

General Requirements, Conventional rev. 07 Revised 8/06/2013

Plaza's Underwriting Guidelines are designed to provide guidance as a standard to underwriting loans. There are cases where specific loan programs have more restrictive or inclusive guidelines, in these cases the Program Summary guidelines should be followed.

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Overview / General

Plaza Home Mortgage, Inc. generally underwrites Conventional Loans to automated underwriting guidelines, unless otherwise specified in specific Program Guideline and Underwriting Standards.

All loans must conform to the AUS feedback certificate, current published Program Guidelines, including update announcements and the applicable Underwriting Standards. Originators are required to adhere to, and originate loans in compliance with all applicable federal, state, and local laws, rules and regulations, including the USAPA and the FACT Act.

Correspondent Clients should refer to Plaza's [Correspondent Seller Guide](#) for additional details.

Sound Underwriting Practices

Plaza is committed to the policy of originating sound mortgage loans of investment quality. Investment quality is determined by evaluating the three components of the underwriting analysis.

- **Credit:** An acceptable credit reputation is established by a history that, when viewed as a whole, evidences a borrower's willingness to make timely payments on obligations.
- **Capacity:** The borrower must have the ability to repay the mortgage in the amount and terms stated. Adequate capacity is established by documenting stable monthly income and/or assets along with other information about how the borrower paid obligations in the past that, when viewed as a whole, evidences a borrower's ability to make periodic payments approximating the amount of the proposed monthly debt payment. Regardless of the level of the borrower's previous monthly payments, the file must contain evidence of the borrower's ability to meet all new obligations after the new mortgage is made. When the borrower's obligations will increase significantly with the mortgage, the Transmittal Summary (1008) must contain an explanation as to how the borrower will meet the higher payment.
- **Collateral:** The collateral must meet minimum property requirements as specified herein. Each property must also have an established value to support the loan transaction. This value will help in determining the risk associated with the loan transaction.

Each of the above components must be found to be acceptable. Investment quality is determined by the borrower's credit, capacity and collateral. A weakness in any one of the three components must be compensated by strengths in one or both of the remaining two components.

Preliminary Review of Application

A preliminary review of the borrower's application will determine that the requested mortgage loan satisfies Plaza and investor eligibility criteria. The originators should review each application to determine eligibility. This eligibility review should happen before underwriting begins based on factors that are incorporated into the Program Guideline, specifically:

- LTV/CLTV
- Representative credit score

- Product type
- Purpose
- Occupancy, **AND**
- Number of units

<p>Manual Underwriting</p>	<p>Manual Underwriting</p> <p>All loans must follow the Underwriting Method requirements per the Program Summary. If the program requires a DU or LP approval, the loan must be run through appropriate AUS before a manual underwrite can be considered. Manual underwriting is only allowed when allowed per the Program Summary or for loans saleable to Fannie Mae when the borrowers reside in a foreign country or have erroneous credit (see below). Loans underwritten through LP or on a Freddie Mac specific program (Super Conforming or Relief Refinance) are not eligible for a manual underwrite. Manually underwritten loans must meet the following criteria:</p> <ul style="list-style-type: none"> • Loans must be priced and delivered on an eligible Plaza Fannie Mae Retained Program (High Balance not eligible). • The underwriter must complete a complete risk assessment and ensure full documentation is obtained to support decision regardless of loan program when a manual underwrite is performed in place of an AUS. Maximum ratio allowed with a manual underwrite is the lesser of 45% or program maximum allowed for DTI. • Loans that return a Refer for layered risk or DTI are not eligible for manual underwriting option. • The loan must meet all other required agency, Plaza and MI Company (when applicable) published program and underwriting guidelines. <p>Erroneous Credit reported on Credit Report and DU Findings –A manual underwrite may be considered for loans with documented evidence of erroneous credit only, however only if run through the appropriate AUS before down grade to manual underwrite with DU Findings. The loan must meet all other required agency, Plaza and MI Company (when applicable) published program and underwriting guidelines. All requirements above also apply.</p> <p>Resides in Foreign Country - DU and LP do not recognize foreign addresses. It is not permissible to enter an invalid US address to run the AUS either, as Fannie and Freddie consider the findings invalid. Borrowers who reside in a foreign country are not eligible for DURP or LPRR loans which always require a valid AUS.</p> <p>Comprehensive Risk Assessment - Underwriters must evaluate the overall level of serious delinquency risk that is present in each mortgage application by taking into consideration any layering of risk factors, the significance of risk factors, and the overall risks present in the mortgage application. Refer to Fannie Mae's Eligibility Matrix for a solid foundation as a tool for assessing the risk of a manually underwritten loan.</p>
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**Loan
Application**

A loan application must be documented on the following forms:

- The Uniform Residential Loan Application (Form 1003 or Form 1003(S)).
- If applicable, a Statement of Assets and Liabilities (Form 1003A or Form 1003AS).

The initial loan application must include sufficient information for the underwriter to reach an informed decision about whether to approve the mortgage loan. The final loan application signed by the borrower must include all income and debts are closed or identified during the mortgage process.

A complete, signed, and dated version of the original and final Form 1003 or Form 1003(s) must be included in the mortgage file.

Requirements for the Loan Application

The loan application package must include:

- A copy of the ratified sales agreement, if applicable.
- Escrow/closing or settlement instructions, if applicable.
- Any other information or documentation needed to verify, clarify, **OR** substantiate information in the borrower's application.
- Any other documentation that is needed to make a prudent underwriting decision.

Uniform Underwriting and Transmittal Summary and AUS Feedback Certificate

- Form 1008 must be retained in the mortgage file for manually underwritten mortgage loans. Lenders may, but are not required to, retain Form 1008 for loans underwritten with AUS.
- For loans underwritten with AUS, the final AUS Feedback Certificate Report must be retained in the mortgage file.

Loans submitted with incomplete applications will delay underwriting approval.

**Adding /
Removing
Borrowers on
Application**

Upon receipt of the application, a co-borrower can be added or deleted on a transaction and it would not be a new application unless none of the primary applicants are still a party to the loan. Loan terms and programs may also be changed as long as we follow the requirements of our lock policy and under ECOA regulations.

- If there is a change in the property; it is a new application. The old application must be cancelled or denied and a new record created and reported under HMDA regulations.

**Age of Credit
and Appraisal
Documentation**

Credit

Credit documents include credit reports and employment, income, and asset documentation. For existing construction, the credit documents must be no more than 60 days at time of underwriting and no more than 90 days old on the date the note is signed.

For new construction, the credit documents must be no more than 60 days at time of underwriting and no more than 120 days old on the date the note is signed.

Appraisals

- When the appraisal report is more than 4 months old on the date of the note and mortgage—regardless of whether the property was appraised as proposed or existing construction, appraisers must perform an update which includes:
 - Inspect the exterior of the property **AND**
 - Review current market data to determine whether the property has declined in value since the date of the original appraisal.

If...	Then....
The appraiser indicates the property value has declined.	Lender must obtain a new appraisal for the property.
The appraiser indicates the property has not declined in value.	The lender should request the appraiser to provide an update to the appraisal, based on the appraiser's exterior inspection of the property and knowledge of current market conditions. The inspection and the appraisal update must occur within the four months that precede the date of the note and mortgage.

Note: The inspection and the appraisal update must occur within the 4 months that precede the date of the note and mortgage.

Appraisals: The appraisal report must be dated within 120 days of the Note date, regardless of whether the property is an existing construction or a new construction. For appraisals that are or will be greater than 120 days old at the time of the note, either a new appraisal or a form 1004D is required.

**Full
Documentation**

Full Documentation refers to loans that document credit information through the use of the following standard Fannie Mae or Freddie Mac forms.

- Verification of Employment (VOE)
- Verification of Deposit (VOD)
- Verification of Mortgage (VOM)
- Verification of Rent (VOR), if applicable
- Blanket Authorization Form

Alternative Documentation Verification using borrower-supplied documents, such as pay stubs, W2's, bank statements and cancelled checks to support income, employment, assets and credit history used for qualification purposes.

Fraud Prevention All Plaza loans are underwritten with fraud prevention and detection part of the lending decision process. Plaza employs various methods to prevent and detect fraud, which may include random and risk based pre-funding reviews in compliance with internal policy. The following fraud prevention requirements are used for all transactions as applicable, which include but are not limited to:

- Internal Fraud Prevention Tools
- Ineligible Party List search requirements
- IRS Transcripts to support all income when required for qualification.
- Verbal Verification of Employment requirements.
- MERS search prior to closing.
- Internal settlement agent and title company approval process at time funding.
- Underwriters have the authority to re-run credit reports in compliance with Fannie Mae's LQI should it be determined that the borrower may have taken out new credit prior to closing.
- Originators are required to originate loans in compliance with all applicable federal, state, and local laws, rules and regulations, including the USPAP and the FACT Act.