



PLAZA HOME MORTGAGE, INC.

## DU Refi Plus

### Program Summary

The Fannie Mae DU Refi Plus® program is a rate/term refinance program for loans already owned or guaranteed by Fannie Mae. The existing loan must have been acquired by Fannie Mae prior to June 1, 2009 in order to be eligible and the new refinance transaction must have a Note date on or before December 31, 2013.

The program provides underwriting flexibilities, expanded eligibility criteria and/or reduced documentation requirements as compared to standard rate/term transactions.

To determine if the mortgage is currently owned or securitized by Fannie Mae, the following website may be used: <http://loanlookup.fanniemae.com/loanlookup/>

Plaza Home Mortgage, Inc. will accept loans with DU Refi Plus findings of “Approve/Eligible” with certain credit overlays as outlined in these guidelines. DU Refi Plus findings of “Approve/Ineligible” are not permitted. See the [Automated Underwriting](#) section within these guidelines for more details on acceptable findings, etc.

### Loan Term & Program Codes

Loan Term	Program Name	Program Code
15 Yr Fixed	DU Refi Plus 15 Yr Fixed	CF150DURP
20 Yr Fixed	DU Refi Plus 20 Yr Fixed	CF200DURP
25 Yr Fixed	DU Refi Plus 25 Yr Fixed	CF250DURP
30 Yr Fixed	DU Refi Plus 30 Yr Fixed	CF300DURP
30 Yr Fixed	DU Refi Plus 30 Yr Fixed <a href="#">High Balance</a>	<a href="#">CF300DURPH</a>

For loans with LTVs > 105% please refer to the Retained DU Refi Plus guidelines.

### Selecting a Loan Term

**When selecting a loan term, the new loan must provide a Benefit to the Borrower:**

All DU Refi Plus loans must provide a benefit to the borrower in the form of either:

- Reduced monthly mortgage principal and interest payment;
- A reduced interest rate;
- A reduced amortization term; or
- A more stable loan product. (ARM to FIXED, interest only to fully amortized)

**The Benefit to Borrower requirement must be determined by the underwriter. DU will not determine this. It is the underwriter’s responsibility to ensure this requirement is met. Underwriters must complete a Net Tangible Benefit for all DU Refi Plus loans.**



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**Maximum LTV and CLTV**

The maximum LTV/CLTV is determined by DU. The maximum LTV for the program is 105% and there is no limit to the CLTV with eligible existing subordinate financing that will be re-subordinated. New secondary financing is not allowed nor is the payoff of existing subordinate financing with loan proceeds. See the [Eligible Transactions](#) and [Secondary/Subordinate Financing](#) sections of these guidelines for more information.

**Credit Matrix**

Rate/Term Refinance Primary Residence				
Property Type	LTV	CLTV <sup>1</sup>	Min Credit Score	Maximum DTI
1-4 Units <sup>2</sup>	105%	Unlimited with existing re-subordinate financing only. <sup>1</sup>	620	Per DU
Second Home				
1 Unit	105%	Unlimited with existing re-subordinate financing only. <sup>1</sup>	680	Per DU
Investment Property				
1-4 Units <sup>2</sup>	105%	Unlimited with existing re-subordinate financing only. <sup>1</sup>	680	Per DU

<sup>1</sup> The unlimited CLTV only applies to eligible existing subordinate financing that will re-subordinate to the new first lien. See the [Secondary/Subordinate Financing](#) section within these guidelines for requirements.

<sup>2</sup> High Balance loans are eligible for one unit properties only.



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### Eligible Transactions

**Rate/Term Refinance:** Rate/term (no cash out) refinances which are also known as “limited cash-out refinance transactions” in DU, to refinance an existing Fannie Mae first lien only.

**Cash back to the borrower is limited to \$250**, except in Texas where the borrower may not receive any cash back.

Any amount in excess of \$250 due to overstated payoff and/or closing cost/prepaid estimates must be applied as a principal curtailment to the new refinanced mortgage at closing and must clearly be reflected on the HUD-1.

**The maximum principal curtailment must not exceed the lesser of 2% of the principal amount of the new loan or \$2,000. If either is exceeded, loan closing documents must be redrawn.**

### Maximum Cash Out

The DU Refi Plus program is for the purpose of refinancing the existing unpaid principal balance and is not intended to give cash out to the borrower. The maximum cash out allowed is limited to \$250. This cash-back amount is intended to provide operational efficiencies to account for differences in payoff amounts or closing cost items and is not intended to be added to the transaction with the sole purpose of providing cash to the borrower. If the amount of cash back exceeds \$250, the docs will have to be re-drawn. For properties located in Texas, the borrower may not receive ANY cash out.

See comments above in the [Eligible Transaction](#) section for allowing a principal curtailment at closing.



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### Occupancy

Owner-occupied Primary Residence, Second Homes & Investment Properties.

**Note:** The new refinance transaction is not required to represent the same occupancy as the existing loan.

Example: It is acceptable if the existing loan was an owner occupied transaction but the subject transaction is now a second home or non-owner.

### Investment Properties Requirements

1. A comparable rent schedule, Form 1007, must be obtained on all investment properties to document the monthly rent on the subject property **when rental income is used in qualification.**
2. All 1-4 unit properties require an Operating Income Statement on Form 216 or a similar cash flow and operating income statement is required. This includes 2-4 unit properties in which the borrower will occupy one unit as a principal residence. The Operating Income Statement is required **when rental income is used in qualification.**
3. Rent loss insurance is required if the subject property is an investment property and the rental income is used in qualification. This includes owner occupied 2-4 units.

### Documentation Type

**Per DU.** See [Income and Employment](#) for specific Plaza requirements.

### Conforming Loan Limits

Property Type	Continental U.S.	Alaska & Hawaii
One Unit	\$417,000	\$625,500
Two Unit	\$533,850	\$800,775
Three Unit	\$645,300	\$967,950
Four Unit	\$801,950	\$1,202,925



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**High Balance Loan Limits – CF300DURPH**

The following table provides the maximum loan limit by property type. For county specific loan amounts, refer to the following link: <https://www.efanniemae.com/sf/refmaterials/loanlimits/xls/loanlimref.xls>

CF300DURPH High Balance - Maximum Original Principal Balance		
Units	Continental U.S. & Alaska	Hawaii
	Permanent High Balance	Permanent High Balance
1	\$625,500	\$721,050

The High Balance program is eligible for 1 unit properties to a maximum LTV of 105%.

Refer to the [Geographic Restrictions](#) section for State specific requirements.

**Eligible Properties**

Attached/Detached SFRs	Low-Rise/High-Rise Condos <sup>1,2,3,7</sup>
Attached /Detached PUDs <sup>4</sup>	2-4 Units <sup>5,6</sup>

<sup>1</sup> Document condos when project reviews are not performed with a Type V on the 1008.

<sup>2</sup> For condos in Florida, underwriters must refer to the Geographic Restrictions section of these guidelines and the Condo and PUD Projects section of the Underwriting Standards. LTV/CLTV restrictions may apply.

<sup>3</sup> A "Walls In" insurance policy is required.

<sup>4</sup> Document PUDs when project reviews are not performed with a Type E on the 1008.

<sup>5</sup> 2-4 units are not allowed as second homes.

<sup>6</sup> High Balance loans are only eligible on one unit properties.



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### **Unpermitted Room Additions, Garage or Porch Conversions**

Single Family Properties with unpermitted room additions are acceptable as described below. All of the following must apply:

- The appraiser must comment that the addition or conversion was completed in a workmanlike manner and that there is not any impairment to the soundness, structural integrity or livability of the property.
- The room addition must conform to the rest of the property.
- The addition or garage conversion cannot cause the subject property to be in violation of zoning. The appraisal must indicate that the zoning is legal and may not include any comments that the zoning of the property has been jeopardized.
- The square footage of the addition may be included in the appraised value. A garage or porch conversion may be appraised as originally intended or as currently used, depending on the comparable sales. Example: If garage conversions are typical for the area as evidenced by comps, the conversion may be appraised as it is currently used. If garage conversions are not typical for the area the conversion should be appraised as a garage.
- The hazard insurance policy must clearly show that the entire square footage of the subject property, including the unpermitted addition, is included in the policy.

Room Addition Example: If the property was a 3 bedroom property and another bedroom has been added and the property is being appraised as a 4 bedroom property, the hazard insurance policy must clearly insure the total square footage of all living space, including the addition.

Garage Conversion Examples: If the property is being appraised with the garage conversion being valued as a bedroom, the hazard insurance policy must clearly insure the total square footage of all living space.

If the garage conversion is being valued as a garage, then the hazard insurance policy need only insure the area as a garage.

NOTE: The hazard insurance policy does not need to indicate that there is an unpermitted addition or garage conversion, but the square footage that we are lending on must be covered by the policy.

### **NOTES FOR GARAGE CONVERSIONS:**

**Zoning:** Local ordinances and/or municipality requirements may obligate a property to have covered garage storage. This is more common in PUDs and gated communities. It is the responsibility of the appraiser to check for this type of requirement; however, it is the underwriter's responsibility to thoroughly review the appraisal to ensure the property's zoning is compliant.

### **Ineligible Scenarios**

The following scenarios are not eligible under any circumstance:

- Room additions are not eligible on 2-4 unit properties. All properties must be single family properties and the addition may not result in the property converting to a multi-unit property, etc.
- Additions that result in extra living units, also known as accessory units or granny flats, etc. are not eligible.



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### **Properties Listed For Sale**

#### **Rate and Term Refinances:**

For rate and term refinances of properties recently listed for sale, the listing agreement must be cancelled at least one day prior to the date the application is taken.

### **Ineligible Properties**

Cooperatives	Manufactured Housing	Geodesic Dome Homes	Timeshares
Condotels	Mobile Homes	Geothermal Homes	Non-warrantable Condos
Log Homes	Commercial Properties	Mixed Use	
Working Farms, Ranches, Orchards			

### **Condo Conversions**

Condo conversions are eligible. Refer to the Property section in the Plaza Underwriting Standards for parameters and restrictions. [Refer to Fannie Announcement 08-34.](#)



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### Geographic Restrictions

State or geographic restrictions are identified here, however at this time Plaza may not be lending in all states listed. Eligibility is limited to the states where Plaza branches are currently authorized to lend.

**Florida:** Established Projects with a limited review are subject to a max of 75% LTV/CLTV for primary residences and 70% LTV/CLTV for second homes. Investment properties are ineligible at any LTV/CLTV. For detached or "site" condos, standard detached condo warrantability and guidelines apply, but the Detached Condo type must be selected in DataTrac. Refer to the Condo Chapter in the Plaza's Underwriting Standards and the Condo Checklist for more information.

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

**Iowa:** An attorney's opinion of title is acceptable in lieu of a title policy, or a title policy may be ordered through the Title Guaranty Division (TGD) of the Iowa Financial Authority.

**Kansas:** Properties located in the State of Kansas require the tax assessor's statement of value or AVM to establish value. If the loan amount, including the funding fee, exceeds the tax assessor's statement of value or AVM value, provide written notice to the consumer regarding High LTV mortgages and the availability of credit counseling. Plaza form KS-1070 is required to be delivered to the borrower at least 3 days prior to closing and will be included in the Plaza initial disclosures and closing documents.

**Maryland:** All loans must have Full or Alt doc only.

**Mississippi:** Not eligible.

**Montana:** Lot size of the property may not exceed 40 acres.

**Texas:** Texas (a)(6) are not eligible. Additionally, DU Refi Plus specific restrictions are listed below:

- The borrower may not receive ANY cash back from the transaction.
- **Texas 2<sup>nd</sup> home and Investment Properties:** A signed copy of the borrower's most recently filed tax returns must be provided to evidence that the subject property has been a 2<sup>nd</sup> or investment property for at least 12 months. It must be confirmed through the title company that the subject property is not considered the borrower's homestead and the borrower must submit an affidavit that the property is not their homestead.
- All loans must be processed through the DFW office.
- Acreage is limited to 10 for urban properties and to 20 acres for rural properties.

**West Virginia:** Not eligible.



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### Eligible Applicants

#### **Removing Borrowers from the existing loan:**

An existing borrower may be removed from the new refinance transaction loan provided:

- At least one borrower on the existing mortgage remains on the new refinance transactions, AND
- The remaining borrower provides proof of making the mortgage payments on the existing mortgage from his or her own funds for the last 12 months (or the life of the loan if the loan is less than 12 months old), except when being removed due to death, AND
- The borrower being removed is not on title at closing
  - If the borrower wants to be removed from title, refer the borrower(s) to his or her legal counsel or professional estate planner.
  - If the borrower does not want to be removed from title, the loan is not eligible for DU Refi Plus.
  - Only the borrower decides who will appear on the title. No suggestions or recommendations can be made to a borrower with regard to relinquishing title to property. Interfering with this decision could be characterized as the unauthorized practice of law.
  - If the borrower is being removed due to death, evidence of death for the deceased borrower is required. Follow standard title insurance requirements.

#### **Adding Borrowers:**

It is acceptable to add borrowers that occupy the property to the new loan provided the original borrowers remain on the new loan.

### **U.S. citizens**

#### **Permanent resident aliens:**

- Must provide Alien Registration Card if borrower is not living in the U.S.

#### **Non-permanent resident aliens:**

- Must be a legal resident of the U.S. as evidenced by social security number.
- Borrower must be employed in the U.S.
- Copy of the borrower's unexpired work VISA.
- Tax Identification Number (TIN) is not acceptable.

#### **Non-occupant co-borrowers:**

- Allowed on owner occupied transactions if the existing loan included the non-occupant co-borrower.
- **Qualifying Ratios** – The owner-occupant must qualify at 35%/43% maximum ratios, regardless of the LTV.

#### **Social Security Number Verification**

If the Social Security numbers on the existing FNMA loan associated with the subject property do not match those entered on the loan application, the underwriter must obtain one or more of the following pieces of documentation to support that the borrowers are the same:

- Recent mortgage statement from the loan to be paid off
- The existing mortgage Note or security instrument
- The most recent Form 109 (Mortgage Interest Statement)



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### **Ineligible Applicants**

- Foreign Nationals
- Partnerships
- Corporations

### **Non-arm's Length Transactions**

Non-arms length transactions, which include individuals employed by or affiliated with the appraiser, lender providing financing, Title Company, broker, real estate agent or any other interested party are allowed with the following restrictions:

**Industry Borrowers:** Borrowers who are employed in the mortgage industry are eligible with full income and full assets documentation. Examples include:

- Brokers, Lender & their employees. (salaried or commissioned)
- Builders or contractors that work with home builders and employees of builders or contractors.
- Real Estate Agents or Realty company employees.
- Real Estate Investors
- Appraiser, Employees of Credit Reporting Agencies, Escrow & Title company employees.

Industry borrowers, whether the transaction is arm's length or non-arm's length, will only be considered by Plaza for financing with full documentation, regardless of AUS findings.

### **Landlord Experience**

The following requirements apply:

**Subject property 2-4 unit owner occupied:** there is no minimum landlord experience required.

**Investment property owned that is not the subject property:** there is no minimum landlord experience required.

Refer to the Plaza Underwriting Standards for Rental Income for additional information.

**Rent Loss Insurance:** Rent loss insurance is required if the subject property is an investment property and the rental income is used in qualification. This includes owner occupied 2-4 units.

See the [Maximum Financed Properties](#) section in these guidelines for borrowers who have more than 4 financed properties, regardless of the source.



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### **Automated Underwriting System (AUS)**

All DU Refi Plus loans must be submitted to DU and receive an Approve/Eligible decision. DU Refi Plus decisions are identified by the presence of the following message on the certificate:

*“This loan case file was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loan casefiles where the borrower’s existing loan is identified by DU as a Fannie Mae loan. If this loan casefile is delivered to Fannie Mae, it must be delivered with Special Feature Code 147. By selling a DU Refi Plus mortgage to Fannie Mae, the lender represents and warrants that the borrower is receiving a benefit in the form of either a reduced monthly mortgage principal and interest payment, or a more stable product.”*

**NOTE:** Expanded Approval findings are not eligible at this time.

### **Regardless of DU Approval, the following scenarios have specific requirements:**

- **Benefit to the Borrower:** All DU Refi Plus loans must provide a benefit to the borrower in the form of either:
  - Reduced monthly mortgage principal and interest payment;
  - A reduced interest rate;
  - A reduced amortization term;
  - A more stable loan product. (ARM to FIXED, interest only to fully amortized))
  - **A Net Tangible Benefit form must be completed on all DU Refi Plus loans.**
- **Eligible Borrowers:** Refer to the applicable section for details: [Eligible Applicants](#).
- **Property Inspection Waiver (PIW):**
  - PIWs are not eligible when the property has been subject to a possible natural disaster in the previous 120 days. Refer to the [Appraisal](#) section and the Plaza Loan Closing Manual.
- **Maximum Cash Back to Borrower:** All transactions are subject to the maximum cash out of \$250. See the [Maximum Cash Out](#) section for additional details.
- **Mortgage Insurance:** Loans that require MI per DU are not eligible for this program and must use the Retained DU Refi Plus program. See the [Mortgage Insurance](#) section for additional details.
- **Subordinate Financing:** New subordinate financing is not allowed and pay-off of existing subordinate financing is not allowed. All existing subordinate financing must be re-subordinated and in these cases, there is no CLTV limit. See the [Secondary/Subordinate Financing](#) section for all details.
- **Condo & PUD Warranty:** For DU certificates dated on or after 5/2/09, we must obtain evidence that the subject property is not a condo hotel or motel or a Co-Op of any sort. Condos without project reviews performed must be documented as Type V and PUDs without project reviews performed must be documented as Type E.
- **DU Refi Plus Feedback:** Loans that receive DU Refi Plus findings must be coded, approved and locked as DU Refi Plus loans.



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### **Credit Requirements – Regardless of DU Approval**

#### **Minimum Credit Score**

The lowest qualifying score of all applicants is used to qualify and each borrower must have at least two credit scores. The qualifying score is the lower of 2 or the middle of 3 scores and must be reviewed for each borrower.

**Primary residence: 620** for all borrowers

**Second home: 680** for all borrowers

**Investment property: 680** for all borrowers

#### **Mortgage History**

A mortgage payment history of 0x30 for the past 12 months is required. Any delinquencies in the last 24 months are subject to Plaza underwriter review and approval and may require additional documentation.

#### **Bankruptcy Seasoning**

A minimum of 48 months seasoning is required between the application date and the discharge date. Multiple bankruptcies in the last 84 months are not allowed.

#### **Foreclosure Seasoning**

A minimum of 84 months seasoning is required between the application date and the discharge date.



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**Adverse Credit and Payoff of Adverse Credit**

Any outstanding judgments and/or tax liens, as well as any other derogatory items appearing in the title policy (delinquent taxes, tax liens, mechanics' liens and collections) must be paid/released to the satisfaction of the title company. **NOTE: For DU Refi Plus loans, it is not acceptable to payoff any liens on the property other than the 1<sup>st</sup> lien with funds from the new loan. The borrower's own funds must be used to payoff any other liens on title, outstanding judgments, tax liens or delinquent property taxes, collections, etc.**

In certain cases, collection and charge-off accounts will be reflected in amounts that have no material effect on the priority of the lien; therefore, collection or charge-off accounts do not have to be paid off at or before closing if they meet the following guidelines:

Occupancy and/or Property Type <sup>1</sup>	Max Allowable Amount to be Left Unpaid
1-4 units owner occupied and 1 unit second homes	\$5,000 per individual item or in aggregate.
Investment properties	\$250 per individual account or \$1,000 aggregate

1. For 1 unit owner occupied properties underwritten through DU, borrowers will not be required to pay off outstanding collections, regardless of the amount, provided the collection will not threaten the first lien position.

DU must return the following message: *The following collection and charge off accounts are shown on the credit report. These accounts do not need to be paid off prior to or at closing if the lender is able to confirm that the accounts pose no threat to the Fannie Mae first mortgage lien. If payoff is required, funds sufficient to seller the account(s) must be verified and documented.*

**Disputed Accounts**

When there are disputed account(s) recognized on the credit report and/or in DU, Fannie Mae requires the loan file to be manually underwritten. **NOTE: DU Refi Plus must be underwritten and approved by DU.**

In order for the loan to be eligible for DU Refi Plus, the disputed account(s) must be removed from credit and re-run through DU to obtain Approve/Eligible results.

The following Verification message will be issued on DU loan casefiles to remind underwriters of this requirement:

*DU identified the following tradeline(s) as disputed by the borrower and did not include the tradeline(s) in the credit risk assessment. The lender must verify the accuracy of the tradeline(s) by determining if it belongs to the borrower and by confirming the accuracy of the payment history. If the tradeline does not belong to the borrower, or the reported payment history is inaccurate, no further action is necessary. If the tradeline does belong to the borrower and the reported payment history is accurate, it must be taken into consideration in the credit risk assessment. To ensure it is considered, the lender may obtain a new credit report with the tradeline no longer reported as disputed and resubmit the loan casefile to DU, or the lender may manually underwrite the loan. If the tradeline is a mortgage that was past due by two or more payments in the last 12 months, or a foreclosure that has been filed within the last 5 years, the loan casefile is ineligible for delivery to Fannie Mae.*



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### **Income & Employment**

DU will offer reduced employment documentation requirements on all DU Refi Plus eligible loan casefiles. In addition to the documentation requirements as part of the DU recommendation, the following is required:

#### **Salaried Borrowers:**

- The most recent W2 and paystubs that cover the most recent 30 day period.
- A Verbal VOE within 5 days of funding that confirms a 2 year history.
- Executed IRS 4506-T with transcripts ordered prior to docs. Returned transcripts must be reviewed and approved prior to closing/funding.
- A signed 1003 complete with a 2 year employment history.

#### **Self Employed Borrowers:**

- The most recent year's federal income tax returns.
- Executed IRS 4506-T with transcripts ordered prior to docs. Returned transcripts must be reviewed and approved prior to closing/funding.
- A signed 1003 complete with a 2 year employment history.

#### **Non-Wage Earner/Passive Income Requirements:**

If the borrower's income is from sources such as retirement, social security, disability, child support or alimony, the file must be documented with evidence of receipt and proof of continuance for a minimum of 3 years.

- Executed IRS 4506-T with transcripts ordered prior to docs. Returned transcripts must be reviewed and approved prior to closing/funding.

Refer to Plaza's Underwriting Standards for specific documentation requirements.

### **IRS Form 4506-T**

Processed 4506-T transcripts must be reviewed and approved prior to the loan closing/funding on every loan. See the Plaza Underwriting Standards for specific requirements relating to borrowers that have filed extensions.



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**Rental Income**

Rental income may be used in qualifying the borrower. The documentation that is used to support the borrower’s continued receipt of rental income and the calculation of such income depends on whether the rental income is received in connection with the subject property or in connection with other properties the borrower owns.

Refer to Plaza’s Underwriting Standards for specific guidance on what documentation is required. The table below is abbreviated:

Topic	Subject Property: 2-4 unit Primary Residence	Subject Property: 1-4 unit Investment Property	Property other than subject property
<b>When rental income is needed to qualify</b>	Provide the prior year federal tax returns, or if the property has been owned less than one year, provide an Operating Income Statement and copies of the present lease.		Complete federal tax returns with all schedules for the most recent year, or if the property has been owned less than one year and rental income is not reported on the tax return, use signed lease agreements.
<b>Operating Income Statement</b>	Required	Required	Not Required
<b>Most recent tax returns</b>	If borrowers owned rental property during the previous tax years, provide complete federal income tax returns for one year to determine the net rental income or loss for qualifying.		
<b>Appraisal</b>	The income approach on the appraisal must substantiate the rental income used for qualifying.		Not applicable.
<b>Signed Lease</b>	Leases, by themselves, may not be used for documenting stable monthly income for qualifying purposes.		May be used to document stable monthly income if the borrower did not own the property in the previous tax year.
<b>Reserves – 6 months PITIA</b>	Required if rental income is used in qualifying the borrower.	Required, regardless of whether rental income is used to qualify the borrower.	Not required.
<b>Rent Loss Insurance</b>	Proof of rent loss insurance covering at least 6 months of gross monthly rent is required if using rental income to qualify.		Not required.

**Notes:**

- Refer to Plaza Underwriting Standards for detailed income qualifying requirements.
- If there is an existing rental agreement or lease on the subject property, verify that it does not contain any provisions that could affect our first lien position. Review the lease to determine if it is subordinated to the new first mortgage. If it will not be subordinated to the new mortgage, ensure that any tenant’s rights to the property have been formally waived by the tenant. (FNMA Selling Guide Part VII, Ch 1, Sect. 102.08)
- A comparable rent schedule, Form 1007, must be obtained on all investment properties to document the monthly rent on the subject property **when rental income is used in qualification.**



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### Qualifying the Borrower and Payment Shock

**Fixed Rate Loans:** Borrower must qualify based on the Note Rate.

**Installment Debt:** Payments on all installment debts with more than 10 months of remaining payments must be included in the DTI.

**Auto Lease:** The payment must be included in the DTI regardless of the remaining number of payments.

**Alimony, Child Support or Maintenance Payments:** When there are more than 10 months remaining, the payment must be included.

**Revolving Debt:** The monthly payment per the credit report must be included in the DTI calculation regardless of the account balance. If a payment is not provided, use 5% of the outstanding balance.

**Deferred Student Loans:** Payments must be included in the borrower's long term debt. If the credit report does not provide a monthly payment, the underwriter must obtain copies of the borrower's payment letter or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations. In lieu of obtaining copies of payment letters or forbearance agreements, the monthly payment can be calculated using no less than 2% of the outstanding balance as the borrower's recurring monthly debt obligation.

**401(k) Loans:** Loans secured by 401(k) accounts, certificates of deposit, savings accounts, stocks, bonds, life insurance policies and other assets with a monetary value easily converted to cash are not required to be included in the DTI.

**Paying off Debt:** Installment accounts may be paid off to qualify. Revolving debt may be paid off; however unless the account will be paid off and closed, a monthly payment must be included for qualifying. Use the payment per the credit report, or the greater of \$10 or 5% of the outstanding balance if the credit report does not provide a payment.

For purchase or limited cash-out refinance transactions, the underwriter must manually reduce the borrower's liquid assets in the AUS by the amount being applied to the account and resubmit to the AUS.

**Co-signed Obligations:** Co-signed obligations for mortgages and installment loans can be excluded from recurring monthly expenses if the following can be provided: 1) 12 months canceled checks that show payments have been made by another party. If the account is less than 12 months old, the full payment must be used in calculating the DTI. 2) There may be no delinquencies reported within the most recent 12 months.

**HELOCs:** If not shown on the credit report, payments on a home equity line of credit with an outstanding balance may be calculated at 1% of the outstanding balance or the payment reflected on the Borrower's billing statement. If the HELOC does not have a balance and therefore there is no monthly payment, then no monthly payment is required to qualify the borrower.

**Rent Loss Insurance:** Required if the subject property is an investment property and the rental income is used in qualification. This includes owner occupied 2-4 units.

**Payment Shock:** Transactions resulting in significant payment shock should always be considered by underwriting. It is always at the underwriter's discretion to require additional verification of assets or other documentation for a loan with high payment shock.



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### **Cash Reserves**

Cash reserve requirements are determined by DU.

DU will determine the reserve requirements based on the overall risk assessment of the loan and the minimum reserve requirement that may be required for the transaction.

### **Secondary/Subordinate Financing**

- New subordinate financing is not allowed.
- Pay-off of existing subordinate financing is not allowed unless the borrower is using their own funds.
- Re-subordination of eligible existing subordinate financing is allowed with no CLTV limits subject to the requirements below.
- All mortgages are subject to a 0 x 30 mortgage payment history for the last 12 months.

### **Eligible Existing Subordinate Financing Requirements**

Existing Subordinate Financing that is re-subordinating is acceptable providing it meets the requirements below as evidenced by a copy of the 2<sup>nd</sup> lien note:

- The 2<sup>nd</sup> lien must be recorded and clearly subordinate to the first mortgage lien.
- The subordinate mortgage may not have wraparound terms combining the indebtedness of the first mortgage with the subordinate mortgage.
- With the exception of HELOCs, when the repayment terms provide for a variable interest rate, the monthly payment must remain constant for each 12-month period of the term of the subordinate lien mortgage.

For DU Refi Loans only, Fannie Mae will accept the following characteristics for existing subordinate financing:

- Second mortgages with negative amortization
- Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years, and
- Subordinate financing with prepayment penalties.

**Exception for Texas loans:** Closed-end variable rate subordinate secondary financing, with a payment that is not constant for each 12 month period, is allowed.

**The CLTV Ratio:** The combined loan-to-value ratio is determined by dividing the sum of the unpaid principal balance of the first mortgage and the unpaid principal balance of all subordinate mortgages by the lesser of the sale price or appraised value. For HELOCs, including a frozen HELOC, use the maximum line amount to calculate the CLTV ratio. The full original recorded line amount must be used to determine the LTV/CLTV eligibility unless a modification/re-subordination agreement is recorded prior to or concurrently with the subject transaction. The following is required:

- A copy of the line holder notification/modification and confirmation of the recorded line reduction is required, and,
- Lien must be re-subordinated.

**NOTE:** All conventional loans with subordinating HELOCs are qualified and priced at the full line amount regardless of the draw amount. The CLTV and HCLTV are considered the same in these situations.



PLAZA HOME MORTGAGE, INC.

## DU Refi Plus

### Appraisal

Appraisal requirements are per DU, however, for certain DU Refi Plus eligible loan casefiles, DU will waive the requirement of an appraisal or exterior-only property inspection. For those specific DU Refi Plus loan casefiles, DU will issue two property fieldwork recommendation messages.

One message will indicate that the loan casefile is eligible for the DU Refi Plus property fieldwork waiver:

*Desktop Underwriter accepts the value submitted as the market value for the subject property on this limited cash-out refinance transaction where the borrower's existing loan is identified as a Fannie Mae loan. This loan is eligible for delivery to Fannie Mae without an appraisal or exterior-only property inspection if the DU Refi Plus property fieldwork waiver is exercised by the lender at the time of loan delivery to Fannie Mae. To exercise this waiver and be eligible for representation and warranty relief on the value, condition and marketability of the subject property, Special Feature Code 807 and the DU Casefile ID must be included in the loan delivery file. A fee will be charged to exercise this waiver. If the waiver is not exercised, at least the minimum level of fieldwork recommended for this transaction must be obtained.*

The other message will indicate the minimum level of property fieldwork required if the underwriter does not elect to exercise the DU Refi Plus property fieldwork waiver.

The DU Refi Plus property fieldwork waiver may only be exercised if:

- The final submission of the loan casefile to DU resulted in a property fieldwork waiver offer; and
- The property fieldwork waiver offer is not more than 120 days old based on the Note date. If the DU certificate will be more than 120 days old, the loan must be resubmitted to DU, however,

**NOTE:** When DU has subsequent runs on the same loan, it is possible that, based on a change in the information, a PIW will be allowed on an initial submission and then not offered on a subsequent submission. It is critical that the requirements on the final submission are met and that the final submission is the only DU cert in the loan file.

PIW Fee: There is a \$75 fee for exercising the PIW option.

**Appraisal Review:** If DU approves the loan for a PIW, no additional appraisal review is required.

### **Scenarios where an appraisal is required regardless of DU:**

- When the subject property has been exposed to a natural disaster in the previous 120 days from the application date. Property Inspection Waivers will not be eligible in these cases and a full appraisal is required. Refer to the Loan Closing Manual for more information/requirements.
- When the underwriter has reason to believe that fieldwork is warranted based on additional information obtained about the property.
- Properties located in the State of Kansas require an interior/exterior appraisal regardless of DU. Kansas properties are not eligible for the PIW.

**NOTE: To improve the chance of getting PIW findings through DU, it is recommended that the full zip-code is entered into DU. Include the last 4 digits when available. 12345-1234.**

Complete guidelines for entering the subject property address, including pre- and post-directional abbreviations and street suffix abbreviations, are provided in the [Guidelines for Entering the Subject Property Address](#) document on eFannieMae.com.



PLAZA HOME MORTGAGE, INC.

## DU Refi Plus

### **Age of Appraisal**

When an appraisal is required, it must be dated within **120** days at loan closing. Appraisals that will be greater than 120 days from the Note date require a reinspection by the original appraiser. A recertification of value should be no older than **120** days at loan closing.

If the appraiser determines that the value has declined, a new appraisal is required and the loan must be re-underwritten using the new value.

**Age of the Property Inspection Waiver (PIW)** is valid for **120** days. If the PIW will be more than **120** days old based on the Note date, the loan must requalify for the waiver, meaning, the loan must be run through DU again.

### **Mortgage Insurance "MI"**

For DU Refi Plus refinance transactions with LTV ratios exceeding 80%, mortgage insurance may or may not be required depending on the current mortgage insurance coverage on the existing loan. New refinance transaction with an LTV ratio less than or equal to 80% do not require mortgage insurance.

DU will provide feedback when mortgage insurance is required or is not required. When mortgage insurance is not required, the message below will be provided in DU:

*Mortgage insurance is not required for this DU Refi Plus loan casefile.*

### **NOTE for Cancelled MI:**

- If DU indicates there is an existing MI policy but the borrower states the MI has been cancelled, the mortgage insurance company or the current lender/servicer must provide sufficient evidence that the MI has been cancelled due to the original LTV dropping below the LTV threshold. This will indicate that the MI was cancelled as a normal course of business and not cancelled for any other reason that is not acceptable like non-payment. Per Fannie Mae, the underwriter should handwrite a note on the DU cert in the Mortgage Insurance section that the MI has been cancelled and to refer to additional documentation in the loan file.

### **When Mortgage Insurance is Required**

Refer to the Plaza Retained DU Refi Plus program.



PLAZA HOME MORTGAGE, INC.

## DU Refi Plus

### **Maximum Financed Properties**

The maximum number of financed 1-4 unit properties, including the subject property and including the borrower's primary residence, regardless of the lending source is limited as outlined below. These guidelines apply regardless of DU results.

Also see [Cash Reserves](#) for reserve requirements when there are multiple properties financed.

Primary Residence	Second Homes	Investment Properties
No Restrictions	4 (including primary)	4 (including primary)

Example: If the subject transaction is a second home, the borrower may have a total of 4 financed properties: The subject property would count as the first, their primary residence would count as the second and there may be an additional two financed investment properties for a total of four.

### **Maximum Loans/Maximum Exposure**

A maximum of 4 Plaza loans or \$1,500,000 is permitted to one borrower, whichever is less.

### **Escrow Waiver**

Property tax and insurance escrows can be waived with the following criteria:

- 80% LTV or less for properties located in all states except CA.
- < 90% LTV for properties located in CA. (at 90% and greater, escrows may not be waived)

**NOTE:** If the existing loan does not have an impound account and this can be documented with a current mortgage statement, the loan must be underwritten and priced to the Retained DU Refi Plus program.

### **Escrow Holdback**

Both weather related and non-weather related holdbacks will be considered by Corporate Underwriting on a case by case basis. Escrow holdbacks are not eligible on condos.

### **Pre-payment Penalty**

Not allowed.

### **Temporary Buydowns**

Not allowed.