(Click the link to go straight to the section)

Section 1  Program Summary

The FHA Section 203(k) insurance program enables borrowers to finance the purchase or refinance of a home and the cost of its rehabilitation through a single mortgage. Plaza offers the Streamlined FHA 203(k) program. Unless specifically addressed within this section, Streamlined FHA 203(k) loans follow the same FHA origination, underwriting and closing requirements as found in the standard FHA Fixed & ARM Program Guidelines.

The information contained in these guidelines is provided for informational purposes only. Direct Endorsement underwriters must refer to the HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance handbook for details on underwriting FHA loans.

Brokers must attend a mandatory training class to be eligible for the 203(k) program. Contact your Account Executive for more information.

For 203(k) specific information, refer to HUD’s website.

Section 2  Eligible Improvements

The Streamlined FHA 203(k) program is intended to facilitate uncomplicated and cosmetic rehabilitation and/or improvements to a home for which plans, consultants, engineers, and/or architects are not required. Streamlined FHA 203(k) rehabilitation costs are limited to $35,000; therefore eligible improvements are limited and can not include any major rehabilitation or remodeling, new construction such as room addition, repairs to structural damage, or site amenity improvements. Repairs of this nature would be considered under the standard FHA 203(k) program which Plaza is not offering at this time.

Examples of eligible improvements are listed below, however, this is not an all-inclusive list:

- Repair/replacement of roofs, gutters and downspouts
- Repair/replacement/upgrade of existing heating, ventilation & air conditioning systems
- Repair/replacement of plumbing and electrical systems
• Repair/replacement of flooring
• Minor remodeling that does not involve structural repairs, such as kitchens
• Exterior and interior painting
• Weatherization, including storm windows and doors, insulation, weather stripping, etc.
• Purchase and installation of appliances, including free-standing ranges, refrigerators, washers and dryers, dishwashers and microwaves.
• Improvements for accessibility for persons with disabilities
• Lead-based paint stabilization or abatement of lead-based paint hazards
• Repair/replacement/addition of exterior decks, patios, porches
• Basement waterproofing
• Replacement of window and doors and exterior wall re-siding
• Pool repairs up to $1,500 total for minimum health and safety items.

Most improvements are eligible provided they add value and are permanently affixed to the foundation. Installation and repair of luxury items such as swimming pools (except as noted above), hot tubs, tennis courts, gazebos, barbecue pits, etc., is not allowed.

Properties that require the following work items are not eligible for financing:

• Major rehabilitation or major remodeling, such as the relocation of a load-bearing wall
• New construction (including room additions)
• Repair of structural damage
• Repairs requiring detailed drawings or architectural exhibits
• Landscaping or similar site amenity improvements; including driveways and sidewalks
• Any repair or improvement requiring a work schedule longer than six (6) months, OR
• Rehabilitation activities that require more than two (2) payments per specialized contractor.

The Streamlined 203(k) program may not be used to finance any required repairs arising from the appraisal that do not appear on the list of Streamlined (k) Eligible Work Items or that would:

• Necessitate a "consultant" to develop a "Specification of Repairs/Work Write-Up"
• Require plans or architectural exhibits
• Require a plan reviewer
• Require more than six months to complete
• Result in work not starting within 30 days after loan closing, OR
• Cause the borrower to be displaced from the property for more than 30 days during the time the rehabilitation work is being conducted. (FHA anticipates that, in a typical case, the mortgagor would be able to occupy the property after mortgage loan closing.)

Eligible Expenses:

Expenses eligible to be included in the cost of rehabilitation are material, labor, overhead and construction profit (noted in each work item), plus expenses related to the rehabilitation such as permits, fees, inspection fees by a qualified home inspector (for example, a member of the American Society of Home Inspectors), licenses, inspection fees during construction by a HUD accepted inspector, lien protection fees and title update fees. The cost of rehabilitation may also include the supplemental origination fee and the discounts which the borrower will pay on that portion of the mortgage proceeds allocated to the rehabilitation.

### Section 3 Product Codes

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Product Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA 30 Yr Fixed 203(k) Streamline</td>
<td>FHA30KS</td>
</tr>
<tr>
<td>FHA 30 Yr Fixed 203(k) Streamline Energy Efficient Mortgage (EEM)</td>
<td>FHA30KSEM</td>
</tr>
<tr>
<td>FHA 30 Yr Fixed 203(k) Streamline Good Neighbor Next Door (GNND)</td>
<td>FHA30KSGN</td>
</tr>
</tbody>
</table>
Section 4 Loan Programs

Energy Efficient Mortgages – Program Code: FHA30KSEM or FHA30HKSEM

The EEM program, as described in Mortgagee Letter 05-21, may be used in conjunction with the 203(k) Streamlined program. The amounts permissible under the EEM program are in addition to those available under the 203(k) Streamlined program and, thus, combined may exceed the $35,000 Streamlined (k) repair cost limit. Both the cost of EEM improvements as well as weatherization items (not to exceed $2,000) may be added to the total FHA loan amount. This is subject to specific HUD requirements.

Refer to the standard FHA Fixed & ARM Program Guidelines and HUD 4155.1 section 6 2-20 for additional requirements and restrictions.

Good Neighbor Next Door – Program Code: FHA30KSGN or FHA30HKSGN

This program aims to revitalize neighborhoods by encouraging borrowers in selected professions to purchase and live in HUD-acquired single-family properties.

Eligible borrowers:

- Law enforcement officers
- Firefighters
- Emergency medical technicians (EMTs)
- Private and public school teachers

Refer to the standard FHA Fixed & ARM Program Guidelines for additional requirements and restrictions.

HUD REOs – Program Code: FHA30KSRE or FHA30HKSRE

Through the Property Disposition Insured Sales Program, HUD offers its Real Estate Owned (REO) properties for sale with FHA-insured financing available. Properties must meet the intent of the FHA's Minimum Property Standards (MPS) for existing properties and Minimum Property Standards (MPS) for new construction to be eligible for this program.

Refer to the standard FHA Fixed & ARM Program Guidelines for additional requirements and restrictions.

Section 5 Program Matrix

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Conforming Balance</th>
<th>Primary Residence</th>
<th>Max DTI Underwriting Method</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LTV</td>
<td>CLTV</td>
<td>Min Credit Score</td>
</tr>
<tr>
<td>Purchase</td>
<td>96.5%</td>
<td>96.5%</td>
<td>640</td>
</tr>
<tr>
<td>Rate/Term Refinance</td>
<td>97.75%</td>
<td>100%</td>
<td>640</td>
</tr>
</tbody>
</table>

This document and its subject matter are the sole property of Plaza Home Mortgage, Inc., and is intended for its use only. Any unauthorized use, dissemination, or distribution of this document or its subject matter is strictly prohibited. Guidelines subject to change without notice.
### High Balance

<table>
<thead>
<tr>
<th>Purpose</th>
<th>LTV</th>
<th>CLTV</th>
<th>Min Credit Score</th>
<th>Max DTI Underwriting Method</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>AUS</td>
</tr>
<tr>
<td>Purchase</td>
<td>96.5%</td>
<td>96.5%</td>
<td>640</td>
<td>50%</td>
</tr>
<tr>
<td>Rate/Term Refinance</td>
<td>97.75%</td>
<td>97.75%</td>
<td>640</td>
<td>50%</td>
</tr>
</tbody>
</table>

Conforming Balance transaction only: Ratios greater than 31/43% may be allowed up to 40/50%. See [Qualifying Ratios](#) section. Debt ratio exceptions are not allowed on High Balance.

**Energy Efficient Mortgage**: When a Purchase or Rate/Term Refinance transactions is coupled with an energy efficient mortgage (EEM), the base loan amount may exceed the county maximum. Therefore, LTVs may exceed those above in these scenarios. Refer to the Energy Efficient Mortgages section for more information. Use program code: FHA30KSEM or FHA30HKSEM

**Good Neighbor Next Door**: When a borrower is using the Good Neighbor Next Door (GNND) program to purchase a property, LTVs may exceed those above. Use program code: FHA30KSGN or FHA30HKSGN

**HUD REO**: When a borrower is using the HUD REO program to purchase a property, LTVs may exceed those above. Use program code: FHA30KSRE or FHA30HKSRE

### Section 6 Occupancy

- Primary Residence

### Section 7 Transactions

- Purchase
- Rate/Term Refinance

Cash out is not allowed. The loan amount must not exceed the actual cost of construction, the purchase price or refinance of an existing lien and reasonable closing costs. Loan proceeds not advanced must be applied to principal.

Refinance transactions with properties listed for sale in the last 6 months from the application date are not eligible.

Detailed information regarding FHA Rate/Term requirements may be found in [HUD Handbook 4155.1](#)

**Loan Purpose:**

- Rehabilitate an existing structure that has been completed for at least 1 year.
- Purchase and rehabilitate an existing structure that has been completed for at least 1 year.
- Rehabilitate a structure that has been completed for at least 1 year and refinance the outstanding indebtedness.

### Section 8 Property Flips/ Resale Requirements

Not applicable.

### Section 9 Identity of Interest

This document and its subject matter are the sole property of Plaza Home Mortgage, Inc., and is intended for its use only. Any unauthorized use, dissemination, or distribution of this document or its subject matter is strictly prohibited. Guidelines subject to change without notice.

The terms Identity of Interest and Non-Arms Length describe certain transactions that pose increased risk and warrant additional precautions when evaluating that risk.

Identity-of-interest loans are not eligible on the 203(k) program. The borrower must also certify that they do not have a conflict-of-interest with any other party to the transaction, including the realtor, lender, contractor, consultant and/or appraiser.

### Section 10 Loan Limits

<table>
<thead>
<tr>
<th>Unit</th>
<th>Contiguous States Standard</th>
<th>Contiguous States High Balance</th>
<th>Alaska &amp; Hawaii High Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$271,050</td>
<td>$625,500</td>
<td>$721,050</td>
</tr>
<tr>
<td>2</td>
<td>$347,000</td>
<td>$800,775</td>
<td>$923,050</td>
</tr>
<tr>
<td>3</td>
<td>$419,425</td>
<td>$967,950</td>
<td>$1,115,800</td>
</tr>
<tr>
<td>4</td>
<td>$521,250</td>
<td>$1,202,925</td>
<td>$1,386,650</td>
</tr>
</tbody>
</table>

Loan amounts above are for case numbers assigned on or after January 1, 2014. For case numbers assigned prior to January 1, 2014 the High Balance limit may be up to $729,750 in some areas. Maximum base loan amounts are county specific and may be lower in a particular county.

Any loan where the base loan amount exceeds the standard conforming limits will be considered under the High Balance program and may have additional requirements which are identified where applicable.

Maximum loan limits are determined by geographic areas. A complete schedule of FHA mortgage limits for all areas is available on [HUD’s website](http://www.hud.gov).

**Calculating the Maximum Mortgage Amount:**

- **Form HUD-92700, FHA 203(k) & Streamlined Maximum Mortgage Worksheet** must be used to calculate the mortgage amount.
- The appraiser must provide an after-improved value since 110% of that amount is used in calculating the maximum mortgage.
- Architectural and consultant fees, line items 6 and 7 of Section B of the worksheet are not applicable to the Streamlined (k) program.
- Expenses that may be included in the total amount of the improvements, not to exceed the $35,000 limit, are inspection fees, building and other permits, the supplemental origination fee and title update costs.

### Section 11 Subordinate Financing

New or existing subordinate financing is allowed per FHA guidelines.

### Section 12 Borrower Eligibility

**Eligible Borrowers:**

- U.S. citizens
- Permanent resident aliens
- Non-permanent resident aliens
- Non-occupant co-borrowers
Ineligible Borrowers:

- Charitable organizations
- Non-profit agencies
- State or local government agencies
- Foreign Nationals
- Individuals with any of the following visa types: A-1, A-2, A-3, F-1, F-2, M-1

For all other borrower eligibility details, refer to the standard FHA Fixed & ARM Program Guidelines.

Section 13 Underwriting Method

All Streamlined 203(k) loans must be underwritten and approved at the branch level and then submitted to Plaza’s Corporate Underwriting department for final approval. Additionally, all loans must be decisioned through FHA TOTAL Scorecard. Please refer to the FHA 203(k) Streamline Underwriter Checklist.

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Underwriting Method</th>
<th>Acceptable AUS Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase or Rate/Term</td>
<td>PULSE, DU, LP</td>
<td>Approve/Eligible or Accept</td>
</tr>
</tbody>
</table>

Regardless of the risk assessment made by DU or LP, the DE underwriter remains accountable for compliance with FHA guidelines and eligibility requirements, as well as for any credit, capacity and documentation requirements not covered herein.

The DE underwriter must underwrite the appraisal according to standard FHA guidelines. FHA has not approved the use of automated underwriting systems to review appraisals.

Manual Underwriting is not allowed on the 203(k) program.

Section 14 Credit

Credit Score:

The minimum credit score may not be lower than 640 regardless of AUS approval.

No Credit Score: Borrowers without a minimum qualifying credit score are ineligible.

Valid Credit Score:

- A tri-merge bureau is required on all loans
- The lowest qualifying score of all applicants is used to qualify
- Each borrower must have at least two credit scores
- The qualifying score is the lower of two or the middle of three scores

Regardless of AUS approval, for a credit score to be considered valid, the score must be generated based on sufficient credit.

For borrowers that do not have at least three trade lines each with a 12-month history, the credit score will not be considered valid and the loan is ineligible for the 203(k) program.

Non-traditional Credit:

- Not allowed.
Housing Payment History:

- **Mortgage Payment History:** 0 x 30 in the last 12 months. This applies to all transactions including all Streamlines. For borrowers with mortgage delinquency beyond the most previous 12 months, it is the underwriter’s responsibility to carefully review and determine the borrower’s credit worthiness.
- **Rental Payment History:** If the loan is manually underwritten, a 12 month rental history of 0 x 30 in the last 12 months is required. For loans run through an AUS, rental history requirement will be per the AUS findings.

The housing payment history may be documented by a VOM or provide the rating per the credit report.

Adverse Credit:

If the borrower’s credit profile consists of only collection accounts, judgments or other adverse credit, the borrower is not eligible. This applies regardless of credit score or AUS approval.

Refer to the standard [FHA Fixed & ARM Program Guidelines](#) for additional credit requirements not referenced here.

Section 15  Income and Employment

Refer to the standard [FHA Fixed & ARM Program Guidelines](#) for Income and Employment requirements.

Section 16  Qualifying Ratios

<table>
<thead>
<tr>
<th>Program</th>
<th>Base Loan Amount*</th>
<th>Underwriting Method</th>
<th>Maximum DTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conforming Balance</td>
<td>&lt; $417,000 (The lesser of the conforming limit or the maximum county limit.)</td>
<td>AUS</td>
<td>50%</td>
</tr>
<tr>
<td>High Balance</td>
<td>&gt; $417,000 (Greater than the conforming limit and less than or equal to the maximum county limit)</td>
<td>AUS</td>
<td>50%</td>
</tr>
</tbody>
</table>

Refer to the standard [FHA Fixed & ARM Program Guidelines](#) for additional requirements & restrictions.

Section 17  Down Payment / Gifts

**Down Payment:**

- On purchase transactions the borrower must make a minimum cash investment of 3.5% of the lesser of the appraised or sales price. This amount is in addition to any borrower closing costs.
- For borrowers qualifying under the Energy Efficient Mortgage (EEM), Good Neighbor Next Door (GNND) or HUD REO program, refer to their respective sections as the borrower’s minimum cash investment may vary.

The following guidelines are specific to the 203(k) program:

- Supplemental origination fee: When the mortgage involves insurance of advances which is the case with all 203(k) loans, the borrower will be charged a supplemental origination fee. The fee is calculated at the greater of, 1.5% of the portion of the mortgage allocated to rehabilitation, or $350, and is in addition to any origination fee being charged.
- As of 4/26/2011, loan origination fees are no longer capped at 1%. Any fees charged to the borrower must be fair, reasonable and customary charges for all origination services.
- Discount points: Discount points may be financed on the rehabilitation portion only (except in Texas) and they
may not exceed the amount of discount on the non-rehabilitation portion. On a purchase transaction, discount points above the rehabilitation portion may be charged but not financed.

Refer to the standard [FHA Fixed & ARM Program Guidelines](https://www.hud.gov) for additional information as well as the [HUD Handbook](https://portal.hud.gov) paragraph1-9 A.

### Section 18  Reserves

Cash reserves are not a requirement for 1-2 unit FHA loans except when used as a Compensating Factor when approving an FHA loan with a debt ratio that exceeds guidelines.

**Reserve Requirements:**

- Debt ratio exceeds guidelines: 3 months PITIA will be considered as a Compensating Factor.
- 3-4 unit properties: 3 months PITIA are required
- When using projected income: The borrower must have sufficient cash reserves to support the mortgage payments and all other obligations during the interim period between loan closing and the start of employment. See the HUD [Handbook 4155.1 section 2](https://portal.hud.gov) for Projected Income.

**Unacceptable Sources of Reserves:**

Gift funds, cash proceeds from the subject property refinance, and equity in another property are ineligible reserve sources.

### Section 19  Interested Party Contributions

Sellers, or other interested parties such as real estate agents, builders, developers, etc., or a combination of parties are permitted to contribute up to 6% of the property sales price toward the buyer’s actual closing costs, prepaid expenses, discount points and other financing concessions. Closing costs normally paid by the borrower are considered contributions if paid by the seller.

Each dollar exceeding FHA’s 6% limit must be subtracted from the property’s sales price before applying the appropriate LTV ratio.

### Section 20  Property Eligibility

**Eligible Properties:**

- Attached/Detached SFRs
- Attached /Detached PUDs
- FHA-approved Condos
- 2-4 Units
- HUD-owned properties underwritten to HUD guidelines

Refer to [Plaza’s FHA Condo Guidelines](https://www.plazahomemortgage.com) for condo requirements

**Ineligible Properties:**

- Commercial property
- Cooperatives
- Condotels
- Geothermal homes
- Manufactured housing or mobile homes
- Mixed Use
• Non-warrantable condos
• Timeshares
• Working farms, ranches, orchards
• Homes that have never been completed.
• Homes that have been completely demolished, including the foundation.
• Refinance transactions with properties listed for sale in the last 6 months from the application date.

Section 21 Contractor Requirements

All loans require that all borrower-selected contractors sign the Homeowner/Contractor Agreement before closing. All contractors must be licensed if required by state or county. The underwriter must review the following items pursuant to the proposed contractor:

• Credentials
• Work experience
• Client references from contractor’s prior work
• Borrower must sign the FHA Rehabilitation Agreement prior to closing.

Section 22 Rehabilitation Period

• Rehabilitation construction must begin within 30 days of closing
• Work must not cease for more than a 30 day period
• All work must be completed within 6 months of closing.

Section 23 Self-Help Requirements

Self-help arrangements in which the borrower is performing some or all of the work items are strongly discouraged unless the borrower’s ability to perform the work in a competent, timely, and workmanlike manner is self-evident and easily documented. The self-help option is not allowed for any project for which permits will be required, unless the borrower is a licensed contractor working in the specific field necessary for the rehabilitation.

Self-help arrangements must also meet the following requirements:

• Borrowers doing their own work must sign a Self Help Agreement and fully understand that construction must be completed within 6 months of loan closing or a shorter period, as determined by Plaza Corporate Underwriting.
• Maintain records documenting actual costs and lien waivers in the same way that a general contractor would.
• Bids from licensed contractors must also be supplied as back-up.
• Provide cash reserves sufficient to fund rehab costs until the final disbursement is processed.
• The borrower must understand the 203(k) program at the construction stage and the risks inherent in rehabilitation projects. The borrower must sign the FHA 203 (k) Rehabilitation Agreement prior to closing.
• The Self-Help option is not allowed for properties in the State of Texas.

Section 24 Draw Process

The full loan amount must be funded at closing. The first draw of the rehab funds will be made at closing and will be disbursed to the homeowner and the contractor and will be handled through escrow/title.

Initial Draw:

The first draw will be 50% of the total cost of the repairs on line B1 on the Maximum Mortgage worksheet. If there are multiple contractors being used, 50% of the cost of the repairs for each contractor will be disbursed at closing. Plaza will set up an interest-bearing repair escrow account which is insured by the Federal Deposit Insurance Corporation (FDIC), to fund the remaining disbursements for improvements.
Any interest earned is applied as a principal reduction to the loan, along with any other unused funds. Plaza will handle all project inspections and all remaining rehabilitation disbursements.

**Remaining Draw Process:**

- After the loan is set up in the servicing system:
  - The borrower will receive a “Welcome” package that will explain how the final disbursement works and will provide them with contact information.
  - A final invoice from the contractor/vendor must be submitted in order to disburse final funds. If the invoice shows the payment has been received in full, the funds go to the borrower. If the invoice shows a balance due, a two-party check will be disbursed.
  - For borrowers doing the work themselves, a self-help agreement must be in the file before the funds are disbursed and the check is made out directly to the borrower.
  - For borrowers working with a contractor, a W-9 must be provided to set up the contractor in the system. A two-party check is made out to the borrower and the contractor and sent to the borrower.
  - The balance of rehabilitation funds will only be disbursed upon completion of ALL work.
  - Plaza will order an inspection by the original appraiser. The appraisal management company coordinates the inspection directly with the borrower.

**Welcome Package Disbursement Guide**

**Welcome Package Letters**

**Common Missing Items That Will Cause Draw Delays:**

- Missing W-9s. These must be completed and signed by every contractor working on the project.
- Missing or incomplete Homeowner/Contractor Agreement.
- A fully executed Self-Help Agreement.
- 203(k) Streamline Maximum Mortgage Worksheet is missing applicable signatures.
- 203(k) Borrower acknowledgement is missing.

**Borrower Questions:**

Borrowers with questions on their funded 203(k) loan may contact Plaza Customer Service as follows:

Phone: 1-888-807-2620  
Fax: 1-858-677-6741  
Email: Customerservice@PlazaHomeMortgage.com

**Section 25  Appraisal**

All appraisals for FHA loans must be completed by a HUD-approved appraiser.

The LTV is based on the lesser of:

- The sales price or “as is” appraised value plus borrower paid repairs minus sales concessions, **OR**
- 110% of “as completed” appraised value.

The appraisal report must provide an “as completed” appraised value that estimates the value of the property after completion of the rehabilitation work. The contractor’s bid or borrower’s work write-up must be available for the appraiser to use in order to determine the “as completed” value.

In order to determine the maximum mortgage amount, the FHA 203(k) valuation analysis consists of two separate determinations of value.

**As-Is Value:**
A separate appraisal may be required to determine the “as is” value. However, the underwriter may determine that an “as is” appraisal is not feasible or necessary. In this instance, the lender may use the contract sales price on a purchase transaction, or the existing debt on a refinance transaction, as the “as is” value, when this does not exceed a reasonable estimate of value.

On refinance transactions, when a large amount of existing debt, for instance, first and second mortgages, suggest that the borrower has little or no equity in the property, the underwriter must obtain a current “as is” appraisal on which to base the estimated “as is” value.

On a refinance, the borrower may have substantial equity in the property to assure that no further down payment is required on the new loan amount. In some cases, the borrower will not have an existing mortgage on the property. In this case, the underwriter should obtain some comparables from a real estate agent/broker/appraiser to estimate an approximate “as is” value of the property.

Another way of establishing the “as is” value is to obtain a copy of the local jurisdiction tax valuation on the property.

For HUD-owned property, an “as is” appraisal is not required and the underwriter may request the HUD field office to release the outstanding HUD property disposition appraisal on the property to the underwriter to establish the maximum mortgage for the property. The HUD appraisal will be considered acceptable for use if:

- It is not over one year old prior to bid acceptance from HUD, **AND**
- The sales contract price plus the cost of rehabilitation does not exceed 110% of the “as repaired value” shown on the HUD appraisal.

If the HUD appraisal is insufficient, the underwriter may order another appraisal to assure the market value of the property will be adequate to make the purchase of the property feasible. For a HUD property, the down payment is 3% of the accepted bid price of the property and 100% financing on all other costs.

**As Completed/After Rehabilitation Value:**

The expected market value of the property based on the proposed rehabilitation and/or improvements.

**Re-inspection**

Plaza will order an inspection by the original appraiser. The appraisal management company will coordinate the inspection directly with the borrower.

See the Appraisal Requirements section in the standard **FHA Fixed & ARM Program Guidelines** for information on Declining Markets and second appraisal requirements.

---

**Section 26  Geographic Restrictions**

State or geographic restrictions are identified here, however at this time Plaza may not be lending in all states listed. Properties are limited to those states where Plaza branches are currently authorized to originate loans.

**Alaska:** Properties built prior to June 1992 outside of the city limits of Fairbanks but within the surrounding communities require an engineering report or evidence that the property meets the Alaska Housing Finance Agency property inspections requirements.

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

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

**Maryland:** All loans must be documented with full/alt documentation.
**Massachusetts:** Title V requires dwellings with individual sewage disposal systems, new and existing, be inspected by a DEP approved inspector and, where repairs are indicated, be repaired prior to closing for all purchase transactions.

**Mississippi:** Not eligible.

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

**Texas:** For properties located in Texas, the following restrictions apply:

- The Texas FHA 203(k) Rehabilitation Document Checklist must be completed and submitted to
- Corporate Underwriting for every loan.
- All improvements must be performed by a third-party builder. Self-Help is not allowed.
- Disclosures must be delivered to the borrower at least 1 day before closing.
- All closing documents must be delivered to the borrower not later than 1 business day before closing.
- The builder’s contract must be signed by all owners and spouses.
- The builder’s contract must be signed and closing must occur at the lender’s office, a title company or an attorney’s office.
- The builder’s contract must not be signed before the 5th day after the written application.
- The builder’s contract may be rescinded within 3 days after all parties have signed (purchase and refinance).
- No materials may be furnished or labor performed before the 3-day rescission period expires.
- A 10% statutory retainage must be withheld from each advance to cover any claim notices from subcontractors or suppliers. The entire retainage, representing 10% of construction costs, will be retained for 30 days after final completion. (Subcontractors and suppliers have only 30 days after completion to notify the borrower of nonpayment claims).
- Additional monies requested for cost and upgrades are secured under the builder’s contract only if they are evidenced by change orders signed by both parties. Any modification agreement to increase the loan amount must have original change orders attached.
- Subject property must be a Texas homestead.

**Additional documents for Texas FHA 203(k):**

- Texas Property Code 53.255 Disclosure
- Builder’s Note
- Builder’s Contract – signed by the builder and all owners and their spouses before any material is furnished or labor is performed.
- Texas Notice of Right to Cancel the Builder’s Contract (3-day rescission) - required on purchase and refinance, in addition to the Federal Notice of Right to Cancel in a refinance transaction.
- Texas Home Improvement Certification from Originating Lender
- Renewal and Extension Exhibit to the Deed of Trust, describing the lien created by the Builder’s Contract.
- Borrower’s Acknowledgement of Constructions of Compliance Procedures
- List of Subcontractors and Suppliers
- Texas Disbursement Authorization
- Texas Disbursement Statement (Draw Request)
- Affidavit of Commencement
- Affidavit of Completion
- Lien Waiver
- Final Bills-Paid Affidavit

**West Virginia:** Not eligible.

### Section 27  Max Financed Properties

The maximum number of financed 1-4 unit properties, including the subject property and regardless of the lending source is limited to four.
Maximum Loans/Maximum Exposure:

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

Section 28 Mortgage Insurance Premiums

Refer to Plaza’s FHA Fixed & ARM Program Guidelines.

Section 29 Escrow Accounts

Escrows are required. Refer to Plaza’s FHA Fixed & ARM Program Guidelines.

Section 30 Repair Escrows

Refer to the Draw Process section.

Section 31 ARM Adjustments

Not applicable.

Section 32 Temporary Buydowns

Not allowed.

Section 33 Prepayment Penalty

Not allowed.

Section 34 Other Features