Elite Jumbo Fixed and ARM Program Guidelines

Revised 3/19/2020 rev. 108 ****Program suspended until further notice as of 3/19/20****

(Click the link to go straight to the section)

Section 1 Program Summary

The Program Guidelines supplement Plaza's Credit Guidelines. Refer to Fannie Mae's Selling Guide for any information not specified in the Program Guidelines and Credit Guidelines.

The Plaza Elite Jumbo program offers 15 and 30 year fixed rate and 5/1, 7/1, and 10/1 hybrid ARM fully amortized loans for non-conforming loan amounts up to a maximum of $2.5 million. The minimum loan amount is $510,401 or $1 above the standard conforming limit for the number of units. Loan amounts do not need to exceed the FHFA High Balance loan limits.

All Elite Jumbo loans must be Qualified Mortgages (QM) and within the QM Safe Harbor. Elite Jumbo loans that are Higher Priced Mortgage Loans (HPML), non-QM, or that are QM with Rebuttable Presumption are not eligible.

Section 2 Product Codes

Product Name	Product Code	Available Term in Months
Elite Jumbo 15 Year Fixed	EJF15	180
Elite Jumbo 30 Year Fixed	EJF30	360
Elite Jumbo 5/1 LIBOR ARM	EJA51	360
Elite Jumbo 7/1 LIBOR ARM	EJA71	360
Elite Jumbo 10/1 LIBOR ARM	EJA101	360

Section 3 Program Matrix

ELITE JUMBO Primary Residence FIXED RATE & ARM Purchase and Rate/Term Refinance					
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount[1]**	**Max DTI**
1-Unit PUD Condo Co-op	85%[2]	N/A[2]	760	$1,000,000	36%
	80%	80%	700	$1,500,000	43%
	75%	75%	720	$2,000,000	43%
	60%	60%	680	$1,000,000	43%
	70%	70%	720	$2,500,000[3]	43%
2 Units	65%	65%	700	$1,000,000	43%
	60%	60%	720	$1,500,000	43%

1. First time homebuyers - maximum loan amount of $1,000,000.
2. LTV > 80% additional requirements:
   - Subordinate financing not allowed
   - Escrow/impound accounts required unless prohibited by applicable laws
3. Loan amounts > $2,000,000: 30-year fixed rate product only.

Primary Residence FIXED RATE & ARM Cash-Out Refinance						
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount**	**Max Cash-Out**	**Max DTI**
1-Unit PUD Condo Co-op	70%	70%	720	$1,000,000	Refer to the Max Cash-out table below	43%
	65%	65%	700	$1,000,000		43%
	65%	65%	720	$1,500,000		43%
	60%	60%	720	$2,000,000		43%
	50%	50%	720	$2,500,000[1]		43%
2 Units	60%	60%	700	$1,000,000		43%

Maximum Cash-Out				
Property Type	**LTV**	**CLTV**	**Credit Score**	**Max Cash-Out**
1-Unit PUD Condo Co-op	70%	70%	720	$250,000
	65%	65%	700	$250,000
	65%	65%	720	$500,000
	50%	50%	720	$750,000
2 Units	60%	60%	700	$250,000

1. Loan amounts > $2,000,000: 30-year fixed rate product only.

Second Home FIXED RATE & ARM Purchase and Rate/Term Refinance					
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount[2]**	**Max DTI**
1-Unit PUD Condo Co-op	80%[1]	80%[1]	720	$1,000,000	43%
	75%	75%	720	$1,000,000	43%
	70%	70%	720	$1,500,000	43%
	65%	65%	720	$2,000,000	43%
	50%	50%	720	$2,500,000[3]	43%

1. Purchase transactions only. Maximum 75% LTV/CLTV for rate/term transactions.
2. First time homebuyers - maximum loan amount of $1,000,000.
3. Loan amounts > $2,000,000: 30-year fixed rate product only.

Second Home FIXED RATE & ARM Cash-Out Refinance						
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount**	**Max Cash-Out**	**Max DTI**
1-Unit PUD Condo	60%	60%	740	$1,500,000	Refer to the Max Cash-out table below	43%
	50%	50%	740	$2,000,000		43%

Maximum Cash-Out				
Property Type	**LTV**	**CLTV**	**Credit Score**	**Max Cash-Out**
1-Unit PUD Condo	60%	60%	740	$250,000
	55%	55%		$500,000
	50%	50%		$750,000

Note: Subject property and Primary Residence may be the only financed real estate owned

Investment Property 30-Year FIXED RATE[1] Purchase and Rate/Term Refinance					
Property Type	**LTV**	**CLTV**	**Credit Score**	**Loan Amount**	**Max DTI**
1-Unit PUD Condo[3]	60%[3]	60%[3]	740	$1,500,000	40%[2]

1. 30-year fixed rate products only
2. Maximum 30% DTI if rental income from the subject property is used to qualify. See **Income** Section.
3. Florida Condos are limited to 50% LTV/CLTV

Note: First time homebuyers are not allowed

Section 4 Occupancy

- Owner-occupied primary residences
- Second homes
- Investment Properties

Section 5 Transactions

- Purchase
- Rate/Term Refinance
- Cash-Out Refinance

Rate & Term Refinance:

The new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays.

- A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for 12 months.
- A seasoned equity line is defined as not having any draws greater than $2,000 in the past 12 months.
- Cash to the borrower is limited to $2,000.
- Properties currently listed for sale at time of loan application are not eligible for a rate/term refinance transaction. If the property was listed within the last 6 months, the following is required:
  - Primary residence or second home only.

    - Proof of canceled listing prior to closing.
    - Acceptable letter of explanation from the borrower detailing the rationale for changing the intention to sell.
- Inherited properties with at least 12 months ownership are eligible for a rate/term refinance. Properties inherited less than twelve 12 months prior to application date may be eligible for an exception.

Rate & Term Loan-to-Value (LTV) Calculation:

- If the borrower has less than 12 months ownership in the property, the LTV/CLTV for a refinance transaction is calculated on the lesser of the purchase price or appraised value.
    - For homes where capital improvements have been made to the property after purchase, LTV/CLTV can be based on the lesser of the current appraised value or original purchase price plus the documented improvements. Receipts are required to document cost of improvements.
- If the borrower has owned the property for 12 months, the LTV/CLTV is based on the appraised value.
- Released subordinate liens must be paid off and closed to exclude from CLTV calculation.

Cash-Out Refinance:

- The property must have been purchased by the borrower at least 6 months prior to the loan application unless the borrower meets the requirements in the **Delayed Purchase Refinance** section.
- There must be seasoning of at least 6 months since any prior financing or refinancing was obtained.
- Properties that have been listed for sale within the past 12 months of loan application are not eligible for a cash-out refinance transaction.
- Inherited properties may not be refinanced prior to 12 months ownership.
- Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens, and any cash in hand.
- For cash-out refinance transactions where the borrower is paying off a pledged asset/retirement account loan, secured loan, unsecured family loan, or replenishing business funds used to purchase the property, the following guidelines apply:
    - Cash-out limitation is waived if previous transaction was a purchase.
    - Seasoning requirement for cash-out is waived (borrower does not have to have owned property for at least 6 months prior to subject transaction).
    - Funds used to purchase the property must be fully documented and sourced.
    - The CD of the subject transaction must reflect payoff or pay down of the pledged asset/retirement account loan, secured loan, unsecured family loan, or business funds.
    - If cash-out proceeds exceed payoff of eligible loans listed above, excess cash must meet cash-out limits.

Cash-Out Loan-to-Value (LTV) Calculation:

- If the borrower has less than 12 months ownership in the property, the LTV/CLTV is calculated on the lesser of the purchase price or appraised value.
- If the borrower has owned the property for 12 months, the LTV/CLTV is based on the appraised value.
- Released subordinate liens must be paid off and closed to exclude from the CLTV calculation.

Continuity of Obligation:

Refinances must have continuity of obligation. When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed:

- The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:

  - Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
  - Is related to the borrower on the mortgage being refinanced.
- The borrower on the new refinance transaction was added to title twenty-four (24) months or more prior to the disbursement date of the new refinance transaction.
- The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership.
- The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:
  - Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer.
  - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan.

Note: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

Delayed Purchase Refinance:

A Delayed Purchase Refinance is the refinance of a property purchased by the borrower for cash within 6 months of the current loan application date and requires the following:

- The LTV/CLTV is calculated based on the lesser of the purchase price or appraised value of the subject property.
- Loan is underwritten as a rate & term refinance for LTV/CLTV purposes.
- Loan is priced as a rate & term refinance.
- Owner-occupied primary residence and 2nd homes allowed.
- The CD from the original purchase. Documentation must show that no financing was obtained for the purchase of the property.
- Funds used to purchase the property must be fully documented and sourced and must be the borrower's own funds (no borrowed funds, no gift funds, no business funds, no retirement funds, no pledged assets).
- Reimbursement of business funds, funds secured by a pledged asset, or funds from the borrower's retirement account are not considered "borrower's cash" for the purposes of this Delayed Purchase Refinance program; refer to the cash-out section if the transaction involves reimbursement of these types of borrower funds.

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 ≥12 months from application date for subject transaction, LTV, CLTV, HCLTV is based on the current appraised value.
- For lots owned < 12 months from application date for subject transaction, LTV, CLTV, HLCTV 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).

Texas Section 50(a)(6) transactions:

- 1-unit primary residence only
- 30 year fixed rate only
- Maximum LTV of 70%

- 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.
- Refer to Plaza's **Texas Home Equity Section 50(a)(6) guidelines** for additional information.
- All wholesale TX 50(a)(6) loans must be must be underwritten by Plaza's Dallas, TX, Regional Office.

New York Consolidation, Extension and Modification Agreement (CEMA):

CEMA transactions are allowed for cash-out refinance and rate & term transactions subject to **Plaza's NY CEMA Underwriting** requirements. Lost Note Affidavits are not acceptable under any circumstance.

Section 6 Property Flips

If the owner (individual or entity other than the Mortgage holder) sells a property within 12 months after the date of acquisition, the underwriter should ensure that value is supported.

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.
- A second full appraisal is required if the property was purchased by the seller within 90 days of the fully executed purchase contract, i.e., the seller has owned the property for 90 days or less. This requirement does not apply if the seller is a bank that received the property as a result of foreclosure or deed-in-lieu.
- Value increases must be supported. If the value increase is not the result of documented improvements, an additional valuation product may be required to support the value or sales price.

Section 7 Identity of Interest

Plaza uses the term Identity of Interest and Non-Arm's Length Transactions to describe certain transactions that pose increased risk. A non-arm's length transaction is any transaction where there is a relationship or business affiliation between the borrower(s) and/or any parties in the transaction. If a direct relationship exists between any of the parties to a transaction, including the borrower/buyer, property seller, employer, lender, broker or appraiser, then the transaction will be considered non-arm's length.

Examples of Non-Arm's Length transactions include, but are not limited to:

- Family sales or transfers.
- Borrower(s) purchasing a property from a builder who, in turn, is purchasing the borrower's existing property.
- Renters buying from landlord.
- Property trades between buyer and seller.
- Employer to employee sales or transfers.
- Borrowers or co-borrowers employed in the real estate or construction trades who are involved in the construction, financing or sale (i.e. listing agent) of the subject property.

Non-Arm's Length transactions are ineligible with the exception of the following:

- Family sales or transfers.
- Property Sellers are representing themselves as agent in real estate transaction.

- Relative of the property seller acting as the seller's real estate agent.
- Buyers/Borrowers are representing themselves as agent in real estate transaction.
- Relative of the borrower acting as the borrower's real estate agent.
- The borrower is the employee of the originating lender and the lender has an established employee loan program.
- Originator is related to the borrower.
- Renter buying from landlord – 24 months canceled checks required to verify satisfactory pay history.
- Investment property transactions are not eligible in any circumstances.
- Gifts from relatives that are interested parties to the transaction are not allowed.
- Real estate agents may apply their commission towards closing costs and/or prepaids as long as the amounts are within the interested party contribution limitations.

Section 8 Loan Limits

Units	Contiguous U.S.		Alaska & Hawaii	
	Min Loan Amount	Max Loan Amount	Min Loan Amount	Max Loan Amount
1	$510,401	See Matrix	$765,601	See Matrix
2	$653,551	See Matrix	$980,326	See Matrix

The minimum loan amount is $510,401 or $1 above the standard conforming limit for the number of units. **High Balance/Super Conforming loan limit look-up tool**.

Section 9 Subordinate Financing

Subordinate financing is allowed per the Credit Matrix with the following requirements/restrictions:

- Subordinate financing is not allowed for LTV > 80%.
- Institutional financing ONLY up to the maximum LTV/CLTV.
  - Certain employer sponsored second liens may be acceptable by exception.
- 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.
- ATR/QM Final Rule repayment calculation method for simultaneous loans must be used.
- Acceptable Subordinate Financing Types:
  - Mortgages with regular payments that cover at least the interest due.
  - Mortgage terms that require interest at a market rate.
  - Seller subordinate financing not allowed.

Ineligible Subordinate Mortgages:

- Subordinate mortgages subject to an interest rate buydown plan.
- Subordinate mortgages that allow negative amortization.
- Subordinate mortgages that involved graduated or variable payments.
- Subordinate mortgages that have wraparound terms.
- Subordinate mortgages through a Community Second Mortgage/Down Payment Assistance Program.
- Subordinate mortgages held by the property seller.
- Any type of tax or judgment lien.

Section 10 Borrower Eligibility

Eligible Borrowers:

- U.S. citizens
- Permanent resident aliens:
  - An Alien Registration Card or other acceptable documentation to verify that the borrower is legally present in the U.S.
  - Must be employed in the United States for the past 24 months.
  - Income must be likely to continue for 3 years.
- Inter Vivos Revocable Trusts – Refer to **Plaza's Living Trust Policy** requirements.
- First time homebuyer: A first time homebuyer is defined as anyone who has not owned a home in the past three (3) years. For loans with more than one (1) borrower where at least one borrower has owned a home in the past three (3) years, first-time homebuyer requirements do not apply.
  - Verification of 24 months rental payments is required. The loan file must contain 24 months canceled checks or bank statements to evidence eligibility for mortgage/housing history. Written verification of rent via the credit report is not permitted. Direct written verification of rent is acceptable in lieu of canceled checks when the landlord is a large professional management company.
  - Reserves of 12 months PITIA
  - Maximum loan amount of $1,000,000
  - Investment property transactions not allowed

Ineligible Borrowers:

- Partnerships, Limited Partnerships, Corporations and LLC's
- Non-Revocable Trusts
- Non-Permanent Resident Aliens
- Borrowers with Diplomatic Immunity
- Non Occupant Co-Borrower's
- Land Trusts
- Borrowers with only an ITIN (Individual Taxpayer Identification Number)

Section 11 Underwriting Method

All loans must be manually underwritten and fully documented.

- Unless otherwise noted, the more restrictive of either the Fannie Mae Selling Guide or **Appendix Q** to part 1026, 12CFR Chapter X – Truth-in-Lending (Regulation Z), must be followed.
- All appraisals must be approved under Plaza's Jumbo appraisal review process which includes obtaining a satisfactory Clear Capital Collateral Desk Assessment (CDA). The CDA will be ordered by Plaza after the underwriter has reviewed the appraisal. Appraisal approval must occur prior to closing for wholesale or prior to purchase for correspondent loans.

QM Designation: The underwriter must indicate the QM designation of the loan on the 1008. All Elite Jumbo loans must be QM Safe Harbor.

Desktop Underwriter (DU): All loans must be submitted to DU and receive an Approve/Ineligible finding. The findings must be Ineligible for loan amount only. The DU must not be used for underwriting; all loans must be manually underwritten and fully documented per these program guidelines.

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

Trade Lines:

- Each borrower contributing income for qualifying must meet the minimum trade line requirements. Borrowers not contributing income for qualifying purposes are not subject to the minimum trade line requirement.
- Authorized User accounts may not be used to satisfy the trade line requirements.
- Non-traditional trade lines may not be used to satisfy the trade line requirements.

3 trade lines:

- 1 trade line must be open for 24 months and active within the most recent 6 months
- Remaining trade lines must be rated for 12 months and may be open or closed

OR

2 trade lines:

- 1 trade line must be a satisfactory mortgage rating for at least 12 months (opened or closed) within the last 24 months
- 1 additional open trade line

Credit Evaluation:

All accounts, revolving and installment, reported by the borrower on the application must be verified directly by a credit reference or verified on the credit report. The balance, rating and terms of the account must be verified. If the account has not been updated on the credit report within 90 days of the date of the credit report, a supplement to the credit report or a separate written verification form must be obtained.

Housing Payment History:

- 0 x 30 mortgage/rental delinquency in the past 24 months. Absolutely no exceptions.
  - This applies to all mortgages and all borrowers on the loan.
  - Mortgage/rent must be rated up to and including the month of the new loan closing.

Note: Mortgage history and/or rental history must be verified for the most recent 24 months if this information does not appear on the credit report. Acceptable sources include VOM, institutional VOR or canceled checks. The underwriter must obtain the current balance, current status, monthly payment amount and a payment history for the last 24 months. Direct written verification of rent is acceptable in lieu of canceled checks when the landlord is a large professional management company.

First Time Homebuyer:

For all loans, verification of 24 months rental payments is required. The loan file must contain 24 months canceled checks or bank statements to evidence eligibility for mortgage/housing history. Written verification of rent via the credit report is not permitted. Direct written verification of rent is acceptable in lieu of canceled checks when the landlord is a large professional management company.

Borrowers Living Rent Free:

If the borrower has been living with a relative rent free, acceptable documentation to evidence this must be provided. If the borrower does not have a housing payment history, the underwriter must pay particular attention to the borrower's payment shock and the borrower must be able to document an accumulated savings pattern that supports the new housing payment.

Payment History on any other Property (Regardless of Occupancy):

All payment ratings on properties will be considered mortgage credit for grading purposes. Payments on a manufactured home, timeshare, or second mortgage are considered to be mortgage debt, even if reported as an installment loan. Any late payment in the last 24 months on a manufactured home, timeshare, second mortgage, will be considered ineligible for the program.

Bankruptcy / Foreclosure / NOD / Short Sale / Deed-in-Lieu:

- Must be seasoned 7 years with 7 years re-established credit.
- Multiple derogatory credit events not allowed.

Restructured (Modified) Loan/Short Payoff:

A restructured loan or short payoff is a mortgage loan in which the terms of the original transaction have been changed resulting in either absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage.
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness.
- Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage. **OR**
- Conversion of any portion of the original mortgage debt from secured or unsecured debt.

In many cases, a borrower may not disclose that their existing mortgage loan has been restructured. The credit report may show a restructured loan as *"settled for less than owed".* If the credit report does not specify *"settled for less than owed",* the underwriter will need to scrutinize the mortgage balance reported on the credit report versus the payoff balance. If the 2 balances do not match and the difference is more than unpaid interest or prepayment penalties, the loan may have been restructured.

- Previous lender initiated modifications will not be considered a derogatory credit event if the modification did include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply.
- If the modification was due to hardship or included debt forgiveness the modification must be seasoned seven (7) years.
- Regardless of the date of the loan modification, there can be no mortgage lates since the modification.
- Multiple derogatory credit events not allowed.

Collections, Charge-offs, Judgments, Garnishments & Liens:

Delinquent credit including taxes, judgments, charged-off accounts, collection accounts, past-due accounts, tax liens, mechanics' liens, and any other liens that have the potential to affect the first lien position or diminish the borrower's equity, must be paid off at or prior to closing.

- Cash-out proceeds may not be used to satisfy accounts paid off at closing.
- Any adverse credit on the borrower's credit report must be sufficiently explained by the borrower in writing.

Disputed Trade Lines:

- All disputed trade lines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute.
- Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded.

Medical collection accounts do not have to be paid off if the aggregate balance does not exceed $10,000.

Document Age: The credit report must be no more than 90 days old on the date the note is signed.

Section 13 Income & Employment

Regardless of income type, the following are required for all borrowers:

- **1003:** A signed 1003 complete with a 2-year employment history.
- **4506-T/Tax Transcripts:** A signed 4506-T will be processed and tax transcripts obtained for all years in which income was used in the underwriting decision.
    - Regardless of the type of income used to qualify, complete tax return transcripts are required for all transactions. W-2 only transcripts are not sufficient.
    - For self-employed borrowers, the 4506-T and transcript requirement applies to both personal and business returns (for businesses where the borrower has 25% or more ownership and the income from the business is being used to qualify).
- **Verbal Verification of Employment:** A verbal verification to confirm the borrower's current employment status is required for all borrowers within 10 calendar days prior to the Note date for wage income and verification of the existence of the borrower's business through a third-party source is required within 30 calendar days prior to the Note date for self-employment income.

Stability of Employment & Income:

- Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next 3 years. For each income source used to qualify the borrower, the underwriter must determine that both the source and the amount of the income are stable. A 2-year history of receiving income is required in order for the income to be considered stable and used for qualifying. When the borrower has less than a 2-year history of receiving income, the underwriter must provide a written analysis to justify the determination that the income that is used to qualify the borrower is stable. While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.
- The initial and final application must disclose a minimum 2-year employment and income history. Gaps in employment in excess of 30 days, but less than 6 months, during the past 2 years require a satisfactory letter of

explanation and the borrower must be employed with their current employer for a minimum of 6 months to qualify. Borrowers with employment gaps in excess of 6 months are not eligible for consideration of qualifying income.

- For a Borrower who has less than a 2-year employment and income history, the borrower's income may be qualifying income if the mortgage file contains documentation to support that the borrower was either attending school or in a training program immediately prior to their current employment history. School transcripts must be provided to document.
- Income may not be used for qualification purposes if it comes from any source that cannot be verified, is not stable, or will not continue.
- Asset depletion, deferred compensation, retained earnings, education benefits, trailing spouse income, and rental income from the borrower's single family primary residence or second home are ineligible sources of income.
- All income sources must be legal in accordance with all applicable federal, state, and local laws, rules and regulations, without conflict. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying:
  - Foreign shell banks
  - Medical marijuana dispensaries or any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
  - Businesses engaged in any type of internet gambling.

Paystubs:

- Paystubs must meet the following requirements:
  - Clearly identify the borrower as the employee.
  - Show the borrower's current pay period and year-to-date earnings.
  - If the borrower is paid hourly, the number of hours must be shown on the paystub.
  - Paystubs must be computer generated.
  - Paystubs issued electronically via email or downloaded from the Internet must show the URL address, date and time printed, and identifying information on place of origin and/or author of the documentation.

W-2 Forms: W-2 Forms must be complete and be a copy provided by the employer.

Verification of Employment (VOE):

A written VOE is required for a borrower's income sourced from commissions, bonus, overtime, or other income when the income detail is not clearly documented on W-2 Forms or paystubs. Written VOE must include:

- Borrower's date of employment
- Borrower's employment status and job title
- Name, phone number and title of person completing the VOE
- Name of employer
- Base pay amount and frequency
- Additional salary information, which itemizes bonus, commission, overtime, or other variable income.
- VOE must be sent directly to the employer, attention of the personnel department. The VOE must be returned to Plaza.

Self-Employed Confirmation must include:

- Verification of the existence of the borrower's business from a third party, such as a CPA, regulatory agency, or applicable licensing bureau. A borrower's website is not acceptable as third party verification.
- Listing and address of the borrower's business using a telephone book, internet, or directory assistance.
- Name and title of the person completing the verification.

Tax Returns:

The following standards apply when using Income Tax Returns to verify income:

- Personal Income Tax Returns
  - Must be complete with all schedules (W-2 forms, 1099 Forms, K-1 schedules, etc.)
  - Signed and dated by each borrower on or before the closing date
- Business Income Tax Returns
  - Must be complete with all schedules (K-1 schedules, Form 1065, etc.)
  - Signed and dated by each borrower on or before the closing date
- For Unfiled Tax Returns for the prior year's tax return
  - Between Jan 1 and the tax filing date (typically April 15), borrowers must provide:
    - IRS form 1099 and W-2 forms from the previous year
    - Loans closing in January prior to receipt of W-2s may use the prior year year-end paystub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided.
  - Between the tax filing date (April 16) and the extension expiration date (typically October 15), borrowers must provide (as applicable):
    - Copy of the filed extension.
    - Evidence of payment of any tax liability identified on the federal tax extension form.
    - W-2 forms.
    - Form 1099, when applicable.
    - Year-end profit and loss for prior year.
    - Current year profit & loss.
    - Balance sheet for prior calendar year.
  - After the extension expiration date, loan is not eligible without prior year tax returns.

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 Employment Income	Documentation Requirement
Salaried	An earnings trend must be established and documented. Large increases in salary over the previous 2 years must be explained and documented. • W-2 forms or personal tax returns, including all schedules, for prior 2 years. • Year-to-date paystub up through and including the most current pay period at the time of application and not earlier than 90 days prior to the Note date. • If borrower is claiming overtime pay, it must be shown on the YTD paystub.
Hourly & Variable Income	An earnings trend must be established and documented. Stable to increasing income should be average over a minimum 2 year period. Declining income must be explained by the employer/borrower and a written determination by the underwriter must be provided if declining income is used for qualifying. • W-2 forms or personal tax returns, including all schedules, for prior 2 years. • Year-to-date pay stub up through and including the most current pay period at the time of application.

Part-Time Income	Borrower must have worked the part-time job uninterrupted for the past 2 years, and plans to continue. If the part-time income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. • W-2 forms for prior 2 years • Year-to-date pay stub up through and including the most current pay period at the time of application.
Commission	Commission income must be averaged over the previous 2 years. If the commission income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. • W-2 forms for prior 2 years if commissions are less than 25% of the total income. • Tax returns, including all schedules, and W-2 forms from the previous 2 years if commissions are $\geq$ 25% of the total income. • Unreimbursed business expenses (Form 2106) must be subtracted from income. • Year-to-date paystub up through and including the most current pay period at the time of application. • Written VOE covering two (2) full years with employer confirmation of commission. Income cannot be used if VOE reflects the income is not likely to continue.
Overtime & Bonus	An earnings trend for bonus and overtime must be established and documented. A period of more than 2 years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year. If either type of income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. • W-2 forms or personal tax returns, including all schedules, for prior 2 years. • Year-to-date paystub up through and including the most current pay period at the time of application. • Written VOE covering two (2) full years with employer confirmation of overtime and/or bonus. Income cannot be used if VOE reflects the income is not likely to continue
Borrowers Employed by Family	• YTD Paystub • Two years W-2 • Two years personal tax returns • Two years tax transcripts • Verbal VOE • Borrower's potential ownership interest in the business must be addressed
2106 Expenses	Employee business expenses must be deducted from the adjusted gross income.

Self-Employment & Other Income

Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income.

Unless otherwise noted, the more restrictive of Fannie Mae's Selling Guide or **Appendix Q**, must be followed when evaluating income. **Income cannot be averaged for self-employed borrowers with declining income**. **Appendix Q** specifically states "If the consumer's earnings trend for the previous 2 years is downward and the most recent tax return or P&L is less than the prior year's tax return, the consumer's most recent year's tax return or P&L must be used to calculate his/her income."

<table>
<tr>
<td>Sole Proprietorship</td>
<td>
• Personal tax returns, including all schedules, for prior 2 years signed and dated by each borrower on or before the closing date
• Year-to-date through current quarter’s P&L
• Balance Sheet
• The P&L and Balance Sheet:
   o May be borrower prepared or may be prepared by a qualified individual
   o Must be signed by the preparer and the borrower
• See Tax Returns for additional information for unfiled returns
</td>
</tr>
<tr>
<td rowspan="3">Partnerships (General, Limited) Limited Liability Companies “S” Corporations Corporations</td>
<td>
• Personal tax returns, including all schedules, for prior 2 years signed and dated by each borrower on or before the closing date
• Year-to-date through current quarter’s P&L
• Balance Sheet
• The P&L and Balance Sheet:
   o Must be prepared or reviewed by an unrelated and qualified individual (e.g. accountant / bookkeeper)
   o May be prepared by the borrower as long as they are reviewed by a qualified third party
   o Must be signed by the preparer/reviewer and the borrower
• Business tax returns (1065/1120), including all schedules, for the prior 2 years signed and dated by each borrower on or before the closing date are required if the borrower has an ownership percentage ≥ 25%; they are not required if reporting positive income via the K-1, and the income is not used for qualification purposes.
• See Tax Returns for additional information for unfiled returns
</td>
</tr>
<tr>
<td>K-1 Income/Loss on Schedule E</td>
</tr>
<tr>
<td>
• K-1s from prior 2 years, showing ownership percentage.
   o K-1s are not required if the source is reporting positive income and the income is not used for qualification.
   o If K-1s show a loss, they are required, regardless if they are used for qualifying purposes.
• If < 25% ownership with income/loss used in qualifying:
   o Standard verification of employment is required.
   o Year-to-date income must be verified if the most recent K-1 is more than 90 days old as of the note date.
• If using capital gains, interest/dividend or W-2 income, K-1s are required.
</td>
</tr>
</table>

Retirement Income (pension, annuity, 401(k) and IRA distributions)	• Fixed income payments such as pension income can be used at full value/distribution and may not be considered in any annuitization calculation. o Most recent year's 1099s, **AND**; o Proof of current receipt with two (2) months bank statements. • Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for a minimum of 3 years. o Distribution must have been set up at least six (6) months prior to loan application if there is no prior history of receipt or, two (2) year history of receipt evidenced. o Distributions cannot be set up or changed solely for loan qualification purposes. o Document regular and continued receipt of income as verified by: ▪ Letters from the organizations providing the income or copies of retirement award letters. ▪ Copies of federal income tax returns signed and dated by each borrower on or before the closing date, IRS W-2 or 1099 forms ▪ Proof of current receipt with two (2) months bank statements • If any retirement income will cease within the first three years of the loan, the income may not be used.
Social Security Income	• Social Security income must be verified by a Social Security Administration benefit verification letter. • If any benefits expire within the first full 3 years of the loan, the income source may not be used in qualifying. • Benefits with a defined expiration date (children or surviving spouse) must have a remaining term of at least three (3) years.
Alimony, Separate Maintenance & Child Support Income	• A divorce decree, court ordered separation agreement, court decree, or other legal agreement providing the payment terms confirming that income will continue for at least 3 years. • If the income is the borrower's primary income source and there is a defined expiration date (even if beyond 3 years), the income may not be acceptable for qualifying purposes. • Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 12 months. • See non-taxable income for child support income treatment.
Long Term Disability Income	• Copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date. • Termination date may not be within 3 years of Note date; please note reaching a specific age may trigger a termination date depending on the policy.
Capital Gains	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income. If the trend consistently shows a loss, it must be deducted from the total income. • Tax returns for the prior 3 years, including Schedule D. • Gains must be consistent amounts from consistent sources. • Verified assets to support continuance must be documented.
Dividend/ Interest	Interest and Dividend income may be used as long as documentation supports a 2-year history of receipt. • Tax returns for the prior 2 years • Proof of asset(s) to support the continuation of interest and dividend income for minimum of 3 years.

Stock Options & Restricted Stock Grants	May not be used as qualifying income unless: • Income has been received for 2 years as identified on paystubs, W2s and tax returns, and • The vesting schedule indicates the income will continue for a minimum of three (3) years at a similar level as prior two (2) years. • A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current price or the 52 week average for the most recent twelve (12) months reporting at the time of application. • Additional awards must be similar to the qualifying income and awarded on a consistent basis. • Borrower must be currently employed by the employer issuing the RSUs/stock options in order for the RSUs/stock options to be considered in qualifying income. • Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify.
Note Income	• A copy of the note must document the amount, frequency and duration of payments. • Regular receipt of note income for the past 12 months must be documented, and evidence of note income must be reflected on tax returns. • Verification that income is expected to continue for a minimum of 3 years.

Trust Income	Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years.
	• Regular receipt of trust income for the past 12 months must be documented.
	• A copy of the Trust Agreement or Trustee Statement showing:
	    o Total amount of borrower-designated trust funds
	    o Terms of payment
	    o Duration of trust
	    o Portion of income that is not taxable
	    o Evidence the trust is irrevocable
	• Non-taxable trust income must include proof of distribution.
	• If trust funds are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income.

Foreign Income	• W-2 forms and personal tax returns, including all schedules, showing the income was reported for prior 2 years. • Year-to-date pay stub • All income must be converted to U.S. currency.
Non-Taxable Income including child support, disability, foster care, military, etc.	The amount of continuing tax savings attributed to regular income not subject to Federal taxes may be added to the borrower's gross income. The percentage of non-taxable income that may be added *cannot* exceed the appropriate tax rate for the income amount. **<u>Additional allowances for dependents are *not* acceptable</u>**. • Documentation must be provided to support continuation of income for a minimum of 3 years. • Tax returns must be provided, where applicable, to confirm income is non-taxable. • Documentation must support the amount of income *grossed-up* for any nontaxable income source. • The underwriter should use the same tax rate the borrower used to calculate his/her income tax from the previous year. **Note**: If the borrower is not required to file a federal tax return, the tax rate to use is 25%.

<table>
<tr><th colspan="2">Rental Income</th></tr>
<tr><td>All Properties</td><td>Lease agreements must be provided if rental income is used for qualifying purposes.

Current lease for each rental property, including commercial properties listed in Part 1 of Schedule E of the 1040s. Rent rolls are unacceptable.
For leases that have a roll over clause or the property is in a state where all leases roll over, the following requirements must be met:

Copy of most recent lease
Current documentation to evidence receipt of rent (copy of check or deposit into bank account) which must be consistent with most recent lease.

Personal tax returns, including all schedules, for prior 2 years
For properties listed on Schedule E of the borrower’s tax returns, net rental income should be calculated as: ((Rents received – Total expenses) + (depreciation + interest + taxes + insurance + HOA)) / # applicable months - current PITIA.

If the subject property is the borrower’s primary residence and generating rental income, the full PITIA must be included in the borrower’s total monthly obligations.

If rental income is not available on the borrower’s tax returns, net rental income should be calculated using gross rents multiplied by 75% minus PITIA.
An explanation is required if the rental income on the tax returns is greater than the rental income on the lease. The lesser of the rental income from the lease or Schedule E must be used to calculate net rental income unless satisfactory documentation is provided to support the higher income on the tax returns will be continuing.
Net rental income must be added to the borrower’s total monthly income. Net rental losses must be added to the borrower’s total monthly obligations.
See Tax Returns for additional information for unfiled returns.
</td></tr>
<tr><td>Subject Property Rental Income</td><td>If the subject transaction is investment occupancy the following criteria applies:

To use the rental income to qualify the borrower must have at least twelve (12) months landlord history reported on the tax returns; and
The maximum DTI is 30% if rental income from the subject property is used to qualify.
All requirements in “Rental Income – All Properties” above must be met.
</td></tr>
<tr><td>Departing Residence</td><td>If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply:

Borrower must have documented equity in departure residence of 25%.
Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction, OR
Documented equity may be evidenced by the original sales price and the current unpaid principal balance.
Copy of current lease agreement.
Copy of security deposit and evidence of deposit to borrower’s account.
</td></tr>
</table>

Section 14 Qualifying Ratios

- Refer to the **Program Matrix** for qualifying ratios.
- Fixed Rate, 7/1 and 10/1 LIBOR ARM: Borrowers qualify at the greater of the fully indexed rate or the note rate.
- 5/1 LIBOR ARM: Qualify at the greater of the fully indexed rate or the note rate + 2%.
- Transactions resulting in significant payment shock should always be considered by the underwriter. The borrower's income must clearly support the borrower's ability to make the higher monthly payment. It is always at the underwriter's discretion to require additional verification of assets or a larger down payment as a compensating factor for a loan with high payment shock.
- FTHB: Payment shock not to exceed 250%.
- 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.

Revolving Charges/Lines of Credit:

If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the underwriter must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation.

Installment Debt:

All installment debt that is not secured by a financial asset – including student loans, automobile loans and home equity loans – must be considered part of the borrower's recurring monthly debt obligations if there are 10 or more monthly payments remaining. However, an installment debt with fewer monthly payments remaining also should be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet his or her credit obligations.

Payoff of or Paydown of Debt:

Payoff or paydown of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. As a rule of thumb:

- Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments should generally not be included in the borrower's long-term debt.
- If a revolving account is to be paid off and closed, a monthly payment on the current outstanding balance may not need to be included in the borrower's long-term debt, i.e., not included in the DTI ratio.

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, lenders must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves.

HELOC:

The payment on all HELOCs must be considered as part of the borrower's recurring monthly debt obligations. The monthly payment per the credit report is used in qualifying. If the HELOC does not require a payment due to a zero balance, there is no recurring monthly obligation.

Student Loans: Follow Fannie Mae guidelines for treatment of student loan payments.

Auto Lease Payments: Payment must be included in qualifying DTI regardless of the remaining payments due.

Alimony, Child Support and Maintenance Payments: Payments must be included in qualifying DTI unless it is fully documented that there are 10 or fewer payments remaining.

- **Agreement dated prior to 1/1/19:** Payments must be deducted from the borrower's income.
- **Agreement dated on or after 1/1/19:** Payments must be treated as a liability.

Inquiries: A detailed explanation letter that specifically addresses both the purpose and outcome of each inquiry in the last 120 days is required. If additional credit was obtained, a verification of that debt must be obtained and the borrower re-qualified with the additional debt.

Section 15 Down Payment / Gifts

- Gift funds not allowed for LTV > 80% or investment property transactions.
- For purchase transactions, gift funds may be used once the borrower contributes at least 5% from their own funds.
- Gift funds may not be used to meet reserve requirements.
- Donor must be an immediate family member, future spouse, or domestic partner living with borrower.
- An executed gift letter with the gift amount, donor's name, address, and telephone number and relationship is required.
- Proof of donor's ability to give (bank statement or fully executed letter from the depository confirming account balance).
- Proof of transfer and receipt of funds. Acceptable documentation includes the following:
  - A copy of the donor's check and the borrower's deposit slip.
  - A copy of the donor's withdrawal slip and the borrower's deposit slip.
  - A copy of the donor's check to the closing agent.
    A settlement statement showing receipt of the donor's check. When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, cashier's check, or other official check.

Assets	
Type	**Documentation**
Checking and Savings Accounts	• The 2 most recent, consecutive month's statements for each account are required. • Large deposits inconsistent with monthly income or other deposits must be verified.
Marketable Securities	• 2 most recent, consecutive months stock/securities account statements are required. • Evidence of liquidation is required when funds are used for down payment or closing costs. • 70% of full value of stock accounts can be considered in the calculation of assets available for closing and reserves. • Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
Retirement Accounts	• 60% of the vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves. • If the borrower is > 59 ½, 70% of the vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves. • Most recent retirement account statement covering a minimum 2-month period. • Evidence of liquidation is required when funds are used for down payment or closing costs. • Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves.

Business Funds	• Business funds may be used for down payment, closing costs, or reserves.
	  ○ A Fannie Mae cash flow analysis must be provided using the most recent 3 months business bank statements to determine no negative impact to business based on withdrawal of funds.
	  ○ The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
	  ○ Business bank statements reflecting overdrafts or NSFs are not eligible.

1031 Exchange	• Allowed on second home and investment purchases only. Reverse 1031 exchanges not allowed.
	  ○ HUD-1/CD for both properties.
	  ○ Exchange agreement.
	  ○ Sales contract for exchange property.
	  ○ Verification of funds from the Exchange Intermediary.

Section 16 Reserves

Reserves must come from the borrower's own funds and there must be verified PITIA reserves remaining after closing, exclusive of closing costs, cash-out received and proceeds from home equity transactions. Business funds are allowed for reserves when additional requirements are met. See business funds information below. Beyond the minimum reserve requirements and in an effort to fully document the borrowers' ability to meet their obligations, borrowers should disclose and verify all other liquid assets.

Occupancy	Loan Amount	Required Reserves
Primary Residence	≤ $1,000,000 & LTV ≤ 80%	6 months
	≤ $1,000,000 & LTV > 80%	12 months
	$1,000,001 - $1,500,000	9 months
	$1,500,001 - $2,000,000	12 months
	$2,000,001 - $2,500,000	24 months
Second Home	≤ $1,000,000	12 months
	$1,000,001 - $1,500,000	18 months
	$1,500,001 - $2,000,000	24 months
	$2,000,001 - $2,500,000	36 months
Investment Property	≤ $1,000,000	18 months
	$1,000,001 - $1,500,000	24 months

First Time Homebuyer:

- LTV <= 80%: 12 months PITIA
- LTV > 80%: 18 months PITIA

Reserves and Multiple Financed Properties: All financed properties, other than the subject property, require an additional 6 months PITIA reserves for each property.

Business Funds for Reserves:

- Business funds for reserves or a combination of personal/business funds for reserves require the total amount of reserves to be 2X or double the normal requirement for the subject property and additional financed REO.
- A Fannie Mae cash flow analysis must be provided using the most recent 3 months business bank statements to determine no negative impact to business based on withdrawal of funds.
- The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).

- Business bank statements reflecting overdrafts or NSFs are not eligible.

Ineligible Sources for Reserves:

- Gift funds
- Cash proceeds from the subject transaction
- Bridge loans
- Borrowed funds, including funds secured by other assets
- Proceeds from the sale of non-real estate assets

Section 17 Interested Party Contributions

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. Contribution limitations:

Occupancy	LTV/CLTV	Maximum Seller Contributions
Primary Residence and Second Home	> 80%	3%
	≤ 80%	6%
Investment Properties	All LTVs	2%

Seller Concessions:

All seller concessions must be addressed in the sales contract, appraisal and HUD-1. A seller concession is defined as any interested party contribution beyond the stated limits, in the above section, or any amounts not being used for closing costs or prepaid expenses (i.e., funds for repairs not completed prior to closing is a seller concession). 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.

Section 18 Property Eligibility

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- Condos
- Co-ops
- 2-units

Condominiums:

- Must be Fannie Mae Warrantable
- Must meet Fannie Mae full requirements
- Condo Project Manager (CPM) approval or PERS certificates allowed
- Site (detached) condos are eligible
  - Limited Review is allowed for detached condos (not allowed for attached condos). Site condos meeting Fannie Mae's definition/requirements do not require limited review.

Co-op:

- The co-op project must be reviewed and approved by Plaza.
- Must meet Fannie Mae cooperative project standards
- Must be located in the states of California, Connecticut, Illinois, Maryland, New Jersey, New York or Washington D.C.
- Refer to Plaza's **Project Standards** for Plaza's complete co-op requirements.
- Plaza Underwriters must follow Plaza's **Cooperative (Co-Op) Project Approval Process and Key Document Requirements**.

Properties with > 10 ≤ 40 acres:

- 30 year fixed rate only
- Maximum 35% land to value
- No income producing attributes
- Properties > 20 acres reduce maximum LTV by 10%

Ineligible Properties:

- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Model home leaseback
- Properties with a private transfer covenant
- 3-4 unit properties
- 2-4 unit 2nd homes
- Commercial properties
- Condos that are Unwarrantable or attached condos with Limited Review
- Condotels
- Geodesic dome homes
- Geothermal homes
- Manufactured housing
- Mixed use
- Properties > 40 acres
    - It is not acceptable to have property appraised with only 40 acres in order to meet eligibility.
- Timeshares
- Unique properties
- Working farms, ranches, orchards
- Properties subject to existing oil or gas leases (exceptions allowed case-by-case)
- Properties located on Indian/Native American tribal land
- Properties with UCC filings, private transfer covenants, mechanics liens and other items that would impact title (including PACE, solar, etc.), marketability or foreclosure are not allowed.

Unpermitted Additions:

Properties with unpermitted additions will be reviewed on a case-by-case basis.

The property must meet zoning requirements and the appraiser must identify that the improvements have been made in a workmanlike manner and are consistent with the architecture of the remainder of the home.

Section 19 Appraisal

All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). Appraisals on wholesale transactions must be ordered through a Plaza approved Appraisal Management Company (AMC). Appraisals will be reviewed by Plaza and will also require a satisfactory CDA ordered by Plaza.

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV.

First Lien Loan Amount	Appraisal Requirement
Purchase Transactions	
≤ $2,000,000	1 Full Appraisal
> $2,000,000	2 Full Appraisals
Refinance Transactions	
≤ $1,500,000	1 Full Appraisal
> $1,500,000	2 Full Appraisals

In addition to the following, refer to Fannie Mae guidelines for appraisal requirements:

- Investment Properties: A rent comparable schedule is required for all investment property transactions.
- Appraisals should not include comparable sales greater than 6 months old at the time of underwriting review.
- Properties with values significantly in excess of the predominant value of the subject property's market area may be ineligible.
- Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used.
- The appraisal must be dated within 120 days of the Note date. After a 120 day period, a new appraisal is required (re-certification of value is not acceptable).
- When 2 appraisals are required, the following apply:
    - Appraisals must be completed by 2 independent companies.
    - The LTV will be determined by the lower of the 2 appraised values as long as the lower appraisal supports the value conclusion. The final inspection and/or recertification of value must be for the appraisal with the lower value.
    - The underwriter must review both appraisal reports and address any inconsistencies between the 2 reports and all discrepancies must be reconciled.

UCDP Submission Summary Reports: Successful UCDP Submission Summary Reports (SSRs) from both Fannie Mae and Freddie Mac are required. The SSR cannot indicate that appraisals from the appraiser or supervisory appraiser will be reviewed or cannot be accepted.

Transferred Appraisals: Transferred appraisals are not allowed.

Section 20 Geographic Restrictions

Program specific geographic restrictions are identified below. Refer to the Appraisal Policy in Plaza's Credit Guidelines for general guidelines and restrictions.

Florida: Florida condominiums limited to 50% LTV/CLTV/HCLTV on investment transactions.

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

Section 21 Max Financed Properties / Exposure

The borrower(s) may own a total of 4 financed, 1-4 unit residential properties, including the subject property regardless of occupancy.

Note:

- Financed properties held in the name of an LLC or other corporation can be excluded from the calculation of number of properties financed only in cases where the borrower is not personally obligated for the mortgage.
- Partial or joint ownership is considered the same as total ownership in the property. Ownership in commercial properties, multi-family properties containing 5 or more units, lots and properties owned free & clear are not included.

Maximum Loans/Maximum Exposure: A maximum of two Plaza Jumbo loans and no more than four total Plaza loans are permitted to one borrower.

Section 22 Mortgage Insurance

Not Applicable, regardless of LTV.

Section 23 Repair Escrows

Loans with escrows for completion of postponed improvements (escrow holdbacks) are not eligible.

Section 24 ARM Adjustments

<table>
<tr><th>Characteristic</th><th colspan="4">LIBOR ARM</th></tr>
<tr><td>Index</td><td colspan="4">LIBOR – The average of interbank offered rates for 1-year U.S. dollar-denominated deposits in the London market (LIBOR) as published in The Wall Street Journal.</td></tr>
<tr><td>Margin</td><td colspan="4">2.25%</td></tr>
<tr><td>Life Floor</td><td colspan="4">The floor is the margin.</td></tr>
<tr><td rowspan="4">Interest Rate Caps</td><td>Product</td><td>First Adjustment</td><td>Subsequent Adjustments</td><td>Lifetime</td></tr>
<tr><td>5/1</td><td>2%</td><td>2%</td><td>5%</td></tr>
<tr><td>7/1</td><td>2%</td><td>2%</td><td>5%</td></tr>
<tr><td>10/1</td><td>2%</td><td>2%</td><td>5%</td></tr>
<tr><td rowspan="3">Change Date</td><td>5/1</td><td colspan="3">The first Change Date is the 60th payment due date. Subsequent Change Dates are every 12 months thereafter.</td></tr>
<tr><td>7/1</td><td colspan="3">The first Change Date is the 84th payment due date. Subsequent Change Dates are every 12 months thereafter.</td></tr>
<tr><td>10/1</td><td colspan="3">The first Change Date is the 120th payment due date. Subsequent Change Dates are every 12 months thereafter.</td></tr>
<tr><td>Assumability</td><td colspan="4">Assumable.</td></tr>
<tr><td>Conversion Option</td><td colspan="4">Not Available.</td></tr>
</table>

Section 25 Temporary Buydowns

Not allowed.

Section 26 Insurance

For Insurance requirements refer to Plaza's **Hazard and Flood Insurance Policy**.

Section 27 Other Requirements

Age of Documentation:

- **Credit Report:** No more than 90 days before the date the Note is signed.
- **Income:** No more than 90 days before the date the Note is signed.
- **Assets:** No more than 90 days before the date the Note is signed.
- **Appraisal:** No more than 120 days before the date the Note is signed.
- **Title Commitment:** No more than 90 days before the date the Note is signed.