Solutions Non-QM 4 Program Guidelines
Correspondent

Revised 1/30/2026 rev. 108

Summary

Plaza's Solutions Non-QM 4 Program offers Non-Qualified Mortgages on fully amortizing 30-Year Fixed Rate and interest-only 40-year Fixed Rate products. Loan amounts from $100,000 to $3,000,000 are available.

Products

Product Name	Product Code	Available Term In Months
Solutions Non-QM 4 30 Year Fixed	NQ4F30	360
Solutions Non-QM 4 40 Year Fixed Interest-Only	NQ4F40IO	480

Eligibility Matrix

Standard Doc - 24 Month and 12 Month
Primary Residence
Purchase and Rate/Term

Property Type	Loan Amount	Credit Score	LTV/CLTV	Max DTI	Months Reserves
1-Unit PUD Condo Condotel 2-4 Units	$1,000,000	700	85%[1]	50%	3
		660	80%	50%	3
	$1,500,000	720	85%[1]	50%	3
		660	80%	50%	3
	$2,000,000	740	85%[1]	50%	6
		680	80%	50%	6
		660	75%	50%	6
	$2,500,000	680	75%	50%	6
		660	70%	50%	6
	$3,000,000	700	75%	50%	6
		680	70%	50%	6

1. Condos, condotels, 2-4 units, and interest only max 80% LTV/CLTV.

Standard Doc - 24 Month and 12 Month
Primary Residence
Cash-Out Refinance

Property Type	Loan Amount	Credit Score	LTV/CLTV	Max DTI	Months Reserves	Max Cash-Out
1-Unit PUD Condo Condotel 2-4 Units	$1,000,000	700	80%[1]	50%	3	$500,000
		660	75%	50%	3	
	$1,500,000	700	80%[1]	50%	3	
		660	75%	50%	3	
	$2,000,000	700	80%[1]	50%	6	
		680	75%	50%	6	
		660	70%	50%	6	
	$2,500,000	720	75%	50%	6	
		700	70%	50%	6	
		680	65%	50%	6	
	$3,000,000	720	70%	50%	6	
		680	65%	50%	6	

1. Condotels max 75% LTV/CLTV.

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EQUAL HOUSING LENDER

Standard Doc - 24 Month and 12 Month Second Home and Investment Property[1,2] Purchase and Rate/Term					
Property Type	**Loan Amount**	**Credit Score**	**LTV/CLTV**	**Max DTI**	**Months Reserves**
1-Unit PUD Condo Condotel 2-4 Units[3]	$1,000,000	660	80%	50%	3
	$2,000,000	680	80%	50%	6
		660	75%	50%	6
	$2,500,000	660	75%	50%	6

1. Baltimore City, MD properties ineligible
2. First-time homebuyer not eligible for investment property.
3. 2-4 units not eligible on second home.

Standard Doc - 24 Month and 12 Month Second Home and Investment Property[1] Cash-Out Refinance						
Property Type	**Loan Amount**	**Credit Score**	**LTV/CLTV**	**Max DTI**	**Months Reserves**	**Max Cash-Out**
1-Unit PUD Condo Condotel 2-4 Units[2]	$1,000,000	660	75%	50%	3	$500,000
	$2,000,000	680	75%	50%	6	
		660	70%	50%	6	
	$2,500,000	720	70%	50%	6	
		660	65%	50%	6	

1. Baltimore City, MD properties ineligible
2. 2-4 units not eligible on second home.

Alt Doc Bank Statements - Personal and Business - 24 Month and 12 Month 1099 - Asset Utilization Primary Residence Purchase and Rate/Term					
Property Type	**Loan Amount**	**Credit Score**	**LTV/CLTV**	**Max DTI**	**Months Reserves**
1-Unit PUD Condo Condotel 2-4 Units	$1,000,000	700	85%[1]	50%	3
		660	80%	50%	3
	$1,500,000	720	85%[1]	50%	3
		660	80%	50%	3
	$2,000,000	740	85%[1]	50%	6
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Property Type	**Loan Amount**	**Credit Score**	**LTV/CLTV**	**Max DTI**	**Months Reserves**	**Max Cash-Out**
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		660	75%	50%	3	
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Bank Statements - Personal and Business - 24 Month and 12 Month
1099 - Asset Utilization
Second Home and Investment Property[1,2]
Purchase and Rate/Term

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4506-C / Tax Transcripts

Standard Documentation:

- A signed IRS Form 4506-C is required in every standard documentation credit file.
- Transcripts for personal tax returns are required unless the specific documentation requirements indicate transcripts are not required.
- W-2 transcripts may be obtained when only W-2 income is used to qualify.
- Transcripts are not required for business tax returns.

Alt Doc Documentation:

- Tax returns, 4506-C and transcripts are not required for Alt Doc (except for 1099 Doc Type).
- If tax returns and/or transcripts are provided, except as indicated in the documentation specifics below, the loan will be ineligible for the Alt Doc Program.

Alt Doc Bank Statement Income Documentation:

- Tax returns, 4506-C and transcripts are not required for bank statement documentation.
- If tax returns and/or transcripts are provided, the loan will be ineligible for the bank statement program.

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Appraisal	**Number of Appraisals:** Loan amounts > $2,000,000 require two full appraisals. **Declining Markets:** Properties in a declining market, as indicated in the appraisal, are limited to a maximum LTV/CLTV of 80%. **Collateral Desktop Analysis:** • Appraisals with a Collateral Underwriter (CU) or Freddie Mac Loan Collateral Advisor (LCA) score > 2.5 require a Clear Capital "Collateral Desktop Analysis - Jumbo (CDA) Pre-Fund" analysis. • Appraisals/loans with a CU or LCA score <= 2.5 do not require a CDA. • The CDA is required to support the value of the appraisal within a 10% tolerance. If the CDA returns a value that is "Indeterminate" or if the CDA indicates a value lower than the appraised value by more than 10%, then a field review *or* 2nd full appraisal is required. The lower of the two values will be used as the appraised value of the property. • If two (2) full appraisals are provided, a CDA is not required. **Transferred Appraisals:** Plaza will accept transferred/assigned appraisals from the original transferring lender when all of the requirements outlined in the Appraisal Policy in Plaza's **Credit Guidelines** are met.
ARM Adjustments	Reserved for future use.

Assets / Down Payment / Gifts	**Assets:** Assets used for down payment, closing costs, debt payoff, and reserves must be documented. The asset documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within 90-days of the loan note date.
	
	Documentation: The following may be used as asset documentation:
	• Account statements (e.g., checking, savings, share, or brokerage accounts). Statements must include the following:
	  ○ Name of financial institution
	  ○ Reflect borrower as the account holder (Funds held jointly with another individual are considered 100% of the borrower's funds)
	  ○ Account number
	  ○ Statement date
	  ○ Time period covered by the statement
	• Assets held in a Trust:
	  ○ Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and
	  ○ Document the borrower has access to the funds
	• Accounts verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty® process
	• Verification of Deposit completed by the verifying financial institution using Fannie Mae® Form 1006.
	
	Large Deposits: Large deposits on any of the above asset documentation must be sourced.
	• Large deposits are defined as any single deposit that represents more than 50% of the borrower's qualifying monthly income.
	• Deposits under 50% of the borrower's qualifying income are subject to source at the underwriter's discretion.
	• Deposits otherwise sourced as part of the borrower's income analysis do not require further sourcing.
	
	Eligible Assets:
	• Stocks/bonds/mutual funds: 80% of the account(s) value may be considered for assets
	• Vested retirement account (e.g., IRA, 401k, Keogh, 403b):
	  ○ 80% of the vested balance may be considered if age >= 59 ½
	  ○ 70% of the vested balance may be considered if age < 59 ½
	• Business accounts may be considered for borrower's assets subject to the following:
	  ○ The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
	• Cash Value of Life Insurance: 100% of the cash surrender value less any loans may be considered for assets

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- Borrowed funds secured by an asset are an acceptable source of funds for down payment, closing costs, and reserves because borrowed funds secured by an asset represent a return of equity.
  - Monthly payments on loans secured by non-financial assets must be included in the debt-to-income calculation; however,
  - Monthly payments on loans secured by financial assets are not considered long-term debt and may be excluded from the debt-to-income calculation provided the following:
    - Obtain a copy of the applicable loan instrument that shows the borrower's financial asset as collateral for the loan.
    - If the borrower intends to use the same asset to satisfy down payment, closing cost, or reserve requirements, the value of the asset must be reduced by the proceeds from the secured loan and any related fees.
    - Payment on any debt secured by virtual currency is an exception to the above policy and must be included when calculating the debt-to-income ratio.
- Crypto Currency: Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization/depletion.
  - Down payment and closing costs: currency must be liquidated and deposited into an established US bank account
  - Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30-days of the loan Note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.
- Foreign Assets: Assets held in foreign accounts or originating outside of the U.S. must be:
  - Transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless funds are held in a foreign bank with U.S. branches insured by the FDIC.
  - Verified by the U.S. institution
  - Translated to English and verified in U.S. Dollar equivalency at the current exchange rate via either **http://www.xe.com** or the Wall Street Journal conversion table.
  - All other asset requirements in this section apply.
- 1031 Exchange: The following documents are required:
  - 1031 Exchange Agreement, and
  - Final settlement statement verifying net proceeds from the relinquished property, and
  - Letter from the Qualified Intermediary verifying current funds available to the borrower.
  - Proceeds cannot be used to meet reserve requirements.
  - Reverse 1031 Exchange is ineligible.

Gift Funds:

- Gift funds are allowed on primary residence and second home transactions:
  - LTV <= 80%: All funds may be gift funds.
  - LTV > 80%: Minimum 5% borrower funds required for purchase transactions.
  - Investment property: All funds must be borrower funds. Gift funds may be considered on an exception basis.
- A gift from a relative or domestic partner who has lived with the borrower for the past 12 months can be counted towards the borrower's minimum own funds requirement when the following is provided:
  - A certification from the donor stating that he or she has lived with the borrower for the past 12 months and will continue to do so in the new residence
  - Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement.
- Donor must be:
  - a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship, or a fiancé, fiancée, or domestic partner
  - The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.
  - For any gift provided by a non-U.S. citizen, the donor must be screened against the OFAC Specially Designated Nationals (SDN) list

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	• Gift Letter must be provided. The gift letter must:
	  ○ specify the dollar amount of the gift
	  ○ specify the date the funds were transferred
	  ○ include the donor's statement that no repayment is expected
	  ○ indicate the donor's name, address, telephone number, and relationship to the borrower.
	• Verification of Funds. Verification of sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account and reflected in the borrower's bank account. 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, documentation must show that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check.
	• Gift of Equity:
	  ○ Primary Residence
	  ○ Must be Full Doc
	  ○ Must meet all other guidelines for Gift Funds
	• Gift funds not allowed with Asset Utilization documentation.
	
	Ineligible Assets:
	• Funds contributed by a non-borrowing spouse unless documented as a gift
	• Non-vested or restricted stock accounts
	• Cash-on-hand
	• Sweat equity
	• Down payment assistance programs
	• Unsecured loans or cash advances

Borrower Eligibility	**Eligible Borrowers:**
	• U.S. citizens
	• Permanent resident aliens with the following acceptable documentation:
	  ○ I-151 – Alien Registration Receipt Card (Green Card), or
	  ○ I-551 – Alien Registration Receipt Card (Resident Alien Card) that does not have an expiration date on the back (aka Green Card), or
	  ○ I-551 – Alien Registration Receipt Card (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of USCIS Form I-751 requesting removal of the conditions, or
	  ○ Un-expired Foreign Passport with an un-expired stamp (valid for a minimum of three years) reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized."
	• Non-Permanent Resident Aliens – Refer to **Non-Permanent Resident Alien** requirements later in this section.
	• Inter Vivos Revocable Trusts
	• **First-time homebuyers** (FTHB) are individuals who have had no ownership interest (sole or joint) in a residential property during the three-year period preceding the application date of the subject property transaction. For loans that include more than one borrower, if any borrower is not a FTHB, the FTHB restrictions do not apply. FTHB are allowed with the following restrictions:
	  ○ Primary residence and second home only
	  ○ Maximum payment shock 300% if doc type is Alt Doc.
	  ○ FTHB living rent free or without a complete 12-month rental history are eligible with a maximum LTV of 80% and maximum DTI of 43%.
	• **Non-occupant co-borrowers** are allowed with the following restrictions:
	  ○ Primary residence purchase transactions only.
	  ○ Maximum LTV/CTLV 80%.
	  ○ Occupying borrower(s) qualifying on Alt Doc types must have a DTI ratio of 60% or less. This excludes the income/debts of non-occupant borrower(s).
	  ○ Borrower(s) and co-borrower(s) must complete and sign a **Non-Occupant Co-Borrower Certification**.

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	Non-Permanent Resident Aliens: A Non-Permanent Resident Alien is a non-U.S. citizen authorized to live and work in the U.S. on a temporary basis. Lawful temporary residency and employment authorization must be validated with either an EAD or a VISA permitting employment.
	• Borrower Eligibility Requirements:
	  ○ Residing in the U.S. for at least 2 years; and
	  ○ Must have been employed in the U.S. for at least 2 years as evidenced on the loan application; and
	  ○ Must have a valid Social Security Number; and
	  ○ Must have established U.S. credit as required per these program guidelines.
	  ○ If the borrower's country of origin has Temporary Protected Status (TPS), it must be verified that TPS is still in effect and has not been vacated or shortened. Verify at **USCIS website**.
	• Employment status documentation is required for all borrowers and may consist of one of the following:
	  ○ A valid EAD Form I-766 that is valid for at least 180 days after the note date.
	  ▪ If the EAD will expire within 6 months of the note date, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued EAD renewal.
	  ▪ The employer on the loan application must be the same as on the unexpired EAD.
	  ▪ The EAD documentation is acceptable up to 540 days if an automatic extension has been granted; or
	  ○ An Approved EAD Application Form I-765 with the following:
	  ▪ I-765 must reflect approval status in the Action Block (upper right-hand corner of the form), or
	  ▪ Be accompanied by Form I-797, I-797A, I-797B, or I-797C conveying approval status (petitioner to match employer name on application); or
	  ○ If an EAD is not provided, a copy of the VISA permitting employment authorization must be provided. The following VISA types are acceptable: E-1, E-2, E-3, G-1 through G-5*, H-1B, L-1A, L-1B, O-1, and R-1. *G-4 VISA is only eligible when a spouse with G-1VISA is also on the loan.
	  ○ Asylum – Individuals with Asylee status (Asylum) are ineligible.
	• Guideline restrictions: Maximum LTV/CLTV limited to 80%
	
	Ineligible Borrowers:
	• Entities, Corporations or Partnerships
	• Foreign Nationals
	• Non-Revocable Trusts / Life Estates / Blind Trusts
	• Land Trusts
	• Not-For-Profit entity
	• Persons without a Social Security number or with only an ITIN (Individual Taxpayer Identification Number)
	• Persons with Diplomatic Immunity
	• Persons from OFAC sanctioned countries and persons sanctioned by OFAC
	• Persons with a felony conviction

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:
	• Refer to the **Eligibility Matrix** to determine minimum credit score requirements by scenario.
	• Standard Documentation and Alt Documentation except Asset Utilization: The qualifying score of the primary borrower is used to qualify.
	  ○ The borrower with the higher monthly income is considered the primary borrower
	  ○ When both borrowers jointly own the business, the lowest qualifying score of all applicants is used to qualify

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	○ The minimum qualifying score of any co-borrowers (borrowers other than the primary borrower) is 620. • Asset Utilization: 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:** If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived. When the primary borrower has less than three credit scores, each borrower must meet the minimum tradeline requirement. Exception – if the co-borrower is the spouse of the borrower only one spouse is required to meet the minimum tradeline requirement. Tradeline requirement: • At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or • At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months. Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the below requirements: • No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history. • At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months. • The borrower has an established credit history for at least eight (8) years. • Tradelines with recent serious adverse history are not acceptable. • Student loans can be counted in credit depth as long as they are in repayment and not being deferred. **Credit Evaluation:** • Any non-mortgage account can be no more than 30 days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing. • All mortgage accounts must be current at application and remain paid as agreed through closing. **Housing Payment History:** • 0 x 30 x 12 mortgage/rental delinquency • This applies to all mortgages and all borrowers on the loan • Housing payment history (mortgage or rental) for a 12-month period must be addressed in all cases. ○ Borrowers who live rent free or without a complete 12-month payment history may be eligible (see section below). ○ The 12-month mortgage history is required for all financed properties owned by the borrower. • Mortgage/rent rating must be current. Current means the borrower has made all mortgage/rent payments due in the month prior to the note date. If the credit report does not reflect the current payment history, one of the following additional documents is required to show the loan is current: ○ A loan payment history from the servicer or third-party verification service, or ○ A payoff statement (for mortgages being refinanced), or ○ The latest mortgage account statement from the borrower, or ○ A verification of mortgage. • Mortgages not reported on a credit report require a VOM. ○ Any VOM completed by a private-party (including an LLC) or any non-institutional lender must be supported by alternative documentation showing the most recent 6-month history (cancelled checks, mortgage/rental statements including payment history, etc.) ○ If the subject transaction is secured by a non-institutional lender, the mortgage payoff statement should be reviewed to determine that no late fees or delinquent interest are included in the payoff amount. ○ Properties owned free and clear require a property profile report or similar document showing no lien against the property. • Balloon Notes with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent (e.g., no extension and maturity date > 30 days at closing is 1x30 late, > 60 days is 1x60, etc.).

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- Rental Verification:
  - Verification of Rent (VOR) completed by the landlord; or
  - Lease agreement and borrower's proof of payment for the most recent 12 months (cancelled checks, bank statements, ACH payments, bank transfer/wire, or electronic payment method).

Borrowers Without a Recent 12 Month Housing Payment History:
Borrowers who live rent-free or without a complete 12-month housing payment history are allowed with the following restrictions:

- DTI may not exceed 43%
- LTV may not exceed 80%
- Any available portion of a 12-month housing history must be paid as agreed (housing payment history must be documented for all months in which the borrowers had a housing payment obligation)
- First-time home buyers living rent free are eligible if they meet the additional requirements under **First-time homebuyer** in the Borrower Eligibility section.
- Borrower(s) who own their primary residence free and clear aren't considered living rent-free
- Borrower(s) who sold a primary residence within the past six (6) months and are currently residing rent-free until subject transaction closes are not considered living rent-free

Timeshares: Timeshare obligations are treated as a consumer installment loan.

Forbearance / Modification / Deferral:

- Greater than 12 months from note date: Eligible if completed or reinstated greater than 12 months prior to the subject transaction note date.
- Within 12 months of the note date: Ineligible

Bankruptcy / Foreclosure / NOD / Short Sale / Deed-in-Lieu: Four years seasoning is required. Seasoning is measured to the new note date.

Revolving and Installment Debt: See **Qualifying Ratios** section

Collections and Charge-offs:

- Individual collection and non-mortgage charge-off accounts equal to or greater than $250, and accounts that total more than $2,000, must be paid in full prior to or at closing. See below for exception.
- Medical collections may remain open.
- A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning based on the charge-off date.
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded from the DTI calculation. Evidence of expiration must be documented.
- Exception to requirement to pay off: Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:
  - Payments for open charge-offs or collections are included in the DTI (subject to program DTI restrictions). If a payment amount is not known, 5% of the balance may be used as the payment.
  - Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

Judgments, Garnishments & Liens: All open judgments, garnishments, and outstanding liens must be paid off prior to or at loan closing.

Income Tax Liens: All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:

- There is no indication that a Notice of Federal or State Tax Lien has been filed against the borrower in the county in which the subject property is located.
- The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).
- A minimum of two (2) payments have been made under the plan with all payments made on time and the account must be current. Acceptable evidence includes the most recent payment reminder

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	from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date. • The maximum payment required under the plan must be included in the DTI calculation. **Disputed Accounts:** • The credit file should be documented with a credit supplement showing the account(s) have been resolved • If the unresolved disputed account balance is $250 or less, the payment can be included in the total debt calculation and the account can remain in dispute • The total aggregate balance of accounts in dispute remaining unresolved can't exceed $2,000 **Inquiries:** Recent inquiries within 90 days of the credit report date must be explained by the borrower. A detailed explanation letter that specifically addresses both the purpose and outcome of each inquiry is required. If additional credit was obtained, a verification of that debt must be obtained and the borrower re-qualified with the additional debt.
Geographic Restrictions	**Additional Program specific geographic restrictions are identified below:** • **Hawaii:** Properties in Lava Flow Zones 1 or 2 are not allowed. • **Maryland:** Baltimore City; Investment property ineligible in Baltimore City. • **New York:** Loan meeting the definition of NY Subprime are not eligible. • **Texas:** Texas Section 50(a)(6) restrictions apply. • **West Virginia:** Not eligible.

Identity of Interest / Non-Arm's Length	**Non-Arm's Length Transaction:**
	• Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales, and flip transactions.
	• When the property seller is a corporation, partnership, or any other business entity, the borrower may not be an owner of the business entity selling the property.
	• A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required, as well as the payment history pattern (verification of the Seller's mortgage (VOM)).
	
	Eligible Non-Arm's Length Transactions:
	• Renter(s) purchasing from landlord.
	  ○ VOR and 12 months of cancelled checks to prove timely payments are required (a VOR alone is not acceptable).
	• Purchase between family members.
	  ○ Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD.
	  ○ Must provide a 12-month mortgage history on the existing mortgage securing the subject property, confirming the Family Sale is not a foreclosure bailout.
	
	Non-Arm's Length and Identity of Interest Transaction Restrictions:
	• Investment property transactions not eligible if non-arm's length.
	• Borrower to provide verification of the earnest money deposit.
	• Maximum LTV/CLTV of 80% (does not apply to renters purchasing from their landlord).
	• For-Sale-By-Owner (FSBO) transactions must be arm's-length. Renters purchasing from landlords are allowed; however, there may be no other non-arm's length factors.
	• Employer to employee sales or transfers are not allowed (e.g., newly constructed properties)
	• Property trades between buyer and Seller are not allowed.
	• Commission earned by buyer/borrower cannot be used for a down payment, closing costs, or monthly PITIA reserves.
	• The Seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property.
	• A Letter of Explanation regarding the relationship between the parties is required.

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Income & Employment
General
	The information in this section applies to all income documentation options unless stated otherwise in the specific documentation sections that follow.
	• A minimum two (2) year employment history is required to be documented on the loan application (1003).
	• Self-employed borrowers' business must be in existence for a minimum of two (2) years.
	• In exception cases, when the borrower has less than a two-year history of employment, documented positive factors must exists to offset the shorter employment history, such as education or training. Exceptions will be considered case-by-case.
	• Any gaps in employment that span one or more months must be explained.
	• All income sources must be legal in accordance with all applicable federal, state, and local laws, rules and regulations, without conflict.
	
	Definitions:
	• Salary/Wage Earner: Income derived from employment at a business. Compensation may be based upon a salary, hourly wage, bonus, commission, or overtime.
	• Self-employed: Any borrower with a 25% or greater ownership interest in a business/entity or is paid using IRS form 1099 is considered self-employed.
	• The following are common business structures:
	  ○ Sole proprietorship
	  ○ Limit Liability Company (LLC)
	  ○ Partnerships
	  ○ S-Corporation
	  ○ Corporation
	
	Stability of Employment & Income and Earnings Trends:
	• Stable monthly income is the borrower's verified gross monthly which can be reasonably expected to continue for at least the next three (3) years. The source and the amount of the income must be stable.
	• A two-year employment history is required for the income to be considered stable and used for qualifying.
	• When the borrower has less than a two-year history of receiving income, in order to consider the income by exception, a written analysis to justify the stability of the income used to qualify the borrower must be provided.
	• While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.
	• When analyzing borrower earnings, year-over-year earnings trends must be incorporated into the borrower's income calculation.
	• Year-to-date (YTD) income amounts must be compared to prior years' earnings using the borrower's W-2 forms, signed federal income tax returns, or bank statements. The earnings trends are addressed as follows:
	  ○ Stable or increasing: The income amounts should be averaged.
	  ○ Declining but stable: If the 24-month earnings trend shows a decline in borrower income, but the most recent 12-month earning has stabilized and there is no reason to believe the borrower's employment will change, the most recent 12-month average of income should be used.
	  ○ Declining: If the trend is declining, the income is not eligible

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Income & Employment
Standard Documentation

- **24 Month Standard Doc:** Salary/wage, self-employed and other income sources.
- **12 Month Standard Doc:** Salary/wage, and self-employed and other income resources.

Guidelines in Income & Employment – General apply

Taxpayer Consent Form: Must be signed by all borrowers.

Tax Returns:

- When tax returns are required, the most recent one or two years of returns should be provided. The definition of "most recent" is the last return scheduled to have been filed with the IRS.
- Tax returned must be signed and dated by the borrower on or before the note date.
- Any borrower who applied for a tax return extension must provide a copy of the extension along with the prior one (1) or two (2) years of tax returns based upon the documentation method selected.

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
Wage/Salary	• The borrower's most recent paystubs reflecting 30 days of pay and YTD earnings • IRS W-2 forms covering the most recent one (1) or two (2) years depending upon documentation option selected • A verbal Verification of Employment (VVOE) from current employer • VVOE may not be dated more than 10-calendar days prior to closing date

Overtime/Bonus/ Commission	Variable earnings must be averaged over the most recent one (1) or two (2) years depending upon documentation option selected and documented with all of the following:
	• Most recent year-to-date pay stub reflecting the variable earnings
	• W-2 forms covering the most recent 1-year or 2-year pay period
	• Documentation verifying break-down of prior year(s) earnings with one of the following:
	  ○ Previous year-end paystub, or
	  ○ A completed Written Verification of Employment - Fannie Mae® Form 1005
	Variable income sources are eligible provided the borrower has a minimum one or two-year history of receiving such income in the same line of work. Variable income documented for less than one year may not be used for qualifying income.

Sole Proprietorship	• The most recent one (1) or two (2) years of tax returns
	  ○ Signed and dated by each borrower on or before the closing date
	• A YTD Profit and Loss Statement (P&L)
	  ○ P&L no older than 90-days on the note date
	  ○ The P&L may be either prepared by a 3rd party or prepared by the borrower
	  ○ If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required.
	  ○ P&L to be signed and dated by the preparer and the borrower on or before the closing date.
	• The qualifying income is determined from the tax returns, the P&L is used to determine to determine the stability of that income.

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**Partnerships
Corporations
S Corporations**
	• The most recent one (1) or two (2) years of tax returns
	  ○ Personal and business if applicable (including all K-1s and schedules)
	  ○ Signed and dated by each borrower on or before the closing date
	• If the borrower pays themselves wage income, a YTD paystub must be provided
	• A YTD Profit and Loss Statement (P&L)
	  ○ P&L no older than 90-days on the note date
	  ○ The P&L may be either prepared by a 3rd party or prepared by the borrower
	  ○ If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required.
	  ○ P&L to be signed and dated by the preparer and the borrower on or before the closing date.
	• Business returns and YTD financials are not required if the income reporting is 0 or positive, not declining and not counted as qualifying income
	• The qualifying income is determined from the tax returns, the P&L is used to determine the stability of that income.

Alimony, Maintenance & Child Support Income	• Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 6 months • Documentation that the support will continue for at least three (3) years via a divorce decree, court ordered separation agreement, court decree, or other legal agreement which includes the payment terms • The full amount of qualifying child support income may be treated as nontaxable and grossed up at 25% without supporting documentation verifying the nontaxable status
Auto Allowance	• Document that the borrower has received payments for at least two (2) years • Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations
Capital Gains	• 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 • Income must be averaged and if the income is declining it cannot be used • 3rd party documentation of assets must be sufficient to sustain the gain for a minimum of three (3) years

Disability Income (Long-Term)	• Obtain a copy of the borrower's disability policy or benefits statement to verify the following:
	  ○ Eligibility for the benefits
	  ○ Amount and frequency of payments
	  ○ there is not a contractually established termination or modification date within three (3) years
	• Document proof of current receipt covering the most recent 30-day period

Dividend/Interest Income	• Tax returns for the prior 2 years supporting a two (2) year history of receipt • Develop an average of the income received for the most recent two (2) years • 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
Family/Employed by a Relative	• The most recent two (2) years of tax returns signed and dated by each borrower on or before the closing date • W-2s for the most recent two (2) years • YTD paystub covering the most recent 30-day period • Clarification of the potential ownership of family-owned businesses by the borrowers may also be required. A borrower may be an officer of a family-operated business, but not an owner. Verification of a borrower's status should be provided by written confirmation obtained from a CPA or legal counsel.
Foreign Income	• United States tax returns, signed and dated, for the prior two (2) years reflecting the foreign income • Income must be converted to U.S. currency and any documents not in English must be translated • Standard documentation requirements based upon the source and type of income

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Foster Care Income	• Allowed if there is one (1) 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	• Income may be grossed up by applicable tax amount • Personal tax returns must be provided to confirm income is non-taxable • If the borrower is not required to file a federal tax return, gross up to 25%
Note Income	• Verify that the income can be expected to continue for a minimum of three (3) years • Obtain a copy of the Note to establish the amount and length of payments • Document regular receipt of income for the most recent 12 months using either cancelled checks, bank statements, or federal tax returns • Payments on a Note executed within the past 12 months, regardless of the duration, may not be used as stable income
401K/Keogh/IRA	Allowed when the income will continue for three (3) years. The borrower must have unrestricted access to the accounts without penalty. Document regular and continued receipt of the income with the following: • Account Statement(s) reflecting available balance for withdrawals evidencing three (3) year continuance, and • One month's proof of current receipt, and • Statement from the organization providing the income, or • Copy of retirement award letter or benefit statement, or • Signed federal income tax return, or • IRS 1099-R form

Pension/Retirement/Social Security/Annuity	• Allowed when the income will continue for three (3) years and when the borrower can access the accounts without penalty
	• Verify Income and Source using one of the following:
	  ○ Statement from the organization providing the income, or
	  ○ Copy of retirement award letter or benefit statement, or
	  ○ Signed federal income tax return, or
	  ○ IRS 1099 form
	  ○ Bank statements reflecting regular deposits for the most recent 2 months
	• Document proof of current receipt covering the most recent 30-day period
	• Social Security income: may be grossed up at 15% without documentation verifying the nontaxable status

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	Rental Income	• Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E.
		  ○ Leases are required for properties where rental income is being used to qualify and the property was acquired during or subsequent to the most recent tax filing year or the rental property was out of service for an extended period.
		  ○ For commercial properties a copy of the lease or rent roll is required
		• Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property
		• Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 2 months or the time period after the lease expired
		• A 25% vacancy factor must be applied to the gross rent used for qualifying when rental income is not documented with the borrower's most recent signed federal income tax return that includes Schedule E. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying
		• Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial
		• Application of Rental Income:
		  ○ Primary Residence
		  ▪ The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property)
		  ▪ The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
		  ○ Investment Property
		  ▪ If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income
		  ▪ If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations
		  ▪ The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation
		  ▪ The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation

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	Restricted Stock Units (RSU)	Restricted stock options may be used as qualifying income when all the following requirements are met: • Income has been consistently received for the prior two (2) years and will continue • RSU income is calculated using the past 2-year average • If the RSU income is declining, proof of stability must be provided, and the most conservative average used for qualifying • RSU income must be likely to continue for three (3) years • Borrower must be employed at the same company that issued the RSUs • Employer must be a publicly traded entity (e.g., a Fortune 500 company) • Non-vested restricted stock is not an acceptable source of income or reserves • Vested RSUs may not be considered as qualifying income if they are also used for down payment, closing costs, and/or reserves. The following documentation is required: • Evidence that stock is publicly traded • The most recent vesting schedule or issuance agreement showing continuance of RSU income • Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes: o Tax returns for the last two (2) years, reflecting RSU income o Year-end paystubs reflecting the RSU payout o An employer-provided statement paired with a brokerage or bank statement, showing the transfer of shares or funds, that includes the (a) date of the payout and (b) the number of vested shares and their cash equivalent distributed to the borrower
	Trust Income	• A copy of the Trust Agreement or Trustee Statement showing: o Borrower is beneficiary o Total amount of borrower-designated trust funds o Frequency and duration of payments – income must continue for three (3) years o Trust is irrevocable • Variable trust income: Use an average over the length of time per the doc type selected • Fixed trust income: Use the fixed payment as documented • If the borrower created the trust as trustee, the assets within the trust must be verified with 3rd party documentation (bank statements). Income will be calculated using asset utilization methodology • Unless this income is received monthly, documentation of current receipt of the income is not required if the income is on the borrower's most recent tax return
	Unacceptable Income	• Illegal Income • Boarder income • Education benefits • Refunds of federal, state, or local taxes • Gambling winnings • Mortgage Credit Certificates (MCCs) • Mortgage Differential Payments • Cannabis o Self-employed income (active or passive) derived from a company involved in cultivation, transportation, retailing, etc. is not allowed regardless of percentage of company ownership. o Income from borrowers who are wage earners in the industry is allowed.

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<td>Income & Employment
Alt Doc</td>
<td>
Alt Doc Includes the following documentation types:

Bank Statements (see Income & Employment – Alt Doc Bank Statement section)
1099

2 Years 1099s
1 Year 1099

Asset Utilization

Income documented using Alt Doc may be combined with other income sources that are documented as Standard Doc. When Alt Doc is combined with Standard Doc the loan must meet the Alt Doc eligibility matrices and will be priced as Alt Doc.

Guidelines in Income & Employment – General apply
<table>
<tr>
<td>IRS Form 1099</td>
<td>
Permitted for individual(s) earning 100% commission or for independent contractors.

Borrower must have a minimum 2-year self-employment history of (e.g., 1099 income) as evidenced by one of the following:

CPA or tax preparer letter, or
Business License, or
Business bank statement from 24 months prior to note date reflecting activity, or
Verification from the HR department of the company providing the 1099, or
Other reasonable evidence of business activity.

1-year or 2-years of 1099s
1099s should be issued to an individual (see bottom of this section for 1099s issued to the borrower’s LLC)
1099s may not be issued by a family member/relative
One of the following Business expense analysis methods:

90% Net Margin (10% Expense Factor)
3rd Party prepared P&L (CPA, EA, accountant, tax preparer). P&L to be signed and dated by the preparer on or before the closing date.

Qualifying income is the 12 or 24 monthly average from the total number of 1099’s minus the expense factor from the method chosen above
Year-to-date (YTD) earnings must be documented when the 1099 reporting period is greater than 90 days from the note date. YTD earning must support the ongoing receipt of income shown on the 1099s by:

Checks or a single check stub(s) with YTD totals if available, or
Bank statements (YTD)

The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than the qualifying income
1099s issued to the borrower’s LLC are eligible subject to the following:

All requirements above apply, and
A Self-Employed Business Narrative Form must be provided by the borrower, and
Third Party documentation is required verifying borrower is 100% owner of the business, and
Third Party prepared business expense statement letter is required verifying the expense factor is 10% or less. Business expense statement letter to include:

Name of the business, and
Business expenses as a percentage of the gross annual sales/revenue, and
Prepared or reviewed by a third party with knowledge of the business (e.g., CPA/accountant, IRS Enrolled Agent, or tax preparer), and
Signed by the third party preparer/reviewer.

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</tr>
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EQUAL HOUSING LENDER

	Asset Utilization	• Borrowers must have minimum of $250,000 in post-close eligible assets.
		• Eligible Assets:
		  ○ Assets must be liquid and available excluding any penalty (amount of available assets must be reduced by the amount of any penalty applied to access the assets). Additional documentation may be requested to validate the origin of the funds.
		  ○ 100% of Checking, Savings, Money Market Accounts, and U.S. Treasuries with maturity less than 1 year
		  ○ 100% of the cash surrender value of life insurance less any loans
		  ○ 80% of Stocks, Bonds, and Mutual Funds
		  ○ 80% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½)
		  ○ 70% of Retirement Assets: Eligible if the borrower is not of retirement age (under 59 ½) (70% takes into account a 10% early withdrawal penalty)
		  ○ Assets held in a trust are eligible per the following:
		  ▪ Assets in a revocable trust where the trustee is the borrower
		  ▪ Assets in an irrevocable trust where the borrower is the sole beneficiary and the borrower has immediate access to the assets of the trust
		  ▪ Based upon the type of assets held in the trust, the above asset percentages apply
		• Ineligible Assets:
		  ○ Crypto currency
		  ○ Equity in Real Estate
		  ○ Privately traded or restricted/non-vested stocks
		  ○ Any asset which produces income already included in the income calculation
		  ○ Any assets held in the name of a business
		  ○ Assets held in an irrevocable trust where the beneficiary of the trust is not the borrower
		  ○ Assets held in a charitable giving trust, donor advised fund, or similar entity where the intended beneficiary is not the borrower
		  ○ Windfall (e.g., lottery winnings, inheritance, etc.)
		• Income Calculation:
		  ○ Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 84
		  ○ Calculate income using **Plaza's Non-QM Solutions Asset Utilization Calculator**
		• Documentation:
		  ○ Assets must be verified with the most recent three (3) monthly account statements, quarterly statement or a VOD covering at least 90 days and be dated within 90 days of the note date
		  ○ Assets must be seasoned 120 days
		  ○ Deposits exceeding 50% of the total qualifying income must be documented and come from an eligible source
		• Tax returns, 4506-C and transcripts are not required.
		• Program Restrictions:
		  ○ Non-occupant co-borrowers not allowed
		  ○ All individuals listed on the asset account(s) must be on the Note and Mortgage
		  ○ Gift funds not eligible

Rental Income and Alt Doc:
Rental income may be included in loan qualification for Alt Doc income types. For rental income to be considered with other Alt Doc income types, the following documentation must be provided:

Long Term Rental:

- A copy of the lease(s) for the rental property.
- Two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
- If the deposits cannot be validated in a separate account, the rental income cannot be used and the full PITIA of the rental unit must be included in the qualifying DTI ratio.
- Purchase of an investment property: Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease.

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	• A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying. **Short Term Rental:** • Property leased on a short-term basis utilizing an on-line service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality. • Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties owned, statements from an online service must be provided to associate rents received with the specific property. • A screen shot of the online listing must show the property is actively marketed as a short-term rental. • A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying. • Note: AirDNA is an ineligible method for documenting rental income. **Application of Rental Income:** • Primary Residence ○ The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property) ○ The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio. • Investment Property ○ If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income ○ If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations ○ The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation ○ The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.
Income & Employment ***Alt Doc Bank Statement***	**Bank Statement Income Documentation Options:** • 12 or 24 month personal bank statements • 12 or 24 month business bank statements **Eligible Borrowers/Employment:** Bank Statement Income documentation is available for self-employed borrowers only. **Ineligible Sources of Income for Bank Statement Documentation:** • Primary source of income from residential 1-4 unit real estate investment (rental income) is not eligible for bank statement documentation. • Income earned buying and selling property is not eligible for bank statement documentation. This includes flipping houses and developers buying land, developing it, and selling the improved property. • Passive or portfolio income sources are not eligible (distributions from limited partnerships, day trading, etc.) for bank statement documentation. • Funds/Deposits in an IOLTA (Trust) are ineligible sources of income for bank statement documentation. • Not-For-Profit entities are ineligible sources of income. **Combining Documentation Types:** Income documented using bank statements may be combined with other income sources that are documented as Standard Doc but not associated with self-employment. • When wage income is combined with bank statement income documentation, a tax return is not required for the full income documentation, as this would invalidate the bank statements. The 4506-C form is still required; however, Box 8 should be checked to obtain a transcript of W-2 earnings only

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- When bank statement documentation is combined with standard documentation the loan must meet the bank statement eligibility matrices and will be priced as bank statement documentation

Rental Income and Bank Statement Income Documentation: Refer to **Rental Income and Alt Doc**

Income Worksheet: All bank statement documented loans must include Plaza's **Bank Statement Worksheet**

Guidelines in Income & Employment – General apply

Personal Bank Statements:

- Most recent 24 or 12 months of PERSONAL bank statements dated within 90 days of the note date.
- Most recent 2 months of BUSINESS bank statements dated within 90 days of the note date.
  - They must evidence activity to support business operations.
  - They must reflect transfers to the personal account.
- Verify that the borrower owns 20% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.
- The borrower's business being used to source the income must be in existence for a minimum of 2 years as evidenced by one of the following:
  - CPA or tax preparer letter, or
  - Business License, or
  - Business bank statement from 24 or more months prior to note date reflecting activity, or
  - Other reasonable evidence of business activity.
- If the borrower does not have a separate business bank account and cannot provide 2 months of business bank statements, the personal bank statements will be reviewed using business bank statement guidelines. In this situation the personal bank statements are considered co-mingled personal and business accounts and business bank statement analysis applies:
  - An expense factor must be applied using one of the business bank statement analysis method described below
  - Verify the borrower is 100% owner of the business (borrower and spouse with combined 100% ownership is eligible)
- If the borrower has a personal account and a business account and co-mingles business deposits into both accounts, only deposits into the business account may be used.

Personal Bank Statement Income Calculation:

- Only transfers or deposits from the business account(s) are eligible deposits
  - ATM deposits may be included if a consistent pattern of such deposits is present
- Any inconsistent or large deposits not justified must be backed out of the calculation
- Net Income is based upon the total eligible deposits from the 24 month or most recent 12 months of statements divided by the number of statements
- Qualifying income is the lower of:
  - for the 24-month statement option, the net income from the analysis using all 24 months of bank statements, or
  - for both the 24 or 12 month statement option, the net income based upon the most recent 12 months of bank statements
- The most recent bank statement must be consistent with the qualifying income.

Business Bank Statements:

- Verify that the borrower is at least 25% owner of the business by providing one of the following:
  - CPA letter, tax preparer letter, operating agreement, or equivalent 3rd party documentation reflecting the borrower's ownership percentage.
- The business used to source the income must be in existence for a minimum of two years as evidenced by:
  - CPA or tax preparer letter, or
  - Business License, or
  - Business bank statement from 24 or more months prior to note date reflecting activity, or

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- Other reasonable evidence of business activity.
- Income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's net income.
- The expense analysis method should be reasonable for the type of business being reviewed.

Business Bank Statement Analysis:
Two options exist to analyze business accounts. Regardless of the option utilized, expenses must be reasonable for the type of business. The following applies regardless of the expense method used:

- Expenses must be reasonable for the type of business.
- Deposits should be reviewed for consistency.
- Deposits from alternative payment processing applications (i.e., Square, Venmo) are eligible.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of a large deposit is any deposit exceeding 100% of the average monthly sales of the business.
- Changes in deposit patterns must be explained.
- Income documented separately or not from the business must be backed out of deposits.

- **Option 1 - Business Expense Statement Letter:**
  - 24 or 12 months of business bank statements dated within 90 days of the note date; and
  - An expense statement **(example letter)** specifying business expenses (minimum expense ratio is 10%) as a percent of the gross annual sales/revenue, prepared and signed by either a CPA/accountant, IRS Enrolled Agent or tax preparer; and
  - Credit file must contain documentation showing evidence of the preparer's business.

- **Determining Income Using Business Expense Statement Letter:**
  - Net Income is determined by the total deposits from the bank statement minus any inconsistent deposits, less total expenses, multiplied by ownership percentage, divided by the number of bank statements reviewed. Total expenses are calculated by multiplying the total deposits by the expense factor provided by a CPA/accountant, IRS Enrolled Agent, or tax preparer (subject to a minimum total expense percentage of 10%).
  - Qualifying income is the lower of:
    - for the 24-month statement option, the net income from the analysis using all 24 months of bank statements, or
    - for both the 24 or 12 month statement option, the net income based upon the most recent 12 months of bank statements
  - The most recent bank statement must be consistent with the qualifying income.
  - Expenses must be reasonable for the type of business.
  - Plaza reserves the right, at the reviewer's discretion, to require additional documentation if the expense ratio appears unreasonable for any business entity.

- **Option 2 - Fixed Expense Ratio 50%:**
  - Borrowers with businesses in the industries listed below may be eligible for a 50% expense ratio but will require additional documentation or explanation to support the business is not a high expense business.
    - Construction / Builder (single employee tradesman/handyman are eligible)
    - Manufacturing
    - Retail and Wholesale Trade
    - Hospitality, Food and Beverage Services
    - Transportation
  - 24 or 12 months of business bank statements dated within 90 days of the note date; and
  - A business narrative provided by the borrower (See **Self-Employed Business Narrative Form**) which includes details regarding the industry, size, and operating profile of the business, addressing location/rent, number of employees/contractors, COGS, and physical assets such as trucks/equipment (owned or leased).
  - The **Self-Employed Business Narrative Form** should be used to determine if the borrower's business is eligible for this option based on reasonableness of expenses.

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	• **Determining Income Using Fixed Expense Ratio 50%:**
	  ○ Net Income is determined by the total deposits from the bank statements, minus any inconsistent deposits, multiplied by 50% expense ratio, multiplied by ownership percentage, divided by the number of bank statements reviewed.
	  ○ Qualifying income is the lower of:
	  ▪ for the 24-month statement option, the net income from the analysis using all 24 months of bank statements, or
	  ▪ for both the 24 or 12 month statement option, the net income based upon the most recent 12 months of bank statements.
	  ○ The deposits from the most recent bank statement must be consistent with the qualifying income.
	  ○ Plaza reserves the right, at the reviewer's discretion, to require additional documentation if the expense ratio appears unreasonable for any business entity.
	
	Non-Sufficient Funds:
	Non-sufficient funds (NSF) reflected on the bank statement(s) must be considered. Multiple instances on the same day will be treated as one NSF occurrence. NSF are defined as any of the following:
	• Transaction is designated as an NSF by the bank.
	• Transaction is declined.
	• Transaction results in a negative balance.
	• Transaction includes overdraft protection fees that are not associated with a pre-arranged link to a savings account or line of credit.
	
	NSF do not need to be considered if they are covered by overdraft protection fees associated with a pre-arranged link to a savings account or line of credit as follows:
	• Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that:
	  ○ the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, and
	  ○ the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and
	  ○ the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
	• Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that:
	  ○ the line's credit limit was not exceeded during the statement period of the transfer, and
	  ○ a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.
	
	Restrictions: NSE occurrences included in the analysis are subject to the following tolerances (An occurrence is defined as one or more checks returned the same day):
	• If there are one (1) or more occurrences in the most recent three-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
	• If there are zero (0) occurrences in the most recent three-month time period, up to five (5) are allowed in the most recent 12-month time period.
	
	Exception requests for tolerance deviations must include a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and additional compensating factors outlined by the underwriter supporting the viability of income. The underwriter must consider the financial strength of a self-employed borrower's business

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<table>
<tr><td>Insurance</td><td>Adequate insurance is required for HOI and flood as applicable.

The hazard insurance coverage of the dwelling, excluding other structures, must be equal to or greater than one of the following:
100% of the replacement cost per a replacement cost estimator from the property insurer or a 3rd party source (i.e., CoreLogic); or
The estimated cost to replace the dwelling from a recent appraisal; or
The unpaid principal balance of the mortgage, provided it equals no less than 80% of the replacement cost.
Deductible not to exceed 5% of the coverage amount
For Insurance not addressed in this section refer to Plaza's Hazard and Flood Insurance Policy.</td></tr>
<tr><td>Interest Only</td><td>Maximum 80% LTV/CLTV for Interest-Only.

<table><tr><th>Product Code</th><th>Interest Only Term</th><th>Amortized Term</th><th>Total Term</th><th>Fixed Period</th><th>Adjustable Period</th></tr><tr><td>NQ4F40IO</td><td>10 Years</td><td>30 Years</td><td>40 Years</td><td>40 Years</td><td>NA</td></tr></table></td></tr>
<tr><td>Interested Party Contributions</td><td>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%: 6%
LTV <= 75%: 9%
Investment Property: 6%

Seller Concessions:
All seller concessions must be addressed in the sales contract, appraisal and Closing Disclosure/HUD-1. A seller concession is defined as any interested party contribution beyond the above stated limits, or any amounts not being used for closing costs or prepaid expenses (i.e., funds for repairs not completed prior to closing). 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.</td></tr>
<tr><td>Loan Limits</td><td>Minimum loan amount: $100,000
Maximum Loan Amount: $3,000,000</td></tr>
<tr><td>Max Financed Properties / Exposure</td><td>Primary Residence: There is no limit on the number of financed properties a borrower may own.

Second Home or Investment Property: Maximum 20 financed properties.

Maximum Loans/Maximum Exposure:
No more than four total Plaza loans are permitted to one borrower
Maximum $5,000,000 in Solutions loans to any single borrower</td></tr>
<tr><td>Mortgage Insurance</td><td>Not Applicable, regardless of LTV.</td></tr>
<tr><td>Occupancy</td><td>Owner-occupied primary residences
Second homes
Investment properties</td></tr>
</table>

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Property Eligibility	**Eligible Properties:**
	• Attached/detached SFRs
	• Attached/detached PUDs
	• 2-4 units
	• Condos (Warrantable and Non-Warrantable)
	• Condotels
	
	Condominiums:
	• Maximum 80% LTV/CLTV
	• Warrantable condos: Projects meeting Fannie Mae guidelines are eligible.
	• Non-Warrantable condos: Projects meeting the guidelines outlined in this section are eligible. For anything not addressed in this section, Fannie Mae requirements apply.
	• Project review:
	  ○ Detached (site) projects: Projects consisting entirely of detached/site units do not require a completed project questionnaire or project review and are eligible for single-family dwelling LTV/CLTV.
	  ○ 2-4 Unit projects: Do not required a completed project questionnaire or project review.
	  ○ Fannie Mae Approved Projects: Projects with a Fannie Mae Condominium Project Manager (CPM) approval do not require a completed project questionnaire or project review. Provide evidence of CPM approval (PDF document of CPM printout) dated within 10 days of the note date.
	• All other condominimum projects require a completed condo project questionnaire. Plaza's **Condo HOA Questionnaire Full Review Form**, or a substantially similar questionnaire is required.
	• Warrantable and non-warrantable condos use the same "condo" eligibility matrix and pricing.
	• Condotels: See **Condotel section** below.
	• Plaza's project exposure maximum is $5,000,000 or 20% (for projects > 4 units) of the total units in the project, whichever is lower
	
	Condominium Project Considerations:
	• **Minimum square footage** 500 square feet, full size kitchen, minimum of 1 bedroom
	• **Commercial space** allowed up to 50% of project
	• **Delinquent Assessments:** No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees.
	• **Investor concentration** allowed up to 80%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated (not applicable for 2-4 unit projects).
	• **Single entity ownership** allowed up to 35% of the project (not applicable for 2-4 unit projects)
	• **Mandatory membership** allowed when no other non-warrantable feature exists.
	• **Litigation:** Projects involved in litigation are acceptable provided:
	  ○ The lawsuit(s) are not structural in nature
	  ○ Do not impact the subject unit specifically and individually
	  ○ Do not affect the marketability of the project units
	  ○ Potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense
	• **Deferred Maintenance/Repairs:** Condominium projects with significant deferred maintenance are ineligible. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
	  ○ Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time
	  ○ The project has deficiencies, defects, substantial damage, or deferred maintenance that
	  ▪ is severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements, or
	  ▪ the improvements need substantial repairs and rehabilitation, including many major components, or
	  ▪ impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing; or

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        - has critical repairs with one of the following characteristics:
        - mold, water intrusion or potentially damaging leaks to the projects buildings, or
        - unfunded repairs costing more than $10,000 per unit to be undertaken within the next 12 months (excluding repairs made my unit owners or special assessments).
    - Condominium projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions
- **Established Projects:**
    - 90% of the total units in the project must be sold and conveyed to the unit owners
    - All must be complete
    - HOA must be conveyed to the unit owners; no developer or builder-controlled projects allowed
    - All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.
- **New Projects:**
    - 50% of the total units in the project or subject's phase must be sold and conveyed or under contract to primary residence or second home purchasers (condotel projects may include non-owner occupied units to meet pre-sale).
    - Project or subject's legal phase along with other development phases must be complete
    - All common elements in the project or legal phase must be 100% complete
    - Project may be subject to additional phasing
    - The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame

Condotels: Condotels are condominium projects that have characteristics of a hotel, even though the units are individually owned. Projects typically include hotel/resort amenities like cleaning and maintenance services, on-site or centralized reservation and/or registration services, and rentals of units on a daily, weekly, or monthly basis and food service/restaurant/bar. Condotels are eligible subject to the guidelines below. Anything not addressed below refer to the condo section above.

- Purchase and Rate/Term maximum 80% LTV/CLTV
- Cash-out maximum 75% LTV/CLTV
- Minimum square footage: 500 square feet
- Fully functioning kitchen required – defined as full-size appliances including a refrigerator and stove/oven
- Bedroom required (studios are ineligible)
- Ineligible:
- Projects with mandatory rental pooling
- Projects with full time registration desk, concierge, or daily cleaning located on premises to service units
- Investor concentration, within the subject project, may exceed established project criteria, up to 100% (this includes meeting 50% occupancy pre-sale for new construction)
- Regardless if leased long term or short term, gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term rental property

Accessory Dwelling Units (ADUs):

- A 1-unit property with a single ADU is eligible. Multiple ADUs are not allowed.
- The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- Rental income may be used for the accessory unit subject to the following:
    - Appraisal to reflect zoning compliance is legal (a permit is not required to establish zoning compliance)
    - Appraisal to include at least one comparable with an accessory unit
    - Refinance – The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease agreement with two (2) months proof of current receipt
    - Purchase:

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- Owner-Occupied/2nd Home: Income from the accessory unit may not be used as qualifying income
- Non Owner-Occupied: User the lower of the market rent on FNMA Form 1007 or actual rent

Leasehold Estate Properties:

- Must be common to the area
- The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land
- The leasehold estate and any improvements must constitute real property
- The leasehold estate and any improvements must be subject to the mortgage lien and be insured by the title policy
- Leasehold must meet all Fannie Mae eligibility requirements
- Leasehold documentation must be provided
- Homes on Native American Land (Reservations) are not eligible

Private Roads: Require a permanent easement for ingress and egress with provisions for road maintenance.

Solar Panels: Properties with solar panels are eligible for purchase per the following guidelines.

- Owned: If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage) the property is eligible and standard guidelines apply.
- Leased: Properties with leased solar panels must meet Fannie Mae requirements.
- Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar financing arrangement must be considered personal property and not be included in the appraised value of the property.
- PACE: Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing

Ineligible Properties:

- Acreage > 20 acres
- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Barndominiums
- Boarding houses, bed/breakfast, or single room occupancy
- Commercial properties
- Condos with non-conforming zoning
- Cooperatives
- Geodesic dome homes
- Geothermal homes
- Gross living area
- < 700 square feet if detached SFR
- < 500 square feet if attached condo
- < 400 square feet per individual unit if 2-4 unit property
- Healthcare facilities (e.g. assisted living, elder care, recovery/treatment)
- Log homes
- Manufactured housing
- Mixed use
- Model home leaseback
- Modular homes
- Native American Land (Reservations)
- Nonresidential, income-producing structures on premise (e.g. billboards, cell phone towers, commercial workshop)
- Private transfer covenant
- Timeshare, segmented ownership or projects that restrict the owner's ability to occupy the unit

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	• Rural Properties. A property is considered rural if:
	  ○ The appraiser indicates in the neighborhood section of the report a rural location, or
	  ○ The property is located on a gravel road and two of the three comparable properties are more than 5 miles from the subject property
	• Working farms, ranches, orchards
	• Unique properties

Property Flips	Properties, including new construction, 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. Timeframe is measured from the seller's note date to the date of the borrower's purchase agreement. **Property Flips:** • Non-arm's 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 if applicable, and an additional valuation product may be required: **Second Appraisal Requirement:** A second appraisal is required if the transaction is a Higher Priced Mortgage Loan (HPML) and the value has increased > 10% in the past 90 days or > 20% in the past 180 days. HPML second appraisal requirements are listed below: • A second appraisal is required if > 10% increase in sales price if seller acquired the property in the past 90 days prior to the borrower's purchase agreement date, or • A second appraisal is required if > 20% increase in sales price if seller acquired the property in the past 91-180 days prior to the borrower's purchase agreement date. • The second appraisal must be obtained prior to the note date • The second appraisal must be provided to the borrower (standard appraisal delivery requirements • apply) • The borrower may not be charged for the second appraisal
Qualifying Ratios	• Refer to the **Eligibility Matrix** 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. • 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. All properties owned by the borrower must be fully documented in this regard on the Schedule of Real Estate Owned (REO) section of the Form 1003 loan application. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, or information obtained from a valid and legally executed contract. **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 minus total monthly debt. • $2,500 Residual Income required + $250 for first dependent + $125 for each additional dependent. **Revolving Charges/Lines of Credit:** • The minimum required payment, as stated on the credit report or current account statement, should be used to calculate the debt-to-income ratio. • If no payment is stated on the credit report, the greater of $10 or 5% of the current balance should be included in the DTI ratio calculation.

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	• Revolving accounts can be paid off prior to or at closing in order to exclude the payment from the debt ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full. **Installment Debt:** • Payments on installments must be included in the borrower's debt-to-income (DTI) ratio. • Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment. • Installment debt paid in full or prior to closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full. • Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the borrower's payment letters or forbearance agreements must be obtained so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations. **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, or • The payment may be excluded from the debt ratio calculation if the borrowers have sufficient liquid assets, after required funds to close and reserves, to cover the full balance of the 30-day account. **Departure Residence Pending Sale:** If the borrower's current principal residence is pending sale but the transaction will not close prior to the subject transaction, the departing residence PITIA must be included in borrower's debt ratio except when all of the following documentation is provided: • An executed sales contract for the departing residence • Verification that all contingencies have been removed **Departure Residence Converting to Rental Property**: If the borrower is converting their current primary residence to a rental property, the departing residence PITIA must be included in borrower's debt ratio. When the following is provided, the departure PITIA may be offset using 75% of the gross monthly rent: • Single Family Comparable Rent Schedule (Fannie Mae® Form 1007) and a • copy of a current lease (must use the lower of the 1007 or lease), or • Proof of receipt of security deposit and first month's rent and a copy of a current lease **Student Loans:** • For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in qualifying. • If a monthly student loan payment is provided on the credit report, that amount may be used for qualifying purposes. • If the credit report does not reflect the correct monthly payment, the monthly payment that is on the student loan documentation (the most recent student loan statement) may be used to qualify the borrower. • If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, a qualifying monthly payment must be determined. For deferred loans or loans in forbearance, the following may be used: • a payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortizing payment), or • a fully amortizing payment using the documented loan repayment terms

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	Auto Lease Payments: Payment must be included in qualifying DTI regardless of the number of remaining payments.
	
	Alimony, Child Support and Maintenance Payments: Obligations must be documented according to Fannie Mae guidelines and payments must be included as a liability.
	
	Contingent Liability/Cosigned Obligations:
	Contingent liability applies and the debt must be included in the underwriting analysis if an individual applying for a mortgage is a cosigner/co-obligor on any other obligation. However, if the borrower provides documentation to evidence they are not the primary obligor, and the primary obligor has been making regular payments during the previous 12 months and does not have a history of delinquent payments on the loan during that time, the payment does not have to be included in the borrower's monthly obligations.
	
	Collections & Charge-offs, Judgments, Garnishments, Liens & Disputed Accounts: Refer to these items in the **Credit** section.
	
	Business Debt:
	• If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt and it must be included in the debt-to-income ratio unless the following documentation is provided.
	• Debts paid by the borrower's business can excluded from the DTI ratio with any of the following supporting documentation:
	  ○ Most recent six (6) months canceled checks drawn against the business account; or
	  ○ Tax returns reflect the business expense deduction; or
	  ○ Business bank account statement showing assets remain after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt.
	• If the debt is less than six (6) months old, the payment must be included in the DTI ratio regardless if the above documentation is provided.

Repair Escrows	Loans with escrows for completion of postponed improvements (escrow holdbacks) are not eligible.
Reserves	Reserves must come from the borrower's eligible assets listed in the **Assets/Down Payment/Gifts** section or net proceeds from a cash-out transaction may be used for reserves. **Reserve Requirement:** • Loan Amount <= $1,500,000: 3 months • Loan Amount > $1,500,000: 6 months **Other Reserves Considerations:** • Reserve requirements apply to the subject property loan only. Additional reserves are not required for additional financed properties. • Cash-out may be used for reserves • Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount • For Adjustable-Rate Mortgages, the reserves are based upon the initial PITIA, not the qualifying payment • Gift funds are not allowed for reserves • Proceeds from a 1031 exchange are not allowed for reserves
Subordinate Financing	**Subordinate financing is allowed per the Credit Matrix with the following requirements/restrictions:** • Institutional financing only – Seller-held or other private 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. • If the subordinate lien is a HELOC the total line amount must be used to determine CLTV unless the borrower can provide documentation showing the line of credit is past its draw period.
Temporary Buydowns	Not allowed

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Texas Home Equity	**Texas Section 50(a)(6) transactions:** • 1-unit primary residence only • 30 year fixed rate 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.

Transactions	• Purchase
	• Rate/Term Refinance
	• Cash-Out Refinance
	
	Purchase:
	• Proceeds from the transaction are used to finance the acquisition of the subject property.
	• LTV/CLTV is based upon the lesser of the sales price or appraised value.
	• Assignment of contract or finder's fees reflected on the purchase contract are not eligible to be included in the sales contract price or associated with the LTV/CLTV calculation.
	
	Rate & Term Refinance: Proceeds from the transaction are used to:
	• Pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
	• Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
	  ○ Closed-end loan, at least 12 months of seasoning has occurred.
	  ○ HELOC, at least 12 months of seasoning has occurred, and total draws over the past 12 months are less than $2,000.
	• Buy out a co-owner pursuant to an agreement.
	• Pay off an installment land contract executed more than 12 months from the loan application date.
	
	Other Rate/Term Considerations:
	• Refinance of a previous loan that provided cash out, and is seasoned less than 12 months as measured from the previous note date to the new note date, will be considered a cash out refinance.
	• Cash back not to exceed the lesser of 2% of the new loan amount or $5,000.
	• The transaction must be treated as cash-out when the subject property is encumbered by a loan that allows for Paid in Kind (PIK) interest. A copy of the note must be provided to determine required payment terms. Notes allowing interest to accumulate during the term of the loan are eligible.
	• When the subject property is refinanced out of a cross collateral/blanket mortgage and into a single asset mortgage, the following are required:
	  ○ Copy of the Note for the cross collateral/blanket mortgage to verify release terms, and
	  ○ Copy of the Deed of Trust or Mortgage evidencing the encumbered properties, and
	  ○ Copy of the payoff statement for the subject property to verify payoff terms.
	  ○ Transaction must be treated as cash-out when the borrower receives cashout proceeds.
	• Properties listed for sale by the current owner in the past six (6) months are ineligible. If the property has been listed for sale by the current owner in the previous 12 months, the LTV will be based on the lesser of the lowest list price or appraised value.
	• LTV/CLTV:
	  ○ If the subject property was acquired greater than six (6) months from the new note date, the appraised value will be used to determine LTV/CLTV.
	  ○ If the property was acquired less than or equal to six (6) months from the new note date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV/CLTV. The purchase settlement statement and any invoices for materials/labor will be required.
	  ○ If the property has been listed for sale by the current owner in the previous 12 months, the LTV will be based on the lesser of the lowest list price or appraised value.
	• Title must be in the borrower's name at time of application and on the closing date except that title may be in an LLC at time of application if the borrower(s) is a majority owner (i.e. more than 50%), and the property must be deeded to the borrower individually at closing. Loans may not close with

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	title held in the name of the LLC. The other owners of the LLC must acknowledge the transfer of ownership to our borrower(s).
	
	Cash-Out Refinance: A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
	• A letter explaining the use of loan proceeds is required for all transactions.
	• A mortgage secured by a property currently owned free and clear is considered cash-out.
	• The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
	• For all investment property transactions, any loan proceeds used to pay off personal debt creates a consumer transaction, and the loan is subject to ATR and TRID. This includes any past draws, regardless of timing, on a HELOC secured by the subject property.
	• Loans not eligible for cash-out:
	  ○ Properties listed for sale by the current owner in the past six (6) months. If the property has been listed for sale by the current owner in the previous 12 months, the LTV will be based on the lesser of the lowest list price or appraised value.
	  ○ There has been a prior cash-out within the past six (6) months.
	  ○ There is a closed-end second seasoned less than six (6) months or there is a HELOC with any draws in the last six (6) months.
	  ○ Land Contract/Contract for Deed.
	• Cash-Out seasoning is defined as the time difference between the note date of the new loan and the property acquisition date.
	  ○ Borrower ownership seasoning of six (6) months is required for a transaction to be eligible for cash-out.
	  ○ Cash-out seasoning of six (6) months or less is only allowed when it is documented that the borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
	  ○ If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six-month ownership requirement.
	  ○ If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust.
	• Title must be in the borrower's name at time of application and on the closing date except that title may be in an LLC at time of application if the borrower(s) is a majority owner (i.e. more than 50%), and the property must be deeded to the borrower individually at closing. Loans may not close with title held in the name of the LLC. The other owners of the LLC must acknowledge the transfer of ownership to our borrower(s).
	• LTV/CLTV:
	  ○ If the subject property was acquired greater than six (6) months from the new note date, the appraised value will be used to determine LTV/CLTV.
	  ○ If the property was acquired less than or equal to six (6) months from the new note date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV/CLTV. The purchase settlement statement and any invoices for materials/labor will be required.
	  ○ If the property has been listed for sale by the current owner in the previous 12 months, the LTV will be based on the lesser of the lowest list price or appraised value.
	
	Delayed Purchase Refinance: Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the new loan note date.
	• The original purchase transaction was an arms-length transaction.
	• The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
	• The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
	• The preliminary title search or report must confirm that there are no existing liens on the subject property
	• The transaction is considered cash-out, cash-out Loan/LTV/CLTV limits and price adjustments apply.

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	• Cash back to the borrower in excess of documented funds used to purchase the property is not allowed. **Conversion to 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 ≥ 6 months from the new note date for subject transaction, LTV, CLTV, HCLTV is based on the current appraised value. • For lots owned < 6 months from the new note 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). • Refer to the **Property Flips** section for possible second appraisal requirement. **New York Consolidation, Extension and Modification Agreement (CEMA):** Allowed for refinances only.
Underwriting Method	All loans must be manually underwritten and documented per these Program Guidelines. If a requirement is not addressed in these Guidelines, refer to Fannie Mae's Selling Guide. All loans must contain an **Ability to Repay (ATR) Borrower Certification Form** signed by the borrower.
Other Requirements	**Escrows/Impounds:** Escrow funds/impound accounts may be waived when the following requirements are met: • Must not be Higher Priced Mortgage Loan (HPML) • LTV <= 80% • Note: Flood Insurance Premium impound cannot be waived when Flood Insurance is required **Compliance:** • **Higher Priced Mortgage Loans (HPML):** Eligible. Escrow accounts are required for all HMPL loans. • **High Cost:** Federal, State and Local High Cost Loans are not permitted. Refer to **Geographic Restrictions** for state restrictions. • **Points and Fees:** Points and Fees must be less than 5%. **Power of Attorney:** A limited Power of Attorney is acceptable when all of the following are met: • Must meet all Fannie Mae guidelines for POA • Primary residence or second home • Purchase or rate/term refinance • It is specific to the transaction • It is recorded with the Mortgage/Deed of Trust • It contains an expiration date and has not expired • A POA is not allowed for single borrower transactions • All borrowers cannot be represented by an attorney-in-fact on the same loan; at least one borrower must sign the closing documents • It is used to execute only the final loan documents • The Borrower who executed the POA signed the initial 1003 • An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney **Age of Documentation:** All documentation must be dated within 90 days of the date the Note is signed with the exception of the appraisal. An Appraisal Update Form 1004D (Recertification of Value) is required if the appraisal exceeds 120 days of the date the note is signed. The appraisal may be no more than 365 days old on the date the Note is signed.

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Program Specific Forms	**For the forms below, Plaza's form or a substantially similar form may be used.**
	• **Ability to Repay (ATR) Borrower Certification Form**
	• Income Worksheet must be provided on every loan for every borrower with income
	  ○ Standard/Full Doc: **Income Worksheet**
	  ○ Bank Statement: **Business Bank Statement Worksheet**
	  ○ Alt Doc/Other Doc Types: Provide worksheet
	• **Occupancy Certification**
	• **Borrower Contact Consent Form**
	• **Non-Occupant Co-borrower Certification**
	• **Condo HOA Questionnaire Full Review Form**

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