

Jumbo Champion Fixed and ARM Program Guidelines

Revised 12/27/2023 rev. 103

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Section 1 Program Summary

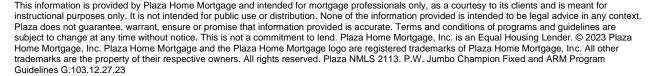
The Plaza Jumbo Champion program offers 15 and 30 year fixed rate and 7/6 and 10/6 hybrid ARMs for non-conforming loan amounts up to a maximum of \$3,000,000. The minimum loan amount is \$766,551 or \$1 above the standard conforming limit for the number of units. Loan amounts do not need to exceed the FHFA High Balance loan limits. Jumbo Champion is not offered in all states, refer to **Geographic Restrictions** for eligible states.

All Jumbo Champion loans must be Qualified Mortgages (QM) and within the QM Safe Harbor. Jumbo Champion 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
Jumbo Champion 15 Year Fixed	JCF15	180
Jumbo Champion 30 Year Fixed	JCF30	240 - 360 ¹
Jumbo Champion 7/6 SOFR ARM	JCA76	360
Jumbo Champion 10/6 SOFR ARM	JCA106	360

Loan terms must be in 12 month increments between 20 – 30 years with no odd terms. Must be 20-year (240 month), 21-year (252 month), etc., up to 30-year (360 month) terms.





Primary Residence Purchase and Rate/Term Refinance						
Property Type	LTV ¹	CLTV/HCLTV	Credit Score	Loan Amount	Max DTI	Reserves
1-2 Unit	80%	80%	720	\$1,000,000	43%	12
PUD	75%	75%	720	\$2,000,000	41%	18
Condo	75%	75%	760	\$3,000,000	41%	36
Co-op	70%	70%	760	\$3,000,000	41%	24
2 4 Unito	70%	70%	720	\$2,000,000	43%	18
3-4 Units	65%	65%	760	\$3,000,000	41%	36

^{1.} Properties located on the **Depreciating Markets list** reduce the maximum LTV by 5%.

Primary Residence Cash-Out Refinance ¹						
Property Type	LTV ²	CLTV/HCLTV	Credit Score	Loan Amount	Max DTI	Reserves
1-2 Unit PUD	70%	70%	740	\$1,000,000	43%	18
Condo Co-op	65%	65%	740	\$1,500,000	43%	18

^{1.} Max cash-out \$350,000

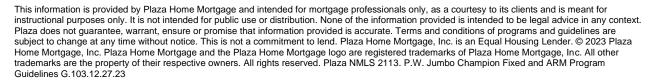
^{2.} Properties located on the **Depreciating Markets list** reduce the maximum LTV by 5%.

Second Home Purchase and Rate/Term Refinance						
Property Type	LTV ¹	CLTV/HCLTV	Credit Score	Loan Amount	Max DTI	Reserves
1-Unit PUD Condo Co-op	70%	70%	740	\$1,500,000	43%	18

Properties located on the Depreciating Markets list reduce the maximum LTV by 5%.

Investment Property Purchase and Rate/Term Refinance						
Property Type	LTV ²	CLTV/HCLTV	Credit Score	Loan Amount	Max DTI	Reserves
1-Unit						
PUD	65%	65%	760	\$1,500,000	40%	36
Condo ¹						

^{1.} Florida and Georgia condos are ineligible for investment property transactions.





Properties located on the Depreciating Markets list reduce the maximum LTV by 5%.

Section 4 Occupancy

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

Investment Properties:

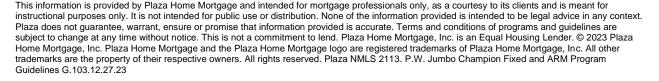
- Comparable rents schedule required regardless if rental income is used to qualify.
- Occupying tenant: For Purchase transactions, if the subject property is currently being rented, the rental
 agreement/lease must be reviewed to ensure that it does not contain any provisions that could affect the 1st lien
 position of the mortgage. If the lease is not subordinated to the mortgage, each lease must be reviewed to ensure
 that any "rights to purchase"—and any other rights that could adversely affect the mortgagee's interest—have
 been formally waived by the tenant.
- Managing Investment Properties: When the subject property is an investment property and the borrower(s) own multiple investment properties, the borrower(s) must provide evidence of a minimum of 2 years' experience managing multiple investment properties.

Section 5 Transactions

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

Refinances and Continuity of Obligation: All refinances (rate/term and cash-out) must demonstrate continuity of obligation as evidenced by one of the following:

- · At least one Borrower on the refinance mortgage was a Borrower on the mortgage being refinanced; or
- At least one Borrower on the refinance Mortgage held title to and resided in the mortgaged premises as a primary
 residence for the most recent 12-month period and the mortgage file contains documentation evidencing that the
 borrower has been making timely mortgage payment, including the payments for any secondary financing, for the
 most recent 12-month period; or
- At least one Borrower on the refinance mortgage inherited or was legally awarded the mortgaged premises (for example, in the case of divorce, separation, or dissolution of a domestic partnership); or
- The property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary
 of the trust.
- Note: Continuity of Obligation requirements do not apply when there is no existing mortgage on the subject property.





Rate/Term Refinance:

- The payoff the outstanding unpaid principal balance of the existing first lien, regardless of the loan originate date;
- Pay off any remaining balance due under a repayment plan, payment deferral or other loss mitigation program, as long as the funds are not subordinate financing; and
- Financing of related closing costs and prepaid items.
 - Note the payoff of prepaid real estate taxes must be treated as a cash-out refinance if:
 - The borrower finances the payment of real estate taxes for the subject property in the loan amount, but does not establish an escrow account; or
 - The borrower finances the payment of real estate taxes for the subject property in the loan amount and the real estate taxes are more than 60 days delinquent (with or without establishing an escrow account).
- Payoff of a subordinate loan that meets one of the following scenarios:
 - The subordinate lien was made within the last 12 months and all proceeds were used to purchase the property.
 - A copy of the Closing Disclosure signed by the borrower from the original sale must be obtained to verify that the entire amount being paid off was used to purchase the property.
 - The payoff may also include any prepayment penalty that may be associated with the subordinate
 - If the subordinate lien is a home equity line of credit, the total amount of additional draws within the past 12 months may not exceed \$2000 (as documented by copies of home equity line statements).

OR

- The subordinate lien was made more than 12 months ago:
 - The payoff may also include any prepayment penalty that may be associated with the subordinate
 - If the subordinate lien is a home equity line of credit, the total amount of draws against the line during the past 12 months does not exceed \$2,000 (as documented by copies of home equity line statements).
- Cash back to the borrower may not exceed \$5,000.
- If the borrower completed a cash-out refinance with a note date 30 days or less prior to the application date, the loan is not eligible for a rate/term refinance.
- Buyout of spouse or domestic partner interest: A refinance that results from a divorce settlement in which one of the spouses is required to buy out the other's interest in a property is considered a rate/term refinance provided the borrower who acquires sole ownership of the property does not receive any cash back.
- All borrowers listed on the new loan must be the same as those listed on the original loan; however, a new borrower may be added, and the transaction still will be eligible under the terms of a rate/term refinance, provided at least one of the original borrowers remains on the loan.
- A divorced borrower may be removed from the loan, and the transaction still will be eligible under the terms of a rate/term refinance, provided the borrowers have been divorced for 6 months or more and the remaining borrower has demonstrated the ability to manage the payments without the "absent" borrower's income. Verification of timely payments for 6 months is required.
- 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 are eligible if the following requirements are met:
 - Borrower must have clear title.
 - Title cannot be held in probate.
 - Percentage of ownership by heirs must be demonstrated.
 - A five percent (5%) LTV/CLTV reduction must be applied to the maximum LTV/CLTV.
 - Documented evidence of the inheritance must be obtained.



- Listed for sale:
 - o If the subject property is currently listed it is ineligible.
 - Properties that were listed for sale within the past 180 days are eligible only on a primary or second home.
 - Properties listed within the past 180 days require a letter of explanation from the borrower detailing the rationale for cancelling the listing.

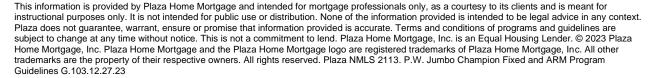
Cash-Out Refinance:

- Any refinance transaction not meeting the requirements for a rate/term refinance is a cash-out refinance.
- The property must have been purchased by the borrower at least 6 months prior to the loan application.
- Borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership there are no other seasoning requirements.
- If prior to closing the property is owned and held in a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower, the time it was held in the LLC may be counted towards meeting the borrower's six month ownership requirement.
- Except as required by applicable law, a Power of Attorney may not be utilized to sign a security instrument or note if the transaction is cash-out refinance.
- Listed for sale: Properties that were listed for sale within the past 180 days are ineligible.

Refinance Loan-to-Value Calculation:

 Use the current appraised value. Large value changes in a short period of time may require additional supporting documentation.

Delayed Purchase Refinance: Not allowed. Cash-out seasoning requirements must be met.





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. To be a construction-to-permanent transaction, the borrower must be the primary obligor of the construction financing that is obtained through a legitimate financial institution, and/or the borrower must be the owner of the lot on which the residence is constructed.

Purchase:

- If the borrower became the owner of record to the lot after or in connection with the first advance of the construction financing the loan must be treated as a purchase transaction.
- The LTV/CLTV is based on the lesser of the purchase price (sum of the cost of construction and the sales
 price of the lot); or the "as completed" appraised value of the property (the lot and improvements).
- Purchase money guidelines (including required minimum borrower contribution requirements) apply.

Rate/Term Refinance:

- The borrower must have acquired title to the lot before applying for construction financing and must be named as the borrower on the construction loan.
- The LTV/CLTV is based on the "as completed" appraised value of the property (the lot and improvements).
- Rate/term guidelines apply.

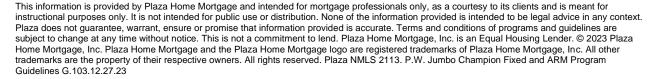
Cash-out refinance:

- o If the borrower receives cash back at the construction loan closing or pays off unsecured liens or construction costs paid by the borrower outside of the interim construction loan, the loan must be treated as cash-out refinance.
- The borrower must have acquired title to the lot before applying for construction financing and must be named as the borrower on the construction loan.
- The borrower must have held legal title to the lot for at least six months prior the closing of the permanent mortgage (the subject transaction).
- The LTV/CLTV is based on the "as completed" appraised value of the property (the lot and improvements).
- lt is not necessary to provide evidence of borrower funds invested into the transaction.
- All other cash-out guidelines apply.

New York Consolidation, Extension and Modification Agreement (CEMA) transactions are eligible.

Ineligible Transactions:

- Texas Section 50(a)(6) transactions
- Texas Section 50(f)(2) transactions
- · Lease with option to purchase





Section 6 Property Flips

Previous flipping activity in the last 12 months is not allowed.

A flip transaction is generally defined as a purchase transaction of a property that has recently been acquired by the seller and is being sold for a quick profit. A flip transaction is evident if the title reveals several changes in ownership in the course of a few months.

Not all rapid resale transactions represent property flips. The following are examples that may qualify as legitimate rapid resales and not flips:

- Property sales by employers or relocation agencies related to employee relocations;
- Property sales by Government sponsored enterprise, state or federally chartered financial institution, mortgage insurer, or federal, state or local government agency (REO properties);
- Property sales that were acquired by the property seller as a result of inheritance, divorce, or as a result of a legal settlement;
- Properties that were purchased through a distressed sale and made substantial renovations to the property and is now selling for a profit. The renovations should be documented and verified.

Section 7 Non-Arm's Length

Non-Arm's Length Transactions are not eligible

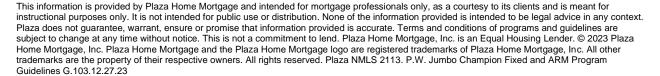
A non-arm's length transaction is one in which there is a relationship or business affiliation between the seller and the buyer of the property (e.g., family sale, property in an estate, employee and employer, renter and landlord, or flip transactions).

Common risks associated with this type of loan include absence of equity or down payment; a purchase price that does not represent the actual property value; financial bailouts or attempts to hide poor credit; occupancy concerns; and financing of unsold builders' inventory, especially in soft real estate markets.

Interested Party in the Transaction

Carefully examine loans with borrowers who are employed by interested parties to the property sale, purchase or financing of the transaction.

- Borrowers who are employed by an interested party in the transaction must provide 2-years tax returns and all W-2s, regardless of the percentage of ownership or type of income; and
- Most recent YTD pay stub; and
- Verbal VOE





Section 8 Loan Limits

Unito	Contiguous U.S.		Alaska & Hawaii		
Units	Min Loan Amount	Max Loan Amount	Min Loan Amount	Max Loan Amount	
1	\$766,551	See Matrix	\$1,149,826	See Matrix	
2	\$981,501	See Matrix	\$1,472,251	See Matrix	
3	\$1,186,351	See Matrix	\$1,779,526	See Matrix	
4	\$1,474,401	See Matrix	\$2,211,601	See Matrix	

The minimum loan amount is \$766,551 or \$1 above the standard conforming limit for the number of units. High Balance loan amounts are eligible. All Loans must be submitted in whole dollar amounts.

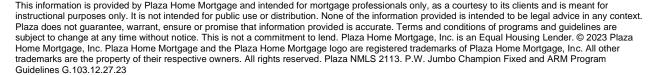
Section 9 Subordinate Financing

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

- Institutional financing is allowed up to the maximum LTV/CLTV.
- The subordinate financing and the terms of repayment (including note rate, repayment terms, and the institution or individual providing the financing) must be disclosed to the appraiser.
- Regular payments of principal and interest, or regular payments of interest only so that negative amortization
 does not occur.
- If the repayment terms provide for a variable interest rate, the monthly payment must remain constant for each 12-month period over the term of the subordinate lien mortgage.
- Interest rate should be at market rate.
- If the subordinate lien contains a maturity date or balloon or call provision within the five-year period after the note date of the first lien, it must be fully amortizing under a level monthly payment.
- Be recorded and subordinate to the first mortgage lien.
- Terms of the subordinate financing must be clearly documented in the loan file.
 - o For purchase transactions or refinance transactions where new subordinate financing is obtained:
 - Note or other evidence of subordinate lien terms; and
 - Closing Disclosure or other closing statement; and
 - For HELOCs, the HELOC agreement indicating all fees and costs paid by the borrower at closing, and the maximum permitted credit advance.
 - For refinance transactions, if an existing subordinate lien is not paid off, it must be re-subordinated to the new first lien, and a copy of the recorded subordination agreement and the note must be maintained in the loan file.

Ineligible Subordinate Financing:

- Seller carry-back.
- Contains special Servicing requirements (buydown, GPM, or other).
- Terms that restrict prepayments or provide for a prepayment penalty.
- Negative amortization.
- Does not fully amortize under a level monthly payment plan when the maturity or balloon payment date is less than five years after the note date of the new first mortgage.
- Community Second Mortgage/Down Payment Assistance Program.





Section 10 Borrower Eligibility

Eligible Borrowers:

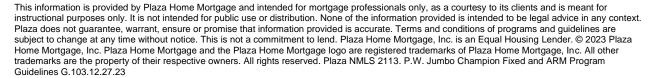
- U.S. citizens
- Permanent resident aliens:
 - o A front and back copy of the Alien Registration Card is required.
 - A green card that is expired or will expire within five months of the note date is eligible as long as the borrower provides evidence of renewal or extension including, but not limited to, an *Application to* Replace Permanent Resident Card (USCIS Form I-90).
- Inter Vivos Revocable Trusts Refer to Inter Vivos Trusts at the end of this section.
- All borrowers must have a valid Social Security number.
- Note: Maximum 4 borrowers allowed.

Ineligible Borrowers:

- Employees of Citibank N.A. and CitiMortgage, Inc
- Non-occupant co-borrowers
- · Partnerships, Limited Partnerships, Corporations and LLC's
- Non-Revocable Trusts
- An individual on behalf of a corporation, partnership, or trust
- Non-Permanent Resident Aliens
- Borrowers with Diplomatic Immunity
- Land Trusts (Illinois Land Trusts may be acceptable with additional requirements)
- Borrowers with only an ITIN (Individual Taxpayer Identification Number)

Inter Vivos Trusts: Living/inter vivos trusts must comply with local state regulations and the requirements below.

- The borrower must be <u>all</u> of the following:
 - The settlor, or the person who created the trust
 - The beneficiary, or the person who is designated to benefit from the trust
 - The trustee, or the person who will administer the trust for the benefit of the beneficiary (the borrower)
- Documentation requirements
 - A trust certification is acceptable, where allowable under state law in the state where the property is located.
 - Where state law does not allow for a trust certification, a complete copy of the trust documents is required. The trust documents must be certified by the borrower to be accurate, or a copy of the abstract or summary (for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements) is required, and
 - o Attorney's opinion letter from the borrower's attorney verifying all of the following is required:
 - The trust was validly created and is duly existing under applicable law.
 - The trust is revocable.
 - The borrower is the settlor of the trust and the beneficiary of the trust.
 - The trust assets are eligible to be used as collateral for a loan.
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee
 - The borrower
 - The settlor
 - Fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets





Section 11 Underwriting Method

All loans must be manually underwritten per these program guidelines.

Section 12 Credit

Credit Standards: A tri-merged credit report is required. The loan may not be approved if there is a security freeze on two or more of the 3 national credit repositories. A credit report that includes information from only two repositories is acceptable if the borrower's credit information is frozen at one credit repository.

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:

- The cumulative established credit history of all borrowers (all borrowers combined, not required for each borrower) on the transaction needs to consist of a minimum of 4 trade lines (installment, revolving accounts, mortgages, etc.).
 - o One tradeline must be open and have a minimum of 24 months history.
 - o The other 3 tradelines may be open or closed but must be rated for at least 12 months.
- 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.

Housing Payment History:

- For each mortgage liability where the borrower is currently an obligor on the note secured by real estate debt, a
 verification of mortgage must be obtained if the mortgage is not verified on the credit report. Note: Timeshare
 loans are treated as installment debt.
- Verification of Mortgage: 0 x 30 for the previous 12 months for all borrowers and all properties owned.
 - The credit report must contain the entire mortgage payment history. If the report covers activity for the previous 12 months or longer, that may be relied on for the verification. If it does not, the history must be obtained directly from the mortgage servicer or by obtaining 12 months cancelled checks (front and back).
 - Housing payments must be verified current through the month preceding the note date of the new mortgage.
 - Borrowers unable to provide a complete 12 month mortgage/rental history are limited to primary residence transactions.
- **Verification of Rent:** 0 x 30 for the previous 12 months.
 - VOR from a professional management company; or
 - Copies (front & back) of twelve (12) months consecutive (one (1) payment per month) rental payment cancelled checks; or
 - o Bank statements or direct payment records showing one (1) payment per month; or
 - o Residential mortgage credit report ("RMCR") or merged in-file report.
 - Verifications performed by a party other than a professional management company are not permitted.
 The management company must be listed in the local telephone directory and the file must contain a copy of the list. If the listing is not available, 12 months canceled checks must be provided.
- A gap in mortgage/rental payment history of up to six (6) months is allowed by obtaining the most recent eighteen-month (18) history and providing written documentation explaining the reason for the gap.
- Borrowers unable to provide a complete twelve-month (12) mortgage/rental history are limited to owner occupied primary residences only.
- Borrowers living rent free are eligible. A rent free letter signed by the borrower and landlord is required. Primary residence transactions only.



Bankruptcy: 4 Years. Borrowers who have had a bankruptcy closed within the past 7 years must provide the following:

- Copies of the bankruptcy petition, schedule of debts, discharge or dismissal order and the document issued by the court showing the bankruptcy estate is closed.
- Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid.
- Any other evidence necessary to support the determination that the borrower has reestablished and maintained an acceptable credit reputation.

Foreclosure / NOD: 7 Years. Borrowers must provide a written explanation. The explanation will help assess whether the credit problems were due to extenuating circumstances (factors clearly beyond the control of the borrower) or whether they reflect financial mismanagement (disregard for the payment of obligations when due).

Short Sale / Deed-in-Lieu / Short Payoff: 4 Years. Borrowers who have had significant derogatory credit within the past 7 years must provide a written explanation. The explanation will help assess whether the credit problems were due to extenuating circumstances (factors clearly beyond the control of the borrower) or whether they reflect financial mismanagement (disregard for the payment of obligations when due).

Restructured / Modified Loan: If the transaction involves the refinancing of a mortgage that has been previously Restructured or Modified, or if the borrower(s) were obligated on a prior mortgage that was restructured or modified, the borrower(s) are eligible for new financing as long as the following criteria are met:

- At least 6 months have elapsed since the Restructure or Modification was completed; and
- Mortgage history and all other program guideline requirements are met.

COVID CARES Act Forbearance:

- Mortgage payments missed during the time of a COVID-19 related Forbearance do not have to be considered as mortgage lates and do not have to be considered significant derogatory credit.
- Borrower(s) who have been accepted into a Payment Deferral are considered current upon completion of the Payment Deferral.
- Borrowers(s) are eligible for new financing upon completion of the payment deferral under a Forbearance or Repayment Plan and if the following criteria are met:
 - o At least 6 months have elapsed since the Forbearance or Repayment Plan was completed; and
 - o Borrower(s) must have made the payments as agreed per the loan forbearance or repayment plan, and
 - Mortgage history must meet the mortgage history requirements per the product, program and/or process applied, and
 - Borrower(s) must meet all other requirements per the product, program and/or process applied



Charge-offs / Collections: Unpaid charge-offs and/or collections are required to be satisfied as defined below.

- An explanation from the borrower is required.
- Proceeds from a cash-out refinance transaction may be used to satisfy the unpaid charge-off and/or collection at closing.
- An account may be paid at closing, for a purchase or rate/term refinance transaction, if all of the following requirements are met:
 - The payoff should be documented on the Closing Disclosure and match documentation in the loan file;
 and
 - The loan must contain documentation as to why the account(s) could not be satisfied prior to the loan closing; and
 - Under no circumstances may the proceeds of the loan be used to pay the unpaid charge-off or collection account unless the transaction is a cash-out refinance.
- Accounts may remain open if:
 - The total balance of all outstanding collections is <\$2,000; or
 - o If the total outstanding balance of all collections is >\$2,000, then 5% of the balance of each outstanding collection account for all borrowers must be included in the calculation of the total debt ratio; and
 - The charge off has not reached a judgment or lien status; and
 - o The borrower has documented evidence of the dispute if it is a disputed account.

Judgments / Tax Liens:

- Borrower must pay off all delinquent credit—including delinquent taxes, judgments, charged-off accounts, tax liens and mechanics' or materialmen's liens—that have the potential to affect lien position or diminish the borrower's equity.
- Borrowers with previous judgments must provide evidence of payment in full or evidence the judgment no longer represents a claim against the borrower.
- The borrower must provide satisfactory written explanation along with any supporting documentation, as needed.
- Loan proceeds may be used to pay off judgments or tax liens at closing by the title company; pay off must be documented on the Closing Disclosure.
- Prior year taxes under payment plans are not required to be paid off when the following requirements are met:
 - The payment associated with the installment agreement must be included in the calculation of the Borrower's DTI ratio if there are more than 10 months of payments remaining under the agreement; and
 - The installment agreement approved by the IRS verifying the payment terms, including the monthly
 payment amount and balance must be provided; and
 - Documentation must show that the Borrower is not past due under the terms of the installment agreement; and
 - There must be no indication that the IRS has filed a Notice of Federal Tax Lien for the taxes owed under the installment agreement.

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.
- Disputed trade lines or public records adverse to the credit profile require a written explanation from the borrower
 including evidence to support the dispute. If the account in question adds risk, such as stolen/fraudulent use of
 the account, the evidence must include documentation and verification of the account status (i.e. current balance,
 delinquency, etc.) from the creditor or credit bureau.
- Note: If the account or public record is medical, a letter of explanation and evidence is not required.
- 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.



Inquiries: An explanation from the borrower is required for any inquiries in the past 90 days. Determine if the inquiries resulted in additional debt that must be included in the debt ratio or an unacceptable source of down payment.

Section 13 Income & Employment

Income Stability:

- Qualifying income should be stable, predictable, and likely to continue. The borrower must demonstrate the financial wherewithal to repay the proposed real estate transaction as well as other obligations.
- A 2-year employment history must be reflected on the application. The purpose of reviewing employment history
 is to assure that the borrower has a history of receiving stable income from employment (and other sources) and
 that there is reasonable expectation that the income will continue to be received in the foreseeable future. If
 documentation indicates that the income will end within the next 3 years the income should not be used to qualify.

Significant Increases or Decreases in Income Level:

- If the borrower has experienced a significant decrease in income, income should not be averaged using a
 previous higher level unless the decrease was due to a documented one-time occurrence that impacted the
 income level for a period of time, and the borrower's income level has returned to the amount they previously
 earned.
- If the borrower has experienced a significant increase in income, the underwriter must obtain sufficient documentation to determine that the increase was not due to a one-time occurrence, and that the income used to qualify is stable and likely to continue at the level to be used for qualifying.
- The focus of the underwriter's analysis should be on the qualifying income that is most likely to be received for the next 3 years.

Gaps in Employment: The borrower must provide a detailed two-year employment history. The underwriter must determine that any gaps do not affect employment stability or continuance. Obtain a written explanation from the borrower for any gaps in employment that span more than 30 days.

Re-entering the Workforce: A borrower's income may be considered effective and stable when recently returning to work after an extended absence if the borrower:

- Is employed in their current job for six months or longer; and
- Can document a two-year work history prior to an absence from employment using:
 - o Traditional employment verifications; and/or
 - o W-2s or paystubs.
- Note: An acceptable employment situation includes individuals who took several years off from employment to raise children, then returned to the workforce.
- Situations not meeting the criteria listed above may not be used in qualifying. Extended absence is defined as six months.



Newly Employed:

- Borrowers who are newly employed and have an employment and income history that covers less than the 2
 most recent years may be eligible for a mortgage loan as long as the borrower was attending school, in a training
 program related to the new position, or in the military immediately prior to their current employment. Supporting
 evidence such as College transcripts or discharge papers are required to verify.
- Note: When the borrower has less than a two-year history of receiving income, the underwriter must also provide a written analysis to justify the determination that the income used to qualify the borrower is stable.

Paystubs: Paystubs for the most recent pay period must:

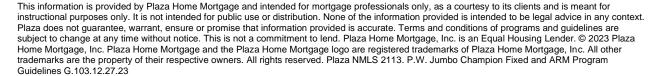
- Be dated within 30 days of the loan application; and
- Document at least 30 days of income; and
- Include all year-to-date income and list all deductions; and
- Be computer-generated (may not be handwritten); and
- Contain the company's name or employer tax I.D. that matches the W-2; and
- Contain the name and/or social security number of the employee; and
- Show the pay period covered.
- If the paystub does not include sufficient information to appropriately calculate income, additional documentation
 must be obtained.

Third Party Verification Services Provider:

- Third-party income verifications are acceptable in lieu of the Request for Verification of Employment form (Fannie Mae Form 1005), provided the verification contains all of the information that would be required on Form 1005.
- If the information provided by a third-party vendor comes directly from the employer's payroll system, it is not necessary to verify the employer representative.
- This does not replace the need to obtain a verbal employment verification within 10 business days prior to close. However, it can be the resource for obtaining the verification within the required timeframe.

Verbal Verification of Employment: For salaried borrowers, including commission, bonus, and overtime, a verbal verification of employment (verbal VOE) is required:

- Performed no more than 10 business days prior to the loan closing.
- The verbal VOE must be provided using Plaza's VOE Form or similar form that contains the information below. The employers' telephone number must be independently verified using the phone book, calling Directory Assistance, or through the internet via a resource such as "The Work Number". The contact must be documented in writing with borrowers' employer including:
 - Borrower Name
 - Name of the borrower's employer
 - Name, title and department of the person who provided the confirmation (generally, this information should be provided by a Human Resource representative or the borrower's supervisor or manager)
 - Employer's telephone number and the source from which the number was obtained (e.g., directory assistance, phone book, etc.)
 - Statement that the borrower is or is not currently employed
 - Other remarks that may be pertinent to the transaction
 - Name and title of the individual who contacted the employer and the date the information was obtained





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

- Personal Income Tax Returns
 - o Must be complete with all schedules (W-2 forms, 1099 Forms, K-1 schedules, etc.)
 - Signed by each borrower
- Business Income Tax Returns
 - Must be complete with all schedules (K-1 schedules, Form 1065, etc.)
 - Signed by each borrower
- Age of tax returns: The "most recent year's" tax return is defined as the last return scheduled to have been filed with the IRS.

Application Date	Note Date	Documentation Required
October 15 ¹ to April 14 ²	October 15 ¹ - April 14 ²	The most recent year's tax return is required. Use of a tax extension is not permitted.
	April 15 - May 30	The most recent year's tax return is recommended; however, the previous year's is also acceptable.
All	May 31 - October 31	The most recent year's tax return is required, or if the most recent return is not available, all of the following must be documented: • A copy of IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS; and • IRS form 4506-C transcripts confirming "No Transcripts Available" for the applicable tax year; and • Tax returns for the previous two years.
All	November 1 – April 14	The most recent year's tax return is required. Use of a tax extension is not permitted.

^{1.} Or the April/October filing date for the year in question as published by the IRS.

IRS 4506-C and Tax Transcripts: A signed 4506-C is required and will be processed and tax transcripts obtained for all borrowers and for all years in which income or loss was used in the underwriting decision.

- A 4506-C for full returns (not W-2 only) is required.
- Tax transcripts must be obtained and must match the documentation in the loan file.
- All borrowers whose income is used to qualify for the loan transaction must sign form 4506-C, regardless of income type—salary, self-employed, social security, etc.
- An additional 4506-C must also be signed prior to or at closing for each business tax return that is in the loan file
 that was used to calculate qualifying income (resulting in either a gain or loss); however it does not need to be
 processed and transcripts are not required for the business.

Taxpayer Consent Form: Must be signed by all borrowers. Plaza's loan documents include a taxpayer consent form.



^{2.} Or the day prior to the April/October filing date for the year in question as published by the IRS.

^{3.} For business tax returns, if the borrower's business follows a fiscal year (a year ending on the last day of any month except December), the dates in the chart above may be adjusted to determine what year(s) of business tax returns are required in relation to the application date/disbursement date of the new mortgage loan.

Self-Employed Verification of Existence of the Business: Confirmation that the borrower's business remains open and in existence must be verified within 30 calendar days prior to the loan closing regardless of the borrower's ownership percentage in the business. Verification to include:

- Documentation prepared/issued by a third party, such as a CPA, regulatory agency, or applicable licensing bureau, if possible; or
- Obtaining a phone listing and address for the borrower's business using telephone book, the Internet or directory assistance. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable.
- If the above items are not obtainable, the following alternative methods may be used and the underwriter must clearly state why the alternative method was used and how the verification confirms the existence of the business:
 - A current statement of bond insurance (the insurance policy must be a minimum of 2 yrs. old); or
 - o Evidence of workers compensation/liability insurance.
- For all of the methods of verification, the following must be documented:
 - Name and address of the business; and
 - The entity contacted (if applicable); and
 - The date the information is verified; and
 - The name and title of the person who obtained the verification.

Income Analysis Worksheet: An income worksheet must be provided on every loan regardless of type of income. Borrowers with multiple businesses must show income/loss details separately, not in aggregate on the Income Worksheet.

- Plaza's Income Worksheet or Fannie Mae Form 1084 or Freddie Mac Form 91 is required for self-employment income analysis.
- If either the borrower or co-borrower is self-employed, in addition to the required wage earner income documentation, complete tax returns for the most recent 2 years must be provided even if the income is not being used to qualify. The personal tax returns must be reviewed to determine if there is a "meaningful" business loss that may have an impact on the stable monthly income being used to qualify. Additional documentation may be needed to fully evaluate the impact of the business loss on the borrower's ability to repay.

Employment Income	Documentation Requirement
Wage Earner	 Most recent YTD paystub or salary voucher documenting at least 30 days of income. Paystub must be dated no earlier than 30 days prior to the application date and must include all year-to-date income. If the paystub does not include sufficient information to appropriately calculate income, additional documentation must be obtained. W-2s for the most recent 2 years regardless of how long the borrower has been on their current job; and 2 years tax transcripts; and Verbal VOE
Hourly / Variable Income	An earnings trend must be established and documented, and the amount that is most likely to continue for the next 3 years must be used to qualify. A borrower who has had different types of employment in the past may be considered to have stable income if the amount has remained at a consistent level (at a minimum), and changes have not affected the borrower's ability to pay their obligations. • Most recent YTD pay stub; and • 2 years most recent W-2s; and • 2 years tax transcripts; and • Verbal VOE



Part-time, seasonal or second-job income may be used if it can be verified as having been received for the previous 2-years and if it has a strong likelihood of continuation. This income is considered uninterrupted if the borrower has held the same position for at least 2-years and employment is expected to continue for the next 3 years. (For example, someone who works at a department store only during the Christmas season, or who Part-Time Income/ works summers in an amusement park demonstrate a consistency that is likely to **Second Job** continue.) Income is averaged over 2 years. Most recent YTD pay stub; and 2 years most recent W-2s; and 2 years tax transcripts; and Verbal VOE The borrower must have a 2-year consecutive history of receiving commission income and the commission income must be likely to continue for the next three years. Commission income must be averaged over the previous 2 years. Income may be subject to fluctuations from year-to-year. If there are large fluctuations, the borrower must provide a written explanation to support the increase or decrease in income and the appropriate adjustments made to average income used to qualify. If the commission income shows a continual decline, written sound rationalization for using the income to qualify must be Commission provided, or income should not be used. Most recent YTD pay stub; and 2 years most recent W-2s; and 2 years tax transcripts; and Verbal VOE. Note: If the file contains tax returns or tax transcripts they cannot be ignored. The borrower must have a 2-year history of receipt and it must be likely to continue for the next three years. Earnings must be level or increasing; compensating factors must exist if decreasing in the last year. Most recent YTD pay stub; and • 2 years most recent W-2s and/or 1099s; and There can be no evidence from the employer that the income will no longer be received; and 2 years tax transcripts; and Verbal VOE. Overtime & Bonus Earnings trend: If the trend is stable or increasing, income can be averaged over the two year o If the trend was declining but has since stabilized and there is no reason to believe that the borrower will not continue to receive the income at the current level, the current, but lower stabilized amount must be used. o If the trend is declining, the income may not be stable and additional analysis must be performed to determine if the income should be used. Income should not be averaged over the period of decline. Most recent YTD Leave and Earnings Statement (LES) documenting at least one month of income. Most recent two years' W-2s; and 2 years tax transcripts; and Military Income Verbal VOE. Reservist or National Guard: The borrower must have a 2-year history or receipt and the income is expected to continue for the next 3 years



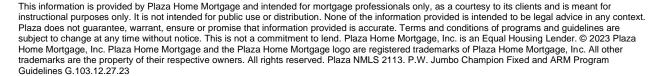
Self-Employment & Other Income			
Contract Employees	Individuals who work on a contractual basis rather than as an employee, are treated as self-employed and must have a 2-year history in the same line of work. • 2 years most recent personal tax returns with all W-2s or 1099's; and • 2 years tax transcripts; and • Verification of the existence of the business.		
Sole Proprietor	 2 years most recent signed tax returns with all Schedules (tax returns must reflect at least 12 months of self-employed income); and Income Analysis Form; and 2 years tax transcripts; and Verification of the existence of the business; and If there is evidence of a large increase in net profits from the prior year, and the income is needed to qualify, additional information may be required to substantiate the income. The borrower must provide a detailed letter from their CPA explaining the cause of the increase along with an audited year-to-date Profit and Loss Statement. 		
Partnerships (General, Limited) / Limited Liability Companies / "S" Corporations / Corporations	 2 years most recent signed personal and business tax returns with all schedules and K-1s and partnership return (if applicable) and W-2s or 1099s (tax returns must reflect at least 12 months of self-employed income); and Income analysis form; and 2 years tax transcripts from the personal returns; and Verification of the existence of the business; and Year-to-date unaudited profit and loss (P&L) statement and balance sheet for the business is required when the application is dated more than 90 days after the end of the business' fiscal or calendar year end. The P&L and balance sheet must be: Completed by the business's tax preparer; or Completed by the borrower in addition to the following: Evidence provided that the document has been viewed by the business's tax preparer; or Evidence provided that the document has been viewed by an appropriate third party who is not affiliated with the loan transaction; or Two months business bank statements to support the income on the P&L statement and balance sheet. Note: Corporate income may not be used unless the borrower owns 100% of the business. (W-2 and 1099 earnings are eligible) 		
Employed in Family Owned Business / Interested Party to Transaction	If the borrower is employed by a relative, a closely held family business, the property seller, real estate agent, or any party to the real estate transaction, obtain the following documentation: • Most recent YTD pay stub; and • 2 years most recent personal tax returns and all W-2s; and • 2 years tax transcripts; and • Verbal VOE.		



The borrower must have received the income for at least 6 months and it must continue for at least 3 years as specified by the court order or an attorney's letter specifying the individuals and issues. 6 months deposit slips and/or bank statements/cancelled checks, court records or tax returns evidencing regular deposit of the funds; and Court order/agreement evidencing amount, frequency, and 3 years continuance; and Alimony / Separate For child support also provide proof of ages of the children for which child support is Maintenance / Child received (in order to support a 3-year continuance). Support If the income is received less than 6 months, if payments are made on an inconsistent basis, or if a borrower does not have a court order that specifies the support payments, the income cannot be used. When the income is verified to be non-taxable, the previous year's tax rate must be used to calculate the grossed up percentage. If the borrower was not required to file a tax return or they didn't have any tax liability on their tax return, a 25% tax rate must be used in the calculation. Capital gain income should only be considered if there is evidence of sufficient assets remaining after closing to support continuance of the income, at the level used for qualifying, for at least the next 3 years. 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. 2 years most recent tax returns with Schedule D and W-2s or 1099's; and · 2 years tax transcripts; and Proof of ownership of the asset (e.g., statements) evidencing sufficient value to **Capital Gains** support the continuance of capital gains; and It is determined that the income is likely to continue based on an established earnings trend. o If the trend is stable or increasing, income can be averaged over the two year o If the trend was declining but has since stabilized and there is no reason to believe that the borrower will not continue to receive the income at the current level, the current, but lower stabilized amount must be used. o If the trend is declining, the income may not be stable and additional analysis must be performed to determine if the income should be used. Income should not be averaged over the period of decline. Disability and/or workers compensation benefits must be stable and expected to continue for at least 3 years. Copy of Disability policy or Benefits Statement; and A statement from the benefits' payer (insurance company, employer, or other qualified and disinterested third party) confirming the borrower's current eligibility; **Disability Income** 2-months deposit slips and/or bank statements/cancelled checks evidencing regular deposit. When the income is verified to be non-taxable, the previous year's tax rate must be used to calculate the grossed up percentage. If the borrower was not required to file a tax return or they didn't have any tax liability on their tax return, a 25% tax rate must be used in the calculation.



Foster care income may be considered provided the borrower has a 2-year history of providing foster-care services under a recognized program, and is likely to continue for the next 3 years at a level that supports the amount of income needed for qualifying for the mortgage. **Foster Care** Letters from the organization providing the income showing a 2 year payment history; 2 years most recent personal tax returns and 2 years tax transcripts; or 24-months deposit slips or bank statements/cancelled checks confirming regular deposit of the payments. Ongoing income received from inheritance or other guaranteed sources—such as prize earnings, or lottery winnings-may be used to qualify provided it can be verified that the income is regular and recurring. The borrower should have a documented history of receiving it for at least 2-years and verify that it will continue for at least 3 more years. Copy of Award letter confirming amount, frequency, and duration of payments; and Inheritance / **Guaranteed Income** 2 years most recent tax returns with all Schedules; and 2 years tax transcripts. • Borrowers who do not have a 2-year history of receiving the income may still be considered contingent upon the terms of the payout. Example: The income is guaranteed to continue for the next 20 years but the borrower has only received one payment/installment. The borrower must have a 2-year history of receiving the interest or dividend income and the income must be expected to continue for the next 3 years. 2 years most recent tax returns with Schedule B; and 2 years tax transcripts; and Two month's asset account statements showing sufficient assets available to continue generating dividends and interest after closing; and Determine that the income is likely to continue based on an established earnings trend. o If the trend is stable or increasing, income can be averaged over the two year Interest / Dividends o If the trend was declining but has since stabilized and there is no reason to believe that the borrower will not continue to receive the income at the current level, the current, but lower stabilized amount must be used. If the trend is declining, the income may not be stable and additional analysis must be performed to determine if the income should be used. Income should not be averaged over the period of decline. If funds are used for the down payment and closing costs, the value of the assets should be reduce accordingly and the interest and dividends recalculated on the reduced value.





When a borrower receives K-1 income but has <25% ownership of a partnership, S corporation, or LLC, ordinary income, net rental real estate income and other net rental income reported on IRS Form 1065 or IRS Form 1120S, the income may be used to qualify.

- 2 years most recent tax returns with Schedule E; and
- 2 years most recent Schedule K-1; and
- · 2 years tax transcripts for personal returns; and
- Verification of the existence of the business is required.
- If the Schedule K-1 reflects a stable history of receiving cash distributions of income
 from the business consistent with the level of business income being used to qualify,
 the Schedule K-1 income may be used to qualify, no additional documentation of
 access to the income or adequate liquidity is required.

• If the Schedule K-1 does not reflect a stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, additional review is required. In addition to the documentation requirements as listed above, the following must be documented and reviewed:

- Evidence that the borrower has access to the income such as partnership agreement or corporate resolution confirming access to the income.
- Evidence that the business has adequate liquidity to support the withdrawal of the earnings. The underwriter needs to determine what documentation is acceptable to determine that the business has the capacity to continue making cash distributions at the level of business income being used to qualify.
- If the borrower has a 2 year history of receiving "guaranteed payments" from a partnership or an LLC, the payments can be used to qualify.

K-1 Income < 25% Ownership



May be used when the borrower has a verified history of receiving the income for at least 24 months and the likelihood of its continuance must be verified. Documentation of receipt of restricted stock income for the most recent 2 years. E.g., 2 most recent year-end paystubs, W-2's that provide a breakdown of base pay and restricted stock, etc.; and • Documentation of the most recent 2 years of restricted stock awards. E.g., compensation awards letters, vesting schedule etc.; and Printout/screenshot verifying company is publicly traded and verifying the stock price on the date of application; and · 2 years tax transcripts; and • Determine that the income is likely to continue based on an established earnings o If the trend is stable or increasing, follow income calculation below. If the trend is declining, the income may not be stable and additional analysis Restricted Stock must be performed to determine if the income should be used Income Calculation - restricted stock income is calculated using the lower of: • An average of the prior 2 years RSU earnings, or • The number of performance-based shares/units awarded over the last 2 years at the current employer multiplied by the current stock price on the application date at 70% and averaged over 24 months. Restricted stock received from a sign-on type award can be used towards establishing the history of receipt of RSU income, but those shares cannot be considered in the income calculation. To avoid counting the income/asset twice, if restricted stock is used as income, any unvested shares of restricted stock cannot be used as an asset, nor can dividend interest or capital gains income from the same restricted stock be used. Retirement income may be used if properly documented and is expected to continue for a minimum of 3 years. Employee Sponsored - document regular and continued receipt of income as verified by: Copies of most recent 1 years' 1099 or IRS W-2; or 2-months financial statements or bank statements evidencing regular deposit of the fund; or Statement from the organization providing the income; or Most recent 1 years' Federal Tax Return Retirement / Pension / IRA, 401(k), SEP, KEOGH retirement distributions – document by: Annuity / IRA o Borrower must have unrestricted access without penalty to the accounts; and distributions If the assets are in the form of stocks, bonds or mutual funds, 70% of the value must be used to determine the number of distributions remaining to account for the nature of the assets. · Annuity: Copy of the most recent updated annuity renewal statement showing the effective date, amount, frequency, and 3 years continuance. When the income is verified to be non-taxable, the previous year's tax rate must be used to calculate the grossed up percentage. If the borrower was not required to file a tax return or they didn't have any tax liability on their tax return, a 25% tax rate must be used in the calculation. Social Security Administration Benefit Letter; and **Social Security** Proof of current receipt. Income Note: A history of receipt is not required for newly obtained assistance.



if the borrower id drawing benefits from another's account/work record, evidence must be obtained to verify income will continue for at least 3 years. When the income is verified to be non-taxable, the previous year's tax rate must be used to calculate the grossed up percentage. If the borrower was not required to file a tax return or they didn't have any tax liability on their tax return, a 25% tax rate must be used in the calculation. Income from a trust may be used provided it is properly documented and the trust must have sufficient assets to maintain the same level of payments for the next 3 years. A copy of the trust agreement is generally required. Copy of Trust Agreement or trustee's statement that verifies the amount, frequency, and 3 years continuance; and • Proof of receipt of income verified with a bank statement or equivalent documentation; and Evidence of sufficient assets to support the qualifying income for at least 3 years (e.g., letter from trustee, bank statements). In addition to the above, the following must be obtained. • For Variable Trust Payments: **Trust Income** o History of receipt showing 24 months payments documented with 2 years most recent tax returns with all Schedules. o Income to be calculated using 24-month average. • For Fixed Trust Payments: 12-month history of receipt with a bank statement or equivalent documentation; o If unable to document a 12-month history, the trust documentation must reflect fixed payments; and

the borrower is not the grantor of trust; and

statement or equivalent documentation.

at least one payment must be received prior to closing shown in bank

o Income to be calculated using the fixed payment amount documented.



Rental Income

Rental income may be received from investment properties or other units in an owneroccupied 2-4 unit property.

- Personal tax returns, including all schedules, for prior 2 years; and
- 2 years tax transcripts.
- If the property generating income does not appear on the most recently filed tax return, a current lease is required with a minimal term of one year.
- For properties listed on Schedule E, Net Rental Income should be calculated using: Gross Rents (-) Total Expenses (+) Amortization/Casualty Loss/Non-recurring Expenses (+) Insurance (+) Mortgage Interest (+) Taxes (+) HOA fees (+) Depreciation / Divided by applicable number of months (-) PITIA = Net rental income/loss per month.
- If property does not appear on the borrower's tax returns because it was recently acquired, net rental income should be calculated using 75% of gross rents (-) PITIA.
- Rental income for the subject property must be supported by operating income statement (216) or comparable rent schedule (1007)
- Net rental income is added to the borrower's total income and net rental loss is added to the borrower's liabilities.
- Rental income on the lease must be in U.S. dollars (cannot be in cryptocurrency).
- When property has been owned less than 12 months and is not reflected on the borrower's tax returns:
 - leases may be used only if the borrower has a two-year history of property management experience as evidenced by the most recent two years' complete individual federal tax returns.
 - a vacancy/maintenance expense factor of 25% must be deducted from the rental income verified by the current signed lease agreement for determining qualifying income.
 - For refinance transactions, three months of canceled checks or bank statements verifying receipt of rental income is required.

Rent loss insurance in an amount equal to a minimum of six months of the rental income is required if rental income is being used to qualify.

Ineligible Income:

- Future or projected income
- Any income derived from transactions in or related to the sale or production of marijuana, hemp or any cannabis products or derivatives, such as CBD products
- · Any income that cannot be documented and verified
- · Capital withdrawals

All Properties

- Draw Income
- Gifts, including Gift of Equity
- Illegal Income/Income not listed on Tax Returns
- Income from Foreign / Non-U.S. Sources
- Retirement assets as asset utilization
- Room/boarder rent
- Trade Equity
- Trailing Co-Borrower
- Any income derived from owning or controlling a VASP (Virtual Asset Service Provider), as defined in the VASP standard
- Income that is paid in cryptocurrency



Section 14 Qualifying Ratios

- Refer to the **Program Matrix** in Section 3 for qualifying ratios.
- Fixed Rate: Qualify at the note rate.
- ARM: Qualify at the greater of the fully indexed rate or the note rate.
- For other properties owned, documentation to confirm the amount and/or presence or absence of liability for P&I, taxes, insurance, HOA dues, lease payments or other property-related expenses must be provided.

Revolving Charges:

- Payoff of revolving debt to qualify is not permitted.
- The payment listed on the credit report or from the latest statement is used to calculate the DTI.
- If no payment is stated on the credit report, the greater of 5% of the current balance, or \$10 should be used.
- If multiple account payments are not reported, or if the borrower's ratios are at the maximum permitted, the underwriter should obtain actual minimum payments from the borrower's account statements.

Installment Debt:

- If installment debt does not extend beyond 10 months, the debt may be excluded from the DTI calculation when the Underwriter determines that the size and/or number of remaining payments will not impact the borrower's ability to handle the new mortgage payment during the early period of the loan.
- Installment loans that are being paid off do not have to be included in the borrower's long-term debt.
 - If all or any portion of the proceeds of the Mortgage is used to pay off or pay down existing debts (installment) in order to qualify for the Mortgage, payoff must be documented in the Mortgage file.

 Canceled checks, paid receipts and/or a copy of the Closing Disclosure form or other closing statement may be used to document the repayment.
 - When the borrower pays off or pays down an existing debt in order to qualify, the source of funds used must be verified, and meet eligibility requirements for both purchases and refinances.
- Note: Timeshare loans are treated as installment debt. Monthly maintenance/HOA fees must also be verified and included as a liability.

Alimony / Maintenance: Monthly alimony obligation should be treated as a recurring debt. Acceptable sources of documentation include a copy of:

- All page(s) of the final divorce decree, or
- Signed court order, or
- · Property settlement, or
- Separation agreement.
- If payments are being paid through the court, a letter from the court verifying the dollar amount is sufficient.
- Obligations that will end within the next 10 months do not need to be considered and may be omitted from the DTI ratio only if the remaining term of payments is verified by the above documentation.

Borrowed Funds Against Financial Asset: Loans against a liquid asset that is secured by stocks, bonds, or any other investment account, life insurance policies, 401(k) accounts, CDs, or other financial assets.

- The debt is not generally counted in the borrower's qualifying ratios if the loan instrument shows the asset as collateral for the loan, since the loan may be repaid by liquidating the asset.
- Information regarding the amount of the loan the loan terms must be provided.
- A financial institution must have made the loan.
- Cryptocurrency: Payments on installment debts secured by cryptocurrency must be included in the monthly DTI.



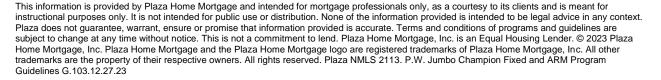
Business Debt: If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt and it must be included in the debt-to-income ratios. Debts paid by the borrower's business do not have to be included in the debt-to-income ratios if:

- The borrower provides 12 months canceled checks drawn against the business account or, in lieu of cancelled checks, a letter from a CPA providing specific account number(s) and verification that the business has paid the debt for the past 12 months; and
- The account in question does not have a history of delinquency; and
- Two year's personal, partnership, and/or corporate tax returns evidencing that business expenses associated with the debt support that the debt has been paid by the business must be obtained; and
- The underwriter's cash flow analysis of the business took into consideration the payment of the obligation (included interest expenses, and taxes and insurance, if applicable, that one would reasonably expect to see based on the loan balance and age of the loan).
 - If the debt is not included in the borrower's debt ratio, the loan must be reviewed to confirm income is
 independent of the borrower and the business can continue to cover the debt for the next three years.
 - The debt must be included in the borrower's debt ratios if the tax return analysis of the business does not reflect any business expense (including taxes and insurance, if applicable) equal to or greater than the amount of interest that one would reasonably expect to see given the amount of financing shown on the credit report and the age of the loan.

Child Support: Payments of child support are counted as recurring debts. Obligations that will end within the next 10 months do not need to be counted in debt-to-income ratio. Acceptable sources of documentation include a copy of:

- Applicable page(s) and signature page of the divorce decree, or
- · Property settlement, or
- Separation agreement.
- If payments are being paid through the court, a letter from the court verifying the dollar amount is sufficient.

Borrowers with current or previous past due child support must provide evidence that all past due payments are current unless the borrower is making the payments according to a court approved plan. In this case, the borrower must demonstrate that payments are current according to the plan.





Contingent Liabilities: A contingent liability being paid by others may be excluded from the monthly debt payment ratio when the following requirements are met:

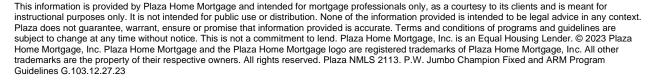
- Installment debt, revolving, or monthly lease payment (including Authorized User accounts):
 - The most recent 12 months' cancelled checks or bank statements from the party making the payments;
 and
 - o there must be no delinquencies in the most recent 12 months; and
 - The party making the payments cannot be an interested party to the subject real estate or mortgage transaction.
- Mortgage payment of other property related expenses:
 - The party making the payments must be obligated on the note; and
 - The most recent 12 months' cancelled checks or bank statements from the party making the payments must be provided; and
 - There must be no delinguencies in the most recent 12 months; and
 - The borrower is not using rental income from the property to quality; and
 - The party making the payments cannot be an interested party to the subject real estate or mortgage transaction.
 - For a contingent liability on a Mortgage Assumption, the liability must be included in the DTI when the borrower has sold a property as an assumption without a release of liability being obtained.
- Court-ordered assignment of debt: When a borrower has outstanding debt that was assigned to another party by
 court order (such as under a divorce decree or separation agreement), regardless of whether the creditor has not
 released the borrower from liability, it is not required to count this contingent liability as part of the borrower's
 recurring debt obligations.
 - Documentation must be provided such as a copy of the appropriate pages from the divorce decree or separation agreement.
 - The above policy for court ordered assignments of debt and property settlement buyouts should never apply to debt secured against the subject property. In these instances, the debt must always be counted in the debt ratio calculation.

Departure Residence – current primary residence pending sale but not closed: Both the current and the proposed PITIA must be used to qualify the borrower for the new transaction, unless all of the following are met:

- A fully executed noncontingent sales contract; and
- 6 months PITIA reserves on the departure property in addition to the reserves required for the transaction; or
- If there is no contract on the departure property, a minimum of 24 months PITIA reserves for the departure property in addition to the reserves required for the transaction.

Departure Residence - current primary residence converting to second home:

- Both the current and the proposed Mortgage PITIA payments must be used to qualify the borrower for the new transaction.
- 6 months of PITIA reserves are required for the departure property in addition to the reserves required for the transaction.





Departure Residence - current primary residence converting to investment property:

- Option 1, qualify with PITIA for both properties: If the borrower qualifies with the PITIA for the departing property and the PITIA for the new proposed mortgage payment, the borrower must have 6 months PITIA reserves for the departure property in addition to the reserves required for the transaction.
- Option 2, use rental income to qualify:
 - A minimum of 25% equity must exist in the departing residence. Equity may be documented with one of the following:
 - A current appraisal (2055 or better) minus the current UPB of any liens. The appraisal may not be dated more than 180 days prior to the note date; or
 - The original sales price minus the current UPB of any liens.
 - o 75% of the rental income can be used to calculate rental income and the following must be obtained:
 - A copy of the fully executed lease agreement; and
 - 12 months of PITIA reserves for the departure property is required in addition to the reserves required for the transaction; and
 - if the borrower does not have a two year history of managing an investment property a minimum 760 FICO is required.

HELOC: Qualifying payment should be calculated using the fully amortizing principal and interest payment based on Prime + Margin (or 2% if margin is unavailable) + 2%, for the remaining term after the Interest Only period on the maximum line amount.

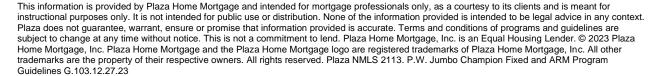
Leased Obligations: The monthly payment should always be counted as a recurring debt regardless of the remaining term.

Non-Reimbursed Business Expense: When a borrower has non-reimbursed business expenses that are being analyzed, such as meals, gasoline, auto insurance and/or taxes, a recurring monthly debt obligation should be developed based on a 24-month average of the expenses (from Schedule A and IRS Form 2106 from the tax returns) and be deducted from the borrower's stable monthly income (see exceptions in bullets below).

- Automobile depreciation may be netted out.
- Union dues shown as an expense on the 2106 do not need to be treated as a reduction to total income.
- Automobile loan payments and automobile lease payments that are included as non-reimbursed expenses on the tax returns may not be deducted from income, but rather they must be included as recurring debts in the total debt ratio
- If the borrower claims a "standard mileage" deduction, multiply the business miles driven by the depreciation factor for the appropriate year as published by the IRS, and add that figure back to the calculation.
- If the borrower claims an "actual depreciation expense" deduction, the amount the borrower claimed should be added back.

Student Loans: Repayment of all student loans must be included in the DTI unless 10 months or fewer payments remain.

- For deferred student loans, the payment amount that will be required once the deferment or forbearance period has ended must be included as part of the borrower's recurring monthly obligations.
- If the credit report does not reflect a payment or does not reflect the correct monthly payment, the following may be used to qualify the borrower:
 - The monthly payment reflected on the student loan documentation (i.e., a copy of the installment loan agreement, a direct verification from the creditor or the most recent student loan statement), or
 - 1% of the outstanding balance, as reported on the credit report.





30-day Charge Accounts: 30-day accounts, also referred to as open accounts (e.g., Diners Club, American Express):

- The full amount of the outstanding balance must be included in the DTI, or
- Verification that the borrower has sufficient funds to pay off the outstanding account balance must be provided. The funds must be in addition to any funds needed for cash to close and reserves.

Pending Lawsuits: A written explanation and a copy of the filed complaint pertaining to the lawsuit are required. Additional documentation may be required depending on the type of lawsuit and the borrower's involvement.

Section 15 Assets / Down Payment / Gifts

Asset Documentation:

- The source of assets must be seasoned for at least sixty (60) days before the date of the loan.
- The two most recent consecutive months' bank statements and/or other documents are required to verify assets to close.
- Verifications must be no more than 45 days old at the time of application.
- Quarterly asset statements must be dated within 90 days of the initial loan application.
- Acceptable Verification Methods:
 - Written Verification of Deposit (VOD) Form: The VOD must be faxed or mailed to/from Lender directly to/from the borrower's deposit institution. It may not be hand delivered by the borrower or loan officer.
 - Account Statements: Copies of bank statements or investment portfolio statements that cover activity in the borrower's account(s) and, if applicable, copies of the most recent retirement account statement that is available, which may be obtained directly from the borrower. The statements must:
 - Clearly identify the borrower as the account holder; and
 - Include at least the last four digits of the account number; and
 - Include the time period covered by the statement/printout; and
 - Include all deposits and withdrawals transactions (for depository accounts); and
 - Include all purchase and sale transactions (for financial portfolio accounts); and
 - Include the ending account balance.
 - Internet Downloads: Documents that are faxed or downloaded from the Internet must clearly identify the name of the institution and the source of information. For example, by including that information in the Internet or fax banner at the top of the document.
 - Letters: A letter statement is usually generated when an attorney or trustee, insurance company, or employer manages the asset. The most frequent types of accounts that make use of letter statements include trust funds for the benefit of the customer, cash value of life insurance, present value of an annuity or current value of a 401k.
 - Printouts: Printouts obtained from a depository institution are acceptable. However, if the printouts do not
 contain all the information that is found on account statements (e.g., bank name, logo, account number,
 etc.), the printouts are only acceptable if they are signed and dated by a representative of the deposit
 institution.
 - Faxed Documents: The source of the information should be verified via telephone with the borrower's financial institution. The documents must clearly identify the institution and the source of the information must be included in the "fax" banner that is at the top of the document.
 - o E-Mail: Verify the source of the information via telephone.

Large Deposits: The borrower must explain and document an acceptable source of funds for deposits that are greater than 50% of the borrower's monthly qualifying income if the funds are needed for down payment, closing costs, or reserves.



Eligible Assets: Eligible and ineligible assets are listed in this table. Specific documentation requirements for eligible assets are listed further in this section.

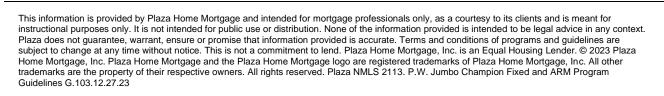
Asset Type	Down Payment & Closing Costs	Reserves
Annuities	Yes	Yes
Borrowed Funds – Secured	Yes	Yes
Borrowed Funds – Unsecured	No	No
Bridge Loans	Yes	Yes
Business Funds	Yes	Yes
Cash on Hand	No	No
Cash-Out from Subject Loan	Yes	Yes
Checking, Savings, CD	Yes	Yes
Corporate Relocation	Yes	No
Corporate Sponsored Loans	No	No
Credit Card Reward Points	Yes	Yes
Cryptocurrency	Yes	Yes
Custodial Accounts for Others / (UTMA)	No	No
Disaster Relief Grant or Loan	Yes	No
Foreign Assets	Yes	Yes
Gift Funds	Yes	No
Gift of Equity	No	No
Government Bonds	Yes	Yes
Individual Development Accounts (IDA)	No	No
Inheritance	Yes	Yes
Interested Party Contributions	Yes	No
Lease to Own/Rent w/Option to Buy	Yes	No
Life Insurance Net Cash Value	Yes	Yes
Non-Traditional Savings Plan	No	No
Pledged Assets	No	No
Pooled Funds	No	No
Proceeds from the Sale of a Home	Yes	Yes
Profit Sharing Plan	No	No
Real Estate Commission (borrower earned)	Yes	No
Retirement Account	Yes	Yes
Sales of Assets	Yes	Yes
Stocks/Securities – Exercisable	Yes	Yes
Sweat Equity	No	No
Trade Equity	No	No
Trust Account	Yes	Yes
Unvested Restricted Stock	No	No
1031 Exchange	Yes	No



Asset	Documentation
Annuities	If the annuity is being used as income, it cannot be used for reserves, down payment,
	etc. The annuity asset may be used as follows:
	70% of the current cash value, less any outstanding loans, should be used to calculate the amount of funds available; or
	 100% of the current cash value can be used if it can be verified that the borrower is
	not subject to penalties, surrender charges, or taxes.
	 If the asset is used for closing and/or down payment, proof of liquidation is required. Surrender Charges, penalties and fees imposed by the managing company as well as any outstanding loans should be deducted from the cash value prior to calculating the amount available for closing. If the asset is being used for reserves only, proof of liquidation does not need to be obtained; however, verification of the asset is still required.
	 A computer generated statement must always be obtained to verify the following: The name of the company managing the annuity
	 The name of the company managing the armony The name of the annuity owner;
	 The period covered and the current cash value;
	Outstanding loans; and
B	Penalties, surrender charges and or fees.
Borrowed Funds – Secured	Assets that may be used to secure funds include certificates of deposit, stocks, bonds, automobiles, real estate, and life insurance policies.
Occured	The value and ownership of the asset must be documented and verified.
	The terms of the secured loan must be documented.
	The debt may or may not be required to be included in DTI per the following:
	 Payments for loans secured by the borrower's personal financial assets (such as life insurance policies, 401(k) accounts, CDs, stocks, bonds, etc.), in which repayment may be accomplished by liquidating the asset, do not have to be included in the debt ratio calculations if the loan instrument shows the asset as collateral for the loan. The loan secured by the financial asset must have been made by a financial institution. The borrower may not use the same asset to satisfy cash reserve requirements; however, they may use the portion of the asset remaining after the value of the asset plus any related fees have been reduced by the amount of the secured loan. The monthly payments for other secured borrowed funds must be considered as debt when qualifying the borrower. If the loan does not require monthly payments, an equivalent payment amount must be calculated and considered in the DTI. Borrowed funds are subject to the following restrictions: Funds must not be borrowed from the broker, developer, real estate professional, or a lender who is otherwise connected with the subject transaction. Funds from a loan secured by real property owned by the borrower (other than the subject property) may be used as a source of the down payment. The debt must be included as a liability on the application.
Bridge Loans	Generally, the borrower must qualify with the payment on the bridge loan.
	If the repayment schedule for the bridge loan is not monthly, it must be converted to a monthly amount for qualifying purposes; and
	 a monthly amount for qualifying purposes; and The bridge loan may not be cross-collateralized against the new property.
	 Also refer to the Departure Property guidelines for additional guidance.
	to the Department i opening galacimos for additional galacimos.



Business Funds	Business Funds may be used subject to the following:				
	Borrowers must provide verification from the other owners of the business that they have access to the funds.				
	Two years' personal, partnership and/or corporate tax returns must be obtained, and the underwriter must perform a cash flow analysis to determine that the withdrawal of funds will not have a detrimental effect on the business.				
	 The file must contain the underwriter's written analysis and conclusions. Verification of funds in the account is required. (Note: Large deposits that are not in 				
	line with business revenue/income stream should be explained and verified).				
Checking, Savings, CD	Refer to Asset Documentation at the beginning of this section. Generally:				
	The account statement for the most recent two months/quarter, or				
	A fully completed Request for Verification of Deposit (VOD, Fannie Mae Form 1006)				
	Note: CD's typically contain a forfeiture provision whereby a portion of the				
	accumulated interest and possibly an early withdrawal fee are applied if the CD is				
	liquidated early. The forfeiture of interest and/or withdrawal fee should be				
Corporate Polecation	considered when using the asset for closing and/or reserves.				
Corporate Relocation	 If funds from a Corporate Relocation Buyout are being used for closing, a copy of an executed buyout agreement along with the equity advance statement should be obtained. 				
	Closing Costs Assistance: Allowed and must be defined in the relocation agreement.				
Credit Card Reward Points	Credit card reward points that have been converted to cash prior to closing are acceptable funds for use towards closing costs, down payment, and financial reserves. The following requirements apply:				
	 If the reward points are converted to cash and deposited into the borrower's depository account (checking or savings), no additional documentation is required unless the deposit is considered a large deposit. In that event, follow the requirements for evaluating large deposits. 				
	 If the reward points are converted to cash, but not deposited into the borrower's depository account, evidence must be provided that the reward points were: Available to the borrower prior to the conversion, including verification of the cash value (for example, credit card reward statement prior to conversion); and Converted to cash prior to the closing of the loan. 				

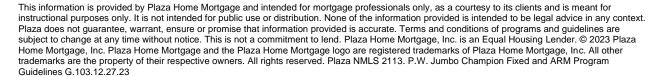




Cryptocurrency	Cryptocurrency may not be used to meet asset requirements (i.e., down payment, earnest money, closing costs, reserves or other investable assets); however, if the borrower liquidates the asset, the funds received from the liquidation may be used				
	provided they meet "Sale of Asset" and "Large Deposit" requirements.				
	Verification of borrower ownership of the cryptocurrency, and				
	Copy of the cancelled check and bank statement showing that the check has				
	cleared; or				
	Copy of the cancelled check and Verification of Deposit (VOD). The VOD must				
	indicate that the average balance for past two months was large enough to cover				
	the amount of the earnest money deposit. Note: If the borrower has sufficient verified assets to cover earnest money deposit, the above verification is not				
	required. Receipt of funds on the Closing Disclosure is sufficient evidence that funds				
	have been received.				
	If the earnest money deposit is a gift and has been provided directly to the builder or				
	real estate agent, verification of transfer of funds from the donor's account in a				
	financial institution to the earnest money deposit holder is required.				
	If it cannot be determined that the earnest money deposit was withdrawn from the				
	borrowers account, additional documentation and evidence that the funds have				
	actually changed hands should be provided. Note: Large earnest money deposits and deposits that exceed the amount customary for the area should be closely				
	evaluated.				
Foreign Assets	Funds that originated in foreign accounts are eligible per the following:				
	All assets must be verified prior to the transfer to the U.S. account and the funds				
	must be seasoned and sourced per standard requirements.				
	Documents of foreign origin must be translated to English.				
	All assets being used for down, payment, closing costs, pre-paids and reserves				
	currently held in an account outside of a U.S. Banking Institution must be transferred				
	into an account in the United States and verified in U.S. dollars prior to closing of the mortgage.				
	 Donor gift funds, given at closing, that are currently held in an account outside of a 				
	U.S. Banking Institution must be transferred into an Escrow/Closing Agent account				
	in the United States. The funds must be verified in U.S. dollars at the time the funds				
	are transferred and received in the U.S. and meet all the requirements of Gift Funds.				
	It is important to look for patterns of behavior particularly when gift funds are				
	involved. Some of the scenarios may include multiple transfers for smaller amounts				
	and from various individuals instead of one wire transfer for the entire gift amount. It is important to pay attention to the amounts, account owner, etc.				
	China: Funds coming from the Peoples Republic of China (including but not limited)				
	to Hong Kong and Taiwan) are ineligible to be used in a mortgage transaction. This				
	applies to the assets required for the transaction, including gift funds as well as the				
	qualifying income.				
Government Bonds	US Savings/Government Bonds must be verified by the following:				
	A statement from a financial institution confirming review of the actual bonds and				
	listing the serial numbers, date of maturity, type, amount and verifying that the				
	 borrower is the owner; and Proof of value from the U.S. Treasury Table; and 				
	Evidence of liquidation if the assets are required for closing.				
Inheritance	The borrower must provide a copy of the will or a letter from the Trustee detailing				
	the distribution of the estate.				
	Borrower's receipt of funds must be verified prior to closing.				
	Inheritance is considered the borrower's own funds.				



Lease to Own/Rent If the borrower is currently renting the subject property under a lease option contract, the portion of the monthly rent payment that exceeds the market rent can be applied to w/Option to Buy the down payment when: • There is a valid rental/purchase agreement in effect and documented. A copy of the rental/purchase agreement, verifying monthly rent and the specific terms of the lease is required; and The original term may not be less than 12 months and the total credit due to the borrower must not exceed the amount specified in the contract; and The credit over market rent is supported. The appraiser must develop the market Copies of canceled checks or money order receipts for the last 12 months are required to document rent payments. The borrowers minimum cash down payment does not have to come from the borrowers own funds in order to receive the credit (Example: If fair market rent is \$500 per month and the borrower is paying \$600 per month, \$100 for each month the borrower has rented can be credited towards the down payment). Life Insurance Net Cash 100% of the cash/surrender value less any outstanding loans or fees may be used. If the funds are required for closing, proof of liquidation is required including the following: Value Computer generated statement identifying the life insurance company; and The borrower must be identified as the policy owner; and Verification of the policy term/period covered and the current cash/surrender value: Identify any outstanding loans and deduct them from the cash value/surrender **Real Estate Commission** When the borrower is acting as their own real estate agent, the borrower's portion of the (borrower earned) real estate commission earned from the sale of the subject property being purchased may be used as an eligible source of funds for down payment and closing costs provided the borrower is a licensed real estate agent and will receive a sales commission from the purchase of the subject property. • The settlement statement must reflect the commission earned by the borrower, and The earned commission amount must be credited towards the mortgage loan. **Retirement Account** The vested balance after any withdrawal and/or tax penalties are deducted, less any outstanding loans secured by the account, may be used provided the borrower has access to the funds. Most recent two months statements (For 401k accounts the statements must reflect the vested balance or percentage of vesting, any outstanding loans, the ending balance of the account and terms of withdrawals/loans. If the 401k account is used for reserves the terms of the retirement plan must show that the borrower is vested and that the plan will allow withdrawals regardless of the current employment status); and Any outstanding loans must be subtracted prior to determining the vested balance; If the assets are required for closing, proof of liquidation is required.





Sales of Assets Proceeds received from the sale of the borrower's personal assets may be considered as long as the following can be verified: The borrower owned the asset (example automobile title); and Documentation supports the value of the asset as determined by an independent source: and The lesser of the estimated value (as determined by the independent source) or actual sales price must be used when determining the amount of funds for the transaction: and Proof of transfer of ownership (a copy of a bill of sale or a statement from the purchaser); and Proof of receipt of sale proceeds (deposit slips or bank statement). Stocks/Securities -70% of the current vested value may be used; however, if assets are liquidated, the actual amount of documented liquidated assets may be used. Exercisable Value is established using a current statement from the stockbroker, a photocopy of the stock certificate, accompanied by a dated newspaper, or Internet stock list. If using stocks/securities statements they must identify the following: o The institution or administrator; and o The account owner; and The account number: and All transactions, the period covered, any outstanding loans and the ending balance: and o If for securities accounts, identify the stocks/securities. If the borrower does not receive a statement, the following must be provided: o Photocopy of the stock certificate that identifies the ownership of the stocks by the borrower, number of shares/units owned, and identification numbers of the stock certificate, type, and entity name; and o Current stock prices from a published source. If the assets are needed for closing, proof of liquidation is required. If there is a margin account the borrower's assets must be reduced by the margin account's outstanding balance amount, plus any overdrawn amount. Stock options and non-vested restricted stock options are not eligible for use as reserves. Pledged stocks and/or bonds used as loan security or to offset a margin account are not considered liquid assets. Funds from a Trust may be used with a copy of the Trust Agreement or a letter from the **Trust Account** Trustee confirming the following information: Identify the trustee's name, address, and telephone number. The trustee must be an independent third party that would typically handle trust accounts. Identify the borrower as the beneficiary. Verify that the borrower has access to all or a specific amount of the funds. Verify that the funds are available for disbursement to the borrower. Verify and document that the funds have been received by the borrower if the assets from the trust are being used for closing.



1031 Exchange

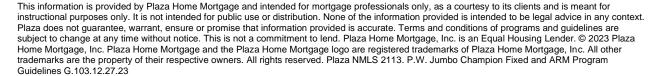
Allowed on investment purchases only. Reverse 1031 exchanges are not eligible.

- A qualified intermediary (usually a subsidiary of a title company) must handle the loan closing. The qualified intermediary cannot be an agent, attorney, accountant, investment banker or broker.
- Copies of all closing documents—including the 1031 exchange agreement, settlement statement, and title transfer—and the purchase agreement on the relinquished property must be obtained.
- Both purchase agreements on the relinquished and replacement properties must contain appropriate language to identify the 1031 exchange.
- There can be no subordinate financing.
- The 1031 exchange must be in compliance with Internal Revenue Code Section 1031.

Gift Funds:

- Gifts may be allowed after a borrower has made the minimum contribution from their own funds. Minimum borrower contribution required:
 - Primary Residence LTV <= 70%: 5% borrower own funds.
 - Primary Residence LTV > 70%: 10% borrower own funds.
 - Second Home and Investment Property: All funds must be borrower funds; gifts not allowed.
- If the borrower has the 5% or 10% minimum contribution in a non-liquid asset account (stocks, bonds, etc.), but is also receiving a gift for the transaction, the borrower may use the gift funds for their 5% or 10% minimum contribution in lieu of liquidating the assets. The non-liquid asset account must be verified per policy as evidence that the borrower has the 5% or 10% minimum contribution available.
- Gifts may not be used for reserves.
- The donor must be:
 - A relative, defined as a borrower's spouse, child, or other dependent, or an individual who is related by blood, legal quardianship, marriage or adoption; or
 - o Fiancé, fiancée, civil union, or domestic partner; or
 - Former relative, Godparent, or relative of a domestic partner.
- An executed/signed gift letter with the gift amount, donor's name, address, and telephone number and
 relationship is required. The letter must also include the date the funds will be/were transferred and that no
 prepayment is expected.
- Verification of funds: The transfer of the gift funds to the borrower must be documented in one of the following ways:
 - Funds Received prior to closing: Transfer of funds from the donor's account in a financial institution to the borrower's account via either:
 - Copies of bank statements from both the donor and the borrower's accounts; or
 - Copy of a canceled gift check; or
 - Copy of the donor's withdrawal slip and the borrower's deposit slip; or
 - Evidence of electronic transfer
 - Funds Received at Closing: If the donor does not intend to provide gift funds until closing, the following documentation must be obtained at the closing table:
 - Transfer of the funds from the donor's account in a financial institution to the settlement or closing agent via either copy of a cashier's check or a wire transfer confirmation.
 - Funds transferred using a third-party money transfer application or service are acceptable only when the documentation evidences that the funds were transferred using the application or service directly from the donor's bank account to the borrower's bank account or to the settlement or closing agent.

Gift of Equity: Not allowed.





Section 16 Reserves

Reserves must come from the borrower's own funds. Refer to the **Assets** section above for eligible assets for reserves and to the **Program Matrix** section for reserves based on transaction.

Reserves and Multiple Owned Properties: Additional reserves are required for additional properties owned.

- Additional reserves are required for departure residence. Refer to Departure Residence in Section 14.
- In addition to the subject property reserves, 2 months PITIA is required on each additional residential property (reserves based on the additional property PITIA, not the subject property PITIA).

Ineligible Sources for Reserves:

- Funds that have not been vested
- Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination, or death
- Stock held in an unlisted corporation
- Non-vested stock options
- Notes or loans receivable from a privately-held company
- Unsecured borrowed funds, including unsecured Employer-Assisted Housing benefits
- Interested party contributions (IPCs)
- · Cash out proceeds

Section 17 Interested Party Contributions (IPCs)

Interested party contributions include funds contributed by anyone other than the borrower who has a financial interest in, or can influence the terms and sale or transfer of, the property including: the property seller, builder/ developer, real estate agent, or broker (or an affiliate who may benefit from the sale of the property). A lender is not considered an interested party unless it is the property seller, or is affiliated with the property seller or another interested party to the sales transaction. A relationship between a builder and a lender that serves as its financial institution is not an affiliation.

- Interested party contributions may only be used for closing costs and prepaid expenses, and may not be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements.
- The total dollar amount of the Financing Concessions may not exceed the actual total dollar amount of the allowable closing costs.
- When there is an IPC in a transaction, all loan and sales contract documents, including the sales contract, Loan Estimate (LE), the loan application, appraisal report and Closing Disclosure must include or address all financing arrangements that have been negotiated between the buyers and sellers.
- A mortgage with undisclosed seller contributions is not eligible.

IPC Limits:

Occupancy	LTV/CLTV	Maximum Seller Contributions	
Primary Residence	All	6%	
Second Home	All	6%	
Investment Properties	All	2%	



Sales Concessions:

IPCs that exceed allowable Financing Concession limits are considered Sales Concessions. In addition to contributions that exceed those limits, additional inducements may come in the form of cash or personal property such as furniture, automobiles, securities, and/or other "giveaways" granted by any interested party to the transaction.

- Other inducements to purchase that are not disclosed on the Closing Disclosure are not permitted. The cost of
 items that are in the form of personal property (i.e., furniture, decorator items, automobiles, or other "giveaways")
 are also considered Sales Concessions.
- Sales Concessions are not subject to IPC contribution limits, but 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

Eliqible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- Condos
- Co-ops
- 2-4 units

Condominiums:

- Must be Fannie Mae Warrantable
- Limited Review and Full Review with Condo Project Manager (CPM)
- Site (detached) condos are only allowed as primary residence. Site condos require no project review or analysis, but must be coded as a condo property type V.
- Condo projects consisting of four or fewer units do not require project review.

Co-op:

- Must meet Fannie Mae cooperative project guidelines.
- The co-op project must be reviewed and approved by Plaza's Project Standards department.
- Must be located in the states of Illinois (Cook County only), New Jersey (Bergen, Essex and Hudson Counties only) or New York (Five boroughs of Bronx, Kings (Brooklyn), Manhattan, Queens, and Richmond (Staten Island) plus Nassau, Rockland, Suffolk, and Westchester Counties).
- 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.

Rural Properties:

- The property use must be residential, not agricultural. The land must be zoned residential. Agricultural zoned properties are ineligible.
- Property that is used for farming, timber, cattle or any other form of income production is not eligible.
- The site size must be typical for surrounding properties with similar uses.
- Excess acreage: Special attention should be given to the appraiser's neighborhood description, zoning, highest
 and best use, and comparable sales to ensure the property's use is primarily residential.
- Properties > 20 acres may be considered by exception.



Ineligible Properties:

- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Model home leaseback
- Properties with a private transfer covenant
- Properties with resale deed restrictions
- Bed-and-breakfast
- Boarding house
- Commercial properties or properties with commercial zoning
- Condos that are Unwarrantable
- Condotels
- Industrial properties or properties with industrial zoning
- Log, earth or geodesic dome homes
- Geothermal homes
- Manufactured housing
- Mixed use properties
- Timeshares
- Unique properties
- Hobby farms, ranches, orchards
- Properties located on Indian/Native American tribal land
- Loans secured by property subject to any new or subordinated obligation that utilizes the municipal tax assessment process or a utility company to ensure payment, including, but not limited to, Property Assessed Clean Energy (PACE) obligations, are ineligible.

Section 19 Appraisal

All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR).

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.

Number of Appraisals: Loan amounts > \$2,000,000 require two appraisals.

- Ordering both reports from the same company, vendor, or agent is expressly forbidden. If two appraisal reports
 are required, the two reports must be ordered from two different Appraisal Management Companies (AMC). Note:
 In some circumstances, that may not be possible, In those instances, the independence of the appraiser/
 appraisal process must be maintained at all times by all parties.
- If two appraisals are required the lesser of the two values should be used to underwrite the transaction and determine LTV/CLTV/HCLTV.

Declining/Depreciating Markets: There is a 5% reduction to the maximum LTV/CLTV/HCLTV for properties in declining markets. If either the appraisal indicates a declining market or if the property is on the **Depreciating Markets List**, the maximum LTV must be reduced by 5%. When referring to the Depreciating Markets List, search by county.

Transferred Appraisals: Transferred appraisals are allowed.



Section 20 Geographic Restrictions

The following states are ineligible for wholesale transactions:

- Arkansas
- Delaware
- Louisiana
- Maine
- Nebraska
- North Dakota
- Utah
- Vermont
- Wyoming

Non-Delegated Correspondent: All states are eligible for non-delegated correspondent. All correspondent loans must be retail originations.

Hawaii: Properties in Lava Flow Zones 1 or 2 are ineligible.

Iowa: Iowa loans require an Iowa Title Guaranty.

Texas:

- Cash-out transactions are ineligible.
- Texas Section 50(a)(6) transactions are ineligible.
- Texas Section 50(f)(2) transactions are ineligible.

Declining/Depreciating Markets: There is a 5% reduction to the maximum LTV/CLTV/HCLTV for properties in declining markets. If either the appraisal indicates a declining market or if the property is on the **Depreciating Markets List**, the maximum LTV must be reduced by 5%. When referring to the Depreciating Markets List, search by county.

Section 21 Max Financed Properties / Exposure

Maximum Properties Owned or Financed:

- Primary Residence: Borrowers may not own or be obligated on a combined total of more than 5 financed residential properties, including the subject property.
- Second Home and Investment Property: Each borrower individually and all borrowers collectively may not own or be obligated on a combined total of more than 4 financed residential properties (including the subject property) at the time of application.
- **Reserves:** In addition to the subject property reserves, 2 months PITIA is required on each additional residential property (reserves based on the additional property PITIA, not the subject property PITIA).

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

Characteristic	SOFR ARM					
Index	SOFR - The 30-Day Average of the SOFR Index as published by the Federal Reserve Bank					
	of New York.					
Margin	2.75%					
Life Floor	The floor is the margin.					
Interest Rate	Product	First Adjustment	Subsequent Adjustments	Lifetime		
Caps	7/6	5%	1%	5%		
	10/6	5%	1%	5%		
	7/6	The interest rate is fixed for the first 84 months. The maximum interest rate adjustment at the first adjustment date is 5%. Thereafter, the interest rate adjusts every six months with a maximum interest rate change at any single adjustment date of 1%. The lifetime cap is 5%. The interest rate is fixed for the first 120 months. The maximum interest rate adjustment at the first adjustment date is 5%. Thereafter, the interest rate adjusts every six months with a maximum interest rate change at any single adjustment date of 1%. The lifetime cap is 5%.				
	10/6					
Assumability	Not assumable during the fixed-rate period. At the end of the fixed-rate period, assumable subject to credit approval. Texas Section 50(a)(6) loans are not assumable.					
Conversion Option	Not Available.					

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 120 days before the date the Note is signed.
- Income: No more than 120 days before the date the Note is signed.
- Assets: No more than 120 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 120 days before the date the Note is signed.

Escrows/Impounds: Escrows may be waived except for flood insurance which must always be impounded when flood insurance is required.

Loan Estimate: All wholesale Jumbo Champion loans must be initially disclosed through Plaza's Client Portal BREEZE.

Payment Recast: Loans may be eligible for a payment recast (re-amortization) if the borrower makes a large principal curtailment. Recasts <u>are not guaranteed</u>. All recasts will be reviewed and approved on a case-by-case basis. General eligibility is based on the following characteristics:

- A minimum principal curtailment of \$10,000.
- Request for recast should be made no sooner than 120 days after the loan has closed.
- Mortgage must be current or paid ahead with no outstanding past-due payments.
- The servicer will generally charge a fee to process a recast; borrowers should contact the servicer at time of recast to obtain the current fee and verify if any requirements have changed.

