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

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Overview / General

All conventional loans, unless specified in Plaza’s specific program guidelines, are required to be scored through one of the following systems:

- Desktop Underwriter (DU) OR
- Loan Prospector (LP)

The term “AUS” will be used throughout this section and refers to “automated underwriting systems.” When this term is used, it references issues concerning DO/DU or LP, unless otherwise indicated.

Adherence to the AUS findings is acceptable in all cases except the following:

- Program Guideline overlays require additional documentation which must be applied.
- Specific details of the transaction are not addressed in the AUS findings (ie. trailing spouse income).

Regardless of underwriting method, additional information may be requested at the discretion of the underwriter. The underwriter must:

- Ensure data is entered accurately into AUS in order to receive the appropriate verification messages and approval (e.g., commission income, bonus income, gift information).
- Confirm the accuracy of the data submitted, making sure that you did not fail to submit any data that might have affected the AUS recommendation had it been known.
- Review the credit report to confirm that the data that AUS evaluated, with respect to the borrower’s credit history, was accurate and complete.
- Ensure that the loan complies with all of the verification messages and approval conditions specified in the AUS Underwriting Findings/Feedback Report.
- Apply due diligence when reviewing the documentation in the loan file.
- Determine if there is any potentially derogatory or contradictory information that is not part of the data analyzed by AUS.
- Take action when erroneous data in the credit report or contradictory or derogatory information in the loan file would justify additional investigation or would provide grounds for a decision that is different from the recommendation that the AUS returned.

Eligibility Requirements

All conventional loans must be underwritten and scored through an acceptable AUS, unless the specific loan program and/or underwriting guidelines indicate manual underwriting is required.

Jumbo loans: Refer to Jumbo guidelines for specific underwriting method.
### Number of Submissions

If the number of AUS submissions for any one case file number exceeds 10, then documentation explaining the reason(s) for excessive submissions must be included in the loan file.

Example of acceptable documentation is as follows:

- Underwriter to document on the underwriting worksheet (i.e., FNMA 1008) the reasons why there are multiple runs.
- Letter for explanation form the originator.
- If the originator is responsible for the excessive submissions, an explanation must be included with the loan package when the loan is submitted to Plaza for underwriting or review.
- If a letter of explanation is not supplied at the time of underwriting, the underwriter must document on the underwriting worksheet and additional due-diligence applied to the review of the loan.

Examples of acceptable reasons for excessive AUS submissions may include, but are not limited to:

- Loan product changes
- Adding or deleting a borrower(s)
- Sales contract changes
- Appraisal updates

### Submission Dates

#### AUS Submission Date Eligibility

**DU:** Loans may be submitted to DU before or after the closing of the mortgage loan; however, the first submission to DU for underwriting purposes must occur before closing of the mortgage loan.

**LP:** last submission to LP may be no more than 120 days before and no later than the Note Date.

- Initial AUS findings may be lost if the AUS is re-run after closing, which could result in the loan no longer being eligible.

**Note:** Per FNMA Announcement SEL 2010-11, loans must be re-underwritten (resubmitted to DU) if additional debts and/or reduced income cause the DTI ratio to exceed 45%, or that cause the DTI ratio to increase by 3% or more.

### Preferred AUS

Plaza Home Mortgage, Inc., requires that all loan transactions eligible for automated underwriting be submitted through Fannie Mae’s Desktop Underwriter (DU) or Freddie Mac’s Loan Prospector (LP) as applicable. Plaza uses Fannie Mae’s Desktop Underwriter (DU) as the “primary” automated underwriting system, however may elect to modify its guidelines on the selection of a “primary” system from time to time. The
primary “backup” automated underwriting system is Freddie Mac’s Loan Prospector (LP). Specific Plaza Program Guidelines may require the use of one AUS system over another.

**Correspondent Transactions**

Certain correspondents may have approval from Fannie Mae to run loans through Desktop Underwriter (DU), or have approval from Freddie Mac to run loans through Loan Prospector (LP). In these cases the correspondent is responsible for the accuracy of the final AUS, which must match the final application Form 1003.

The final and accurate AUS must be submitted prior to the purchase of the loan.

**DU Approval Risk Class**

When a loan is submitted to DU, one of the following recommendations will be returned on the DU Findings Report:

- Approve/Eligible or Approve/Ineligible
- EA-I/Eligible or EA-I/Ineligible
- EA-II/Eligible or EA-II/Ineligible
- EA-III/Eligible or EA-III/Ineligible
- Refer W Caution and Refer with Caution/IV, OR
- Out of Scope

Note: EA-I/, EA-II/, and EA-III/Eligible recommendations are only issued on DU Refi Plus loan casefiles and loan casefiles underwritten with a version of DU that preceded Version 9.0.

**Approve/Ineligible, EA-I/Ineligible, EA-II/Ineligible, and EA-III/Ineligible**

These recommendations do not take into consideration any additional credit risk or other factors that might be associated with the reason the loan is ineligible. Loans that receive an “Approve/Ineligible” recommendation are not currently offered or eligible for any Plaza program.

**Refer with Caution and Refer with Caution/IV**

The layering and degree of risk factors that result in a Refer with Caution or Refer with Caution/IV recommendation represent a greater risk of serious delinquency (or default for versions of DU prior to DU Version 9.0) than for those loan casefiles that receive an Approve, EA-I, EA-II, and EA-III.

Any loan case file that receives a Refer with Caution or Refer with Caution/IV recommendation from DU does not represent a level of risk that is acceptable to Plaza for DU loans.
**DU Findings Report**

The DU Underwriting Findings report is divided into sections. Each section contains a different type of message. Certain messages will be provided based on the DU credit risk assessment. For example, some messages are returned only on Approve recommendations, including Expanded Approval recommendations, while other messages are returned only on Refer with Caution and Refer with Caution/IV recommendations.

**Red Flag Messages**

DU provides a number of potential red flag messages designed to help the lender detect inconsistencies in the loan case file as well as potentially fraudulent transactions.

Neither the presence nor absence of these messages alters the lender’s responsibility to ensure accurate information in all areas of the loan process or otherwise comply with applicable law, including the Fair Credit Reporting Act.

The following lists potential red flag messages:

- **Rapid Appreciation:**
  - Messages help identify purchase and refinance transactions with subject property values that, according to a recent prior sale, appear to have an excessive rate of appreciation.

- **Quality Control:**
  - Messages identify transactions that have risk characteristics that historically have been found to contribute to inflated property valuation.

- **Excessive Resubmissions:**
  - A message alerts lenders when an unusually high number of loan resubmissions may be the result of data manipulation.

- **Excessive Value:**
  - A message helps identify refinance transactions submitted to the system where the lender’s initial value estimate appears to be excessive.

**Note:** The appearance of these messages does not affect the underwriting recommendation from DU. Rather, they are designed to help lenders detect inconsistencies and potentially fraudulent transactions. Furthermore, the absence of any of these messages does not indicate or imply Fannie Mae’s acceptance of the data submitted to DU, including the appraised value.
DU Data Integrity

Ensuring DU Data and Delivery Information Accuracy

The data submitted to DU must reflect the loan as it was closed, including occupancy type, product type, amortization, loan term, property type, loan purpose, sales price, and appraised value.

Verification documents must be reviewed and the verified values compared to the data submitted to DU.

The terms of the closed loan must match the terms of the final loan case file submission in DU or fall within the tolerances listed in the following table:

<table>
<thead>
<tr>
<th>Date Attribute &amp; Description</th>
<th>Trigger</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate increase</td>
<td>Loans other than DU Refi Plus — The result of these changes cause the DTI ratio to exceed 45% or to increase by 3 percentage points or more (if the recalculated DTI ratio is less than 45%). DU Refi Plus — The result of these changes cause the DTI ratio to increase by 3 percentage points or more.</td>
<td>Loan case file must be resubmitted to DU</td>
</tr>
<tr>
<td></td>
<td>Interest rate decreases, not as the result of a permanent interest rate buydown.</td>
<td>No resubmission required.</td>
</tr>
<tr>
<td>Interest rate on fixed-rate and adjustable-rate mortgages.</td>
<td>Interest rate decreases as the result of a permanent interest rate buydown.</td>
<td>Loan case file must be resubmitted to DU.</td>
</tr>
<tr>
<td>Verified income used to</td>
<td>Income is greater than</td>
<td>Loan case file must be</td>
</tr>
</tbody>
</table>
### DU Tolerances for Refinance Transaction Loan Amount Changes

For refinance transactions, DU allows the following tolerances to the loan amount:

- The loan amount may increase $500 or up to 1% of the loan amount, whichever is less.
- The loan amount may decrease 5% of the loan amount.

The loan amount tolerances are permitted provided the new LTV/CLTV does not result in:

- Changes to the amount of required mortgage insurance coverage different loan-level price adjustments, **OR**
Changes to loan eligibility.

**Example:** If a loan case file is submitted with a loan amount of $100,000 and the appraised value is $120,000 (which equals 83.3% LTV), the actual loan amount can go up to $100,500 (which equals 83.75% LTV) without requiring resubmission.

On the other hand, if the original loan amount was $108,000 (90% LTV), an increase without resubmission is not permitted because it would result in an LTV of 91%. The higher LTV requires different mortgage insurance coverage, and may result in the loan not being eligible for delivery.

The loan amount tolerance does not apply to Fannie Mae’s requirements regarding the amount of cash back to the borrower on a limited cash-out refinance transaction.

### Loan Prospector

In addition to providing a “credit risk” recommendation, LP will also identify one of the following documentation recommendations:

- Accept, OR
- Streamline Accept

Recommendations that include an “accept/ineligible” message are not acceptable and are received due to one or more of the following reasons:

- Errors in data input that can be overcome when corrected,
- Ineligible items that are acceptable under applicable loan products, **AND/OR**
- Ineligible items that cannot be overcome and/or are not acceptable.

Loans that receive an ineligible message are ineligible for financing.

Loans that receive “Caution” recommendations are not eligible for financing.

### Resubmission of Loan Data to Loan Prospector

A case file is required to be resubmitted to LP if:

- Information on the previous submission is not true, complete or accurate.

**Example:**
- Information on the previous submission is inaccurate, invalid, or changes during the origination process.
- Borrowers are added to or deleted from the loan application.
- Property information changes, the property information included an inaccurate or incomplete property address, or an appraisal provides a different value for the property.
- Credit Alert Interactive Voice Response System (CAIVRS) authorization shows a Federal Delinquency/Lien for any borrower (FHA or VA loan applications only).
- A change in mortgage product.
  - The loan has not closed and the most recent submission (including the date of the Loan Prospector credit report(s)) exceeds the date requirements in Section 37.10(i).
  - If any information used by Loan Prospector changes; except for the following which do not require resubmission:
    - Debts/income:
      - The monthly debt payment decreases (including monthly housing expense). OR
      - The income for any borrower increases; except if the loan is a Home Possible® Mortgages, resubmission is required. OR
      - The income for any borrower decreases and/or the monthly debt payment (including monthly housing expense) increases, AND The total difference does not change the total debt-to-income ratio by more than 3%, AND The total debt-to-income ratio on the previous submission did not exceed 45%.