of 3 years

Asset Utilization	• Purchase or Rate/Term refi only.
	• Maximum 80% LTV/CLTV, minimum 680 Credit Score.
	• All owners of the asset accounts must also be borrowers on the note and mortgage.
	• Assets must be verified with the most recent 3 months of statements.
	• Assets must be seasoned a minimum of 120 days.
	• Eligible Assets:
	    • Stocks, bonds, mutual funds. 70% of value.
	    • Vested amount of retirement accounts. 60% of vested value. Retirement accounts are only eligible if the borrower is of retirement age (at least 59 ½).
	    • Bank accounts – savings, checking, money market. 100% of balances.
	• Accounts from which the borrower receives distributions are not eligible assets.
	• Business Assets are not eligible for Asset Utilization.
	• Minimum Asset Requirement:
	    • Lesser of 1.5 times the loan amount or $1,000,000 after down payment, loan costs and required reserves.
	• Income Calculation: Net Qualified Assets / 120 = Monthly Income.

Capital Gains	**24 Month Full Doc only** • Tax returns for the prior 2 years documenting a 2 year history of capital gains • Gains must be recurring and cannot be used if appears to be a one time occurrence • If the income is declining it cannot be used • Assets must be sufficient to sustain the gain for a minimum of 3 years

Departing Residence	**12 Month or 24 Month Full Doc eligible**
	If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply:
	• Borrower must have documented equity in departure residence of 25%.
	• Documented equity may be evidenced by:
	    • an exterior appraisal or a full appraisal dated within six (6) months of subject transaction, or
	    • the original sales price and the current unpaid principal balance
	• Copy of current lease agreement
	• Copy of security deposit and evidence of deposit to borrower's account

Disability Income (Long-term and Short-term)	**12 Month or 24 Month Full Doc eligible**
	• Documentation from either the insurance company or employer verifying:
	    • Payment amount
	    • Conditions for termination of payment
	    • Likelihood of the income continuing for at least 3 years
	• Copy of most recent check or bank statement verifying receipt of payment
	• Short-term disability also requires, in addition to the above requirements:
	    • Signed letter from borrower indicating intent to return to work
	    • Verification from employer that the borrower will be allowed to return to work once the disability no longer exists. The letter must identify the borrower's position and rate of pay upon return. If the future employment income will be less than the disability income, the lower income amount must be used to qualify for the loan.

Dividend/Interest Income	**24 Month Full Doc only** • Tax returns for the prior 2 years supporting a 2 year history of receipt • Verification of stock asset values no older than 30 days prior to the note date • Documentation verifying asset(s) to support the continuation of income for a minimum of 3 years
Foreign Income	**24 Month Full Doc only** • Tax returns for the prior 2 years reflecting the foreign income • Income must be converted to U.S. currency • Standard income stability and continuance requirements are met • Standard documentation requirements apply based on the type of income • Income from sanctioned countries administered by OFAC is not allowed.

Foster Care Income	**24 Month Full Doc only**
	• Allowed if there is a 2 year history of receipt and likelihood of continuance for 3 years
	• May not be considered for children who will reach the age of 19 within 3 years
	• Documentation from the organization must be provided that clearly verifies:
	    • Number of foster children
	    • Age of foster children
	    • Length of foster care
	• Copy of most recent check or bank statement verifying receipt of payment

Non-Taxable Income	• Non-Taxable income may be grossed up 25% to determine qualifying income; however, non-taxable income may not be grossed up for calculating residual income. • Federal Tax returns may be required to determine the non-taxable income
Note Income	**12 Month or 24 Month Full Doc eligible** • Tax returns for the prior 1 or 2 years (depending on doc type selected) supporting a history of receipt • A copy of the note confirming the amount, frequency and duration of payments • The note must verify the remaining term of a minimum of 3 years

Retirement Income (pension, 401(k) and IRA distributions)	**12 Month or 24 Month Full Doc eligible**
	• Verify Income and Source using one of the following:
	    ◦ Letters from the organization providing the income
	    ◦ Copy of retirement award letters
	    ◦ Tax returns for the most recent 1 or 2 years (depending on doc type selected)
	    ◦ W-2 forms or 1099 forms for the most recent 1 or 2 years (depending on doc type selected)
	    ◦ Bank statements reflecting regular deposits for the most recent 2 months
	• Assets supporting distributions must be sufficient to sustain continuance for a minimum of 3 years. Documentation must clearly indicate income will continue for a minimum of 3 years.
	• If the borrower is of retirement age and the income is received from corporate, government, or military retirement/pension, proof of continuance is not required.

Forthcoming Retirement	Any borrower presently employed but anticipating retirement within 3 years from note date must be evaluated upon the verified anticipated retirement income.

Rental Income	**12 Month or 24 Month Full Doc eligible**
	• 24 Month Full Doc required if the property has been owned for at least two years
	• 12 Month Full Doc is allowed if the property has been owned less than 2 years
	• Tax returns for the prior 1 or 2 years (depending on doc type selected) including all schedules
	• 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
	• Rental income is calculated using the most recent two year average Cash Flow Analysis of Schedule E
	• For properties owned less than 2 years, use the lesser of
	    ◦ 75% of the current lease minus PITIA, or
	    ◦ Cash flow analysis of Schedule E from the most recent year
	• For rental income on the subject property purchase, use the lesser of
	    ◦ 75% of the current lease minus PITIA (evidence of deposit required), or
	    ◦ 75% of the appraiser’s opinion of rent (1007/216) minus PITIA
	    ◦ Evidence of the lease deposit must be provided or 3 month’s additional PITIA reserves is required
	• 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) - PITIA.
	• If the subject property is the borrower’s primary residence and generating rental income, the full PITIA must be included in the borrower’s total monthly obligations.

Social Security Income	**12 Month or 24 Month Full Doc eligible** • Social Security income must be verified by a Social Security Administration benefit verification letter • Proof of current receipt • Benefits with a defined expiration date (children or surviving spouse) must have a remaining term of at least three (3) years or the income may not be used

Trust Income	**12 Month or 24 Month Full Doc eligible**
	• A copy of the Trust Agreement or Trustee Statement showing:
	    • Total amount of borrower-designated trust funds
	    • Terms of payment
	    • Duration of trust
	    • Trust is irrevocable
	• Regular receipt of trust income for the past 3 months must be documented.
	• Income must continue for a minimum of 3 years
	• 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 and the withdrawal of the trust funds must be documented

Income Type	
Unacceptable Income	• Illegal Income • Deferred compensation or Stock options • Retained earnings • Education benefits • Refunds of federal, state, or local taxes • Trailing spouse income • Rental income from the borrower's single family primary residence or second home • Foreign shell banks • Medical marijuana dispensaries or any business or activity related to marijuana use, growing, selling or supplying, even if legally permitted under state or local law • Gambling winnings (except lottery continuing for 5 years) or businesses engaged in any type of internet gambling

Section 14 Income & Employment – Bank Statement Documentation

Bank Statement Income Documentation is available for self-employed borrowers only. Four bank statement documentation options are available.

- 24-month personal bank statements
- 12-month personal bank statements
- 24-month business bank statements
- 12-month business bank statements

General Requirements for all Bank Statement Documented Loans:

- Borrowers must be self-employed at the same business for at least 2 years.
- All parties listed on each bank account must also be borrowers on the loan.
- Statements must be the most recent months available and must be consecutive.
- Statements must support stable and generally predictable deposits.
    - Unusual deposits must be documented.
    - Deposits/earnings trend should not be declining.
- Up to 3 NSF checks and overdraft protection transfers in the most recent 12-month period are allowed with an explanation from the borrower.
- Additional income deposited into the bank accounts but derived from a source other than the self-employed business may not be included in the bank statement average.
    - W-2 earnings or other income sources not associated with self employment, such as a spouse employed as a wage earner, must be documented using Full Doc.

- When wage income is combined with bank statement documentation, a tax return is not required for the full income documentation, as this would invalidate the bank statements.
  - The 4506T is still required; however, box 8 should be checked to obtain a transcript of W-2 earnings only.
  - Rental income: When rental income is the borrower's primary source of income, rental income must be documented using Full Doc. Rental income that is a secondary source of income may be included subject to specific requirements. Refer to the Rental Income information at the end of this section.
- If the bank statements provided reflect payments being made on obligations not listed on the credit report additional information must be obtained to determine if the liability should be included in the borrower's debt-to-income ratio.
  - If the obligation does not belong to the borrower, supporting documentation is required.
  - If the borrower is the obligor on the debt, an account statement and pay history should be obtained to review the account for acceptability. The payment must be included in the debt ratio.
- 4506-T is not required except as described above for co-mingled income.
- Tax returns and Transcripts are not required for the program and must not be provided. If Tax returns and/or Transcript are provided the loan will be ineligible for bank statement documentation.

PERSONAL BANK STATEMENTS – 12 & 24 Months

Personal Bank Statement Documentation Requirements:

- 12 or 24 months complete personal bank statements from the same account (transaction history printouts are not acceptable)
- Multiple bank accounts may be used; however, only personal, non-business accounts may be used
- Income must be disclosed on the Initial signed 1003
- Standard verification of business requirements apply. Verification must occur within 10 days prior to closing.

Personal Bank Statement Income Calculation:

- The lower of the Personal Bank Statement Average or the 1003 Initial Disclosed Income must be used as qualifying income.
- 100% of stable and generally predictable deposits are used for income and averaged over 12 or 24 months (corresponding to the number of bank statements provided (12 or 24))
- Unusual deposits must be documented
- Transfers between personal accounts should be excluded
- Transfers from a business account into a personal account are acceptable
- Any deposits from income derived from a source other than the self-employed business may not be included in the bank statement average
- All loans must include Plaza's **Personal Bank Statement Worksheet**

BUSINESS BANK STATEMENTS – 12 & 24 Months

Business Bank Statement Documentation Requirements:

- 12 or 24 months complete business bank statements from the same account (transaction history printouts are not acceptable)
- Business bank accounts, personal bank accounts addressed to a DBA, or personal accounts with evidence of business expenses may be used
- Income must be disclosed on the Initial signed 1003
- Verification borrower is at least 50% owner of the business
  1. A CPA letter, operating agreement, or equivalent reflecting the borrower's ownership percentage.

2. If borrower is not 100% owner, non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and verifying the borrower's access to the account for income calculations.
3. Net income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

- Standard verification of business requirements apply. Verification must occur within 10 days prior to closing.
- There are two documentation options:
    1. Business expense statement letter covering the same 12 or 24 month period as the bank statements. The expense letter must specify the business expenses as a percent of gross annual sales/revenue. The letter should be on the CPA/tax preparer's company letterhead and must be signed by either the CPA or tax preparer.
    2. P&L statement prepared by the borrower covering the same 12 or 24 month period as the bank statements. The P&L must be signed by the borrower. Although not required, the P&L may be prepared by a third-party (CPA or licensed tax preparer). If a third-party prepared the P&L it must be signed by the preparer and the borrower. An additional YTD P&L will be required if the most recent calendar year P&L is greater than 90 days old at time of closing.
- Business expenses must be reasonable for the type of business. Examples of businesses with higher expense ratios may include construction companies, builders, restaurants and retail firms.
- Transfers from other accounts and wire transfers must be documented or excluded from the calculation.
- Income documented separately but co-mingled must be backed out of deposits.
- Statements should show a trend of ending balances that are stable or increasing over time. Decreasing or negative ending balances must be explained.
- All loans must include Plaza's **Business Bank Statement Worksheet.**

Income Calculation for Business Expense Statement Letter Documentation:

- Net income is the total of eligible deposits less the total expenses. Total expenses are calculated by multiplying the expense factor per the expense statement letter by the total eligible deposits.
- The lower of the net income or the 1003 Initial Disclosed Income must be used as qualifying income.

Income Calculation for Borrower Prepared P&L:

- The 12 or 24 month total of eligible deposits in the business bank accounts must support the P&L by being no less than 10% below the P&L Gross Revenue (P&L top line). If the deposits equal 90% or more of Gross Revenue, the P&L is deemed validated.
- The lower of the net income from the P&L or the 1003 Initial Disclosed Income must be used as qualifying income.

Rental Income:

Borrowers utilizing Bank Statement Documentation may include rental income as a secondary source of income if the following requirements are met:

- All requirements for documenting the self-employed business/primary source of income must be met
- Leases for rental properties must be provided
- 2-months proof of receipt of rental income must be documented
- Rent deposits must match the rental income per the leases
- The rental income deposits should be to a separate bank account. Any rental income deposits to the bank account that is used in the self-employed income analysis are not eligible and must be backed out of the eligible deposits.

- If rent deposits cannot be clearly identified and backed out of the bank statements or they are not documented as deposited into a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio.
- When rent deposits are to a different account or can be documented and backed out of the business account, rental income is calculated as follows: Lease amount multiplied by 75% vacancy factor less PITIA. If the rental is the subject property, use the lesser of the lease amount or the 1007/216 multiplied by 75% vacancy factor less the PITIA.

Section 15 Qualifying Ratios

- Refer to the **Program Matrix** in Section 3 for qualifying ratios.
- Interest Only: Qualify on the PITIA based on the fully amortizing loan term after the IO period ends.
- All programs qualify at the greater of the fully indexed rate or the note rate.
- 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 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.

Residual Income: All loans must meet the residual income requirements below.

- Residual income calculation must be calculated and displayed on the 1008.
- Residual income equals Gross Monthly Qualifying Income less Monthly Debt.
- $2,500 Residual Income required + $250 additional Residual Income for each additional household member.

Revolving Charges/Lines of Credit:

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 $10 or 5% of the outstanding balance 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:

Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. As a rule of thumb:

- Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments should generally not be included in the borrower's long-term debt.
- If a revolving account is to be paid off and closed, a monthly payment on the current outstanding balance may not need to be included in the borrower's long-term debt, i.e., not included in the DTI 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, 5% of the outstanding balance will be considered to be the required monthly payment.

HELOC:

The payment on all HELOCs must be considered as part of the borrower's recurring monthly debt obligations. The monthly payment per the credit report is used in qualifying. If the HELOC does not require a payment due to a zero balance, there is no recurring monthly obligation.

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 the greater of:

- 1% of the outstanding balance, or
- The actual documented payment.
- If the actual documented payment is less than 1% of the outstanding balance and will fully amortize the loan with no payment adjustments, the lower amortizing payment may be used in qualifying.

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 as a liability.

Section 16 Assets / Down Payment / Gifts

Assets: Assets to be used for down payment, closing costs, debt payoff, and reserves must be seasoned for 60 days or sourced. Documentation must be provided to evidence seasoning and sourcing.

Assets	
Type	**Documentation**
Depository Accounts	• Checking, savings, and money market funds may be used for down payment, closing costs, and reserves. • The 2 most recent, consecutive month's statements for each account or a VOD from a financial institution are required. • Large deposits (> 50% of the borrower's gross monthly income) inconsistent with monthly income or other deposits must be verified.

Gift Funds	• Gift funds are allowed on primary residence and second home purchase transactions after the borrower contributes at least 5% from their own funds.
	• Gift funds are not allowed on investment properties.
	• Gift funds are allowed for down payment and closing costs but 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 must be documented with a 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, or
	    ◦ A copy of the donor's withdrawal slip and the borrower's deposit slip, or
	    ◦ A copy of the donor's check to the closing agent, or
	• 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.

Marketable Securities	• 100% of the vested assets in the form of stocks, bonds and mutual funds may be used for down payment, closing costs, and reserves. • Borrower ownership of the account and vesting must be documented. • 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. • Non-vested or restricted stock accounts are not eligible for use as down payment, closing costs or reserves.
Retirement Accounts	• 60% of the vested value of funds from a retirement account may be used for down payment, closing costs, and reserves. • Borrower ownership of the account and vesting must be documented. • The account must allow withdrawal regardless of employment status. • 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.
Business Funds	• Business funds may be used for down payment, closing costs, and reserves. • The borrower must be the sole proprietor or at least 50% owner of the business and must be the owner of the account. • Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent. • The balance of the business assets must be multiplied by the ownership percentage to determine the borrower's portion allowed for the transaction. • A letter from a CPA must be obtained to verify the withdrawal of the funds will not have a negative impact on the business, or • 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.
Loans Secured by an Asset	• Borrowed funds that are secured by an asset may be used for down payment, closing costs, and reserves. • The creditor cannot be a party to the transaction. • The terms of the loan must be documented. • The loan amount cannot exceed the documented value of the asset. • The transfer of funds to the borrower must be documented.

Section 17 Reserves

Reserves must come from the borrower's own funds and there must be verified PITIA reserves remaining after closing, exclusive of closing costs. Net proceeds from cash-out transactions can be used to meet reserve requirements. Beyond the minimum reserve requirements and in an effort to fully document the borrowers' ability to meet their obligations, borrowers should disclose and verify all other liquid assets.

Refer to the **Program Matrix** for reserve requirements.

Additional Reserve Requirements: Multiple Financed Properties: 2 months for each additional property

Reduced Reserves: The reserve requirement is reduced to 3 months on rate/term transactions when all of the following apply:

- Primary occupancy; and
- LTV/CLTV ≥ 10% below the maximum available for the transaction; and
- DTI ≤ 43% or when the transaction results in a reduction to the monthly P&I of > 10%

Ineligible Sources for Reserves: Gift funds are not allowed.

Section 18 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.

Primary Residence and Second Home:

- LTV >= 75%: 4%
- LTV < 75%: 6%

Investment Property: 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.

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- Condos – Warrantable
- Condos – Non-Warrantable
- 2-4 units

Warrantable Condominiums:

- Full Review required, warrant to Fannie Mae guidelines
- Condo Project Manager (CPM) approval or PERS certificates allowed
- Site (detached) condos are eligible
  - Limited Review is allowed for detached condos (not allowed for attached condos). Site condos meeting Fannie Mae's definition/requirements do not require limited review.

Non-Warrantable Condominiums:

- Features cannot be combined – only one non-warrantable aspect allowed
- All non-warrantable condos must be approved by Plaza's Project Standards Department
- Except as outlined below must meet Fannie Mae requirements

  Budget: Line item replacement reserves of 8% or higher.

  Delinquent Assessments: No more than 20% of units may be 30 days or more delinquent on assessments. If more than 15% of the units are delinquent then the HOA Reserve Fund must contain at least 120% of the HOA's annual budgeted income.

  Investor Concentration: <= 60% investor concentration allowed.

  Single Entity Ownership:

  - Maximum ownership by one (1) entity is 20% for projects with more than ten (10) units.
  - For projects with ten (10) units or less, maximum ownership by a single entity is 2 units.

Modular Homes are eligible with a maximum LTV/CLTV of 80%.

Rural Property:

- Primary residence only
- Maximum 80% LTV/CLTV
- Property cannot be agricultural or be income producing

Ineligible Properties:

- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Model home leaseback
- Properties with a private transfer covenant

- Gross living area < 600 square feet
- Commercial properties
- Condotels
- Cooperatives
- Geodesic dome homes
- Geothermal homes
- Manufactured housing
- Timeshare or segmented ownership
- Mixed use
- Acreage > 10 acres
- Unique properties
- Working farms, ranches, orchards

Section 20 Appraisal

All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). Plaza will require a satisfactory Clear Capital Collateral Desk Assessment (CDA) prior to close. Plaza will order the CDA upon receipt of the appraisal. Plaza underwriters should refer to **Plaza's Non-conforming Underwriting Procedures** for appraisal review procedures.

Loan amounts > $1,500,000 require two full appraisals.

Transferred Appraisals: Transferred appraisals are not allowed.

Section 21 Geographic Restrictions

Program specific geographic restrictions are identified below. Refer to the Appraisal Policy in Plaza's **Credit Guidelines** for general guidelines and restrictions.

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

New York: Maximum 85% LTV/CLTV.

Section 22 Max Financed Properties / Exposure

There is no limit on the number of financed properties a borrower may own.

Maximum Loans/Maximum Exposure: No more than four total Plaza loans are permitted to one borrower.

Section 23 Mortgage Insurance

Not Applicable, regardless of LTV.

Section 24 Repair Escrows

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

Section 25 ARM Adjustments

Characteristic	LIBOR ARM			
Index	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.*			
Margin	3.75%			
Life Floor	The floor is the margin.			
Interest Rate Caps	**Product**	**First Adjustment**	**Subsequent Adjustments**	**Lifetime**
	5/1	2%	2%	5%
	7/1	5%	2%	5%
Change Date	5/1	The first Change Date is the 60th payment due date. Subsequent Change Dates are every 12 months thereafter.		
	7/1	The first Change Date is the 84th payment due date. Subsequent Change Dates are every 12 months thereafter.		
Assumability	Assumable.			
Conversion Option	Not Available.			

Section 26 Temporary Buydowns

Not allowed.

Section 27 Insurance

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

Section 28 Other Requirements

Escrows/Impounds: All loans require escrow accounts to be established for the payment of taxes and insurance.

Compliance:

- **High Priced Mortgage Loans:** Eligible.
- **High Cost:** Federal, State and Local High Cost Loans are not permitted. Loans that meet the definition of "high cost," "high risk," "covered," "subprime," or any similar designation under state or local law are ineligible.
- **Points and Fees:** Points and Fees must be less than 5%.

Age of Documentation: All documentation must be dated within 90 days of the date the Note is signed with the exception of the appraisal which may be no more than 120 days old on the date the Note is signed.

Section 29 Interest Only

Maximum 80% LTV/CLTV.

Product Code	Interest Only Term	Amortized Term	Total Term	Fixed Period	Adjustable Period
NQF40IO	10 Years	30 Years	40 Years	40 Years	NA
NQA5140IO				5 Years	35 Years
NQA7140IO				7 Years	33 Years