



# Closed-End Second Lien Program Guidelines

## Correspondent

Revised 3/25/2025 rev. 117

<b>Summary</b>	Plaza's second lien loan program offers a closed-end stand-alone second mortgage behind an existing first lien. The second lien allows borrowers to access the equity in their home while leaving their low rate first lien intact. Loan amounts range from \$50,000 to \$500,000 and both Full Doc and Bank Statement income documentation options are offered. All second lien proceeds are considered cash-out and there are no restrictions on the use of the funds.																																																																																										
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<p><b>Appraisal</b></p>	<p>Appraisal requirements are determined by loan amount. When a full appraisal is required the appraisal must comply with USPAP and Appraiser Independence Requirements.</p> <p><b>Appraisal Requirement:</b></p> <ul style="list-style-type: none"> <li>• Loan amount &lt;= \$250,000: <ul style="list-style-type: none"> <li>○ AVM with exterior property condition inspection (PCI) <ul style="list-style-type: none"> <li>▪ Property condition average condition or better</li> <li>▪ Forecast standard deviation (FSD) must be within the limit identified by the AVM vendor list below, or</li> </ul> </li> <li>○ 2055 exterior appraisal, or</li> <li>○ Full appraisal</li> </ul> </li> <li>• Loan amount &gt; \$250,000: Full appraisal</li> <li>• Properties in Texas require a full appraisal regardless of loan amount.</li> </ul> <p><b>Higher Priced Mortgage Loans (HPML)</b> require a full appraisal regardless of loan amount.</p> <p><b>Eligible AVM Providers:</b></p> <ul style="list-style-type: none"> <li>• Clear Capital: FSD &lt;= .13</li> <li>• Collateral Analytics: FSD &lt;= .10</li> <li>• CoreLogic: FSD &lt;= .13</li> <li>• Homegenius Real Estate: FSD &lt;= .10</li> <li>• House Canary: FSD &lt;= .10</li> </ul> <p><b>Age of Valuation:</b></p> <ul style="list-style-type: none"> <li>• AVM: Dated within 60 days of note date</li> <li>• Appraisal: Dated within 120 days of note date</li> </ul> <p><b>Declining Markets:</b> Properties in a declining market, as indicated on the appraisal, require a 5% CLTV reduction from the maximum otherwise allowed.</p> <p><b>Transferred Appraisals:</b> Transferred appraisals are allowed.</p>
<p><b>Borrower Eligibility</b></p>	<p><b>Eligible Borrowers:</b></p> <ul style="list-style-type: none"> <li>• U.S. citizens</li> <li>• Permanent resident aliens <ul style="list-style-type: none"> <li>○ A copy of the Alien Registration Card is required.</li> </ul> </li> <li>• Inter Vivos Revocable Trusts</li> </ul> <p><b>Consistency with First Lien:</b> Borrower(s) on the second lien mortgage note must be the same as the borrower(s) on the first lien mortgage note with the following exception: Adding or removing an immediate relative (spouse, sibling, child, parent) is allowed.</p> <p><b>Ineligible Borrowers:</b></p> <ul style="list-style-type: none"> <li>• Non-occupant co-borrowers</li> <li>• Borrowers working in the Cannabis industry</li> <li>• Non-permanent resident aliens</li> <li>• Partnerships, Limited Partnerships, Corporations and LLC's</li> <li>• Non-Revocable Trusts / Life Estates / Blind Trusts</li> <li>• Borrowers with Diplomatic Immunity</li> <li>• Land Trusts</li> <li>• Borrowers with only an ITIN (Individual Taxpayer Identification Number)</li> <li>• Greater than 4 borrowers on one loan</li> </ul>



<p><b>Credit</b></p>	<p><b>Credit Report:</b></p> <ul style="list-style-type: none"> <li>• A tri-merged credit report is required.</li> <li>• Unless otherwise addressed below, Fannie Mae underwriting guidelines must be followed for evaluating a borrower's credit history.</li> <li>• Credit reports with bureaus identified as frozen are required to be unfrozen and a current credit report with all bureaus unfrozen is required.</li> </ul> <p><b>Credit Scores:</b></p> <ul style="list-style-type: none"> <li>• Refer to the <b>Eligibility Matrix</b> to determine minimum credit score requirements by scenario.</li> <li>• The qualifying score of the primary borrower is used to qualify. <ul style="list-style-type: none"> <li>○ The borrower with the higher monthly income is considered the primary borrower.</li> <li>○ When both borrowers jointly own the business, the lowest qualifying score of all applicants is used to qualify.</li> <li>○ The minimum qualifying score of any co-borrowers (borrowers other than the primary borrower) is 620.</li> </ul> </li> <li>• The qualifying score is the lower of 2 or middle of 3 scores for each borrower.</li> </ul> <p><b>Trade Lines:</b></p> <p>If the primary borrower has three credit scores, the minimum tradeline requirement is waived. When the primary borrower has less than three credit scores, each borrower must meet the minimum tradeline requirement. Tradeline requirement:</p> <ul style="list-style-type: none"> <li>• At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or</li> <li>• At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months.</li> </ul> <p>Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the below requirements:</p> <ul style="list-style-type: none"> <li>• No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history.</li> <li>• At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months.</li> <li>• The borrower has an established credit history for at least eight (8) years.</li> <li>• Tradelines with recent serious adverse history are not acceptable.</li> <li>• Student loans can be counted in credit depth as long as they are in repayment and not being deferred.</li> </ul> <p><b>Housing Payment History:</b></p> <ul style="list-style-type: none"> <li>• 0 X 30 x 24 (or since inception if owned &lt; 24 months) for all borrowers and all mortgages.</li> <li>• Mortgage/rent rating must be current. Current means the borrower has made all mortgage/rent payments due in the month prior to the note date. If the credit report does not reflect the current payment history, one of the following additional documents is required to show the loan is current: <ul style="list-style-type: none"> <li>○ A loan payment history from the servicer or third-party verification service, or</li> <li>○ The latest mortgage account statement from the borrower, or</li> <li>○ A verification of mortgage.</li> </ul> </li> </ul> <p><b>Bankruptcy / Foreclosure / NOD / Short Sale / Deed-in-Lieu / Forbearance:</b> 7 years</p> <p><b>Collections, Charge-offs, Judgments, Garnishments &amp; Liens:</b> Delinquent taxes, judgments, charged-off accounts, collection accounts, past-due accounts, tax liens, and anything that has the potential to affect title must be paid off at or prior to closing. Tax repayment plans must be paid off at or prior to closing.</p>
<p><b>Down Payment / Gifts</b></p>	<p>Not applicable.</p>



<p><b>Eligible First Liens</b></p>	<p><b>Documentation:</b> Document the first lien with a copy of the first mortgage note or billing statement (the billing statement must contain the loan terms if a copy of the note is not provided).</p> <p><b>Eligible First Liens:</b></p> <ul style="list-style-type: none"> <li>• First lien LTV must be less than or equal to 80%. <ul style="list-style-type: none"> <li>○ Properties free and clear are ineligible.</li> </ul> </li> <li>• LTV/CLTV: The LTV and CLTV is based on the current UPB of the first lien. <ul style="list-style-type: none"> <li>○ First lien current UPB is determined by the recent billing statement.</li> <li>○ The credit report can be used to determine the current first lien UPB when a copy of the mortgage note is provided.</li> </ul> </li> </ul> <p><b>Ineligible First Liens:</b></p> <ul style="list-style-type: none"> <li>• Modification from original terms</li> <li>• Deferred balances</li> <li>• Term &gt; 30 years</li> <li>• Private mortgages</li> <li>• Land contracts</li> <li>• HELOCs</li> <li>• Balloon notes</li> <li>• Negative amortization</li> <li>• Reverse mortgages</li> <li>• Interest only</li> <li>• Loans vested in an entity</li> </ul>
<p><b>Geographic Restrictions</b></p>	<p><b>Hawaii:</b> Properties in Lava Flow Zones 1 and 2 are not allowed.</p> <p><b>New York:</b> Loans meeting the definition of NY Subprime are not eligible.</p> <p><b>Texas:</b> All Texas second liens on this program are considered Texas Section 50(a)(6) transactions and the following requirements apply:</p> <ul style="list-style-type: none"> <li>• Verify with Title the first lien is not a 50(a)(6) loan.</li> <li>• Primary residence only.</li> <li>• Maximum CLTV 80%.</li> <li>• A full appraisal with interior/exterior inspection is required regardless of loan amount.</li> <li>• 12-month seasoning is required since any prior refinance or any prior origination of any other subordinate lien. <ul style="list-style-type: none"> <li>○ Payoff of an existing second lien with a note date &gt; 12 months is allowed.</li> <li>○ Payoff of an existing HELOC with a note date &gt; 12 months is allowed (regardless of draw timing).</li> </ul> </li> <li>• All other standard TX 50(a)(6) requirements must be met, including but not limited to the 2-Day Notice Rule and the 2% cap on designated points and fees.</li> <li>• Admin Fee is not allowed if the APR exceeds 10%.</li> </ul>
<p><b>Identity of Interest</b></p>	<p>Borrowers who are loan officers or brokers may not originate their own loan. The broker client may use their company to originate the loan but the loan officer must be a licensed originator other than the borrower.</p>
<p><b>Income and Employment</b></p>	<p><b>Full Doc (24 Mo):</b> Refer to <b>Fannie Mae Selling Guide Chapter B3-3</b> and the information in this section.</p> <p><b>Alt Doc – Bank Statement Income Documentation:</b> Refer to the <b>Bank Statement Documentation</b> section at the end of this section.</p> <p><b>Income Analysis Form:</b> An income worksheet must be provided on every loan. Borrowers with multiple businesses must show income/loss details separately, not in aggregate on the Income Worksheet. <b>Plaza's Income Worksheet</b> or Fannie Mae Form 1084 is required for self-employment income analysis.</p> <p><b>Verbal Verification of Employment:</b> A verbal verification to confirm the borrower's current employment status is required for all borrowers.</p> <ul style="list-style-type: none"> <li>• Salaried/Wage Earners: VVOE must be obtained within 10 calendar days of the Note date</li> <li>• Self-employed: Verification of the existence of the borrower's business through a third-party source is required within 30 calendar days prior of the Note date per the requirements below: <ul style="list-style-type: none"> <li>○ Third party verification can be from a CPA, regulatory agency or applicable licensing bureau.</li> <li>○ A borrower's website is not acceptable third-party source.</li> </ul> </li> </ul>

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- Listing and address of the borrower's business.
- Name and title of person completing the verification and date of verification.

**4506-C/Tax Transcripts:**

- A signed IRS Form 4506-C is required for all Full Doc borrowers.
- Transcripts for personal tax returns are required for all loans except for loans with bank statement income documentation.
- W-2 transcripts may be obtained when only W-2 income is used to qualify.
- Transcripts are required for all years to match the income documentation.
- Transcripts are not required for business tax returns.

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

**Bank Statement Income Documentation:**

- 12 or 24 month personal bank statements
- 12 or 24 month business bank statements

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

**Eligible Borrowers/Employment:**

Bank Statement Income documentation is available for self-employed borrowers only.

**Ineligible Sources of Income for Bank Statement Documentation:**

- Primary source of income from residential 1-4 unit real estate investment (rental income) is not eligible for bank statement documentation.
- Income earned buying and selling properties (flipping houses) is not eligible for bank statement documentation.
- Passive or portfolio income sources are not eligible (distributions from limited partnerships, day trading, etc.) for bank statement documentation.
- Funds/Deposits in an IOLTA (Trust) are ineligible sources of income for bank statement documentation.
- Not-For-Profit entities are ineligible sources of income

**Combining Documentation Types:** Income documented using bank statements may be combined with Full Doc when the borrower has self-employed and wage earner or passive income or when there is a self-employed borrower using bank statements and another borrower using Full Doc.

- When wage income is combined with bank statement income documentation for the same borrower, a tax return is not required for the full income documentation for that borrower, as this would invalidate the bank statements. The 4506-C form is still required; however, Box 8 should be checked to obtain a transcript of W-2 earnings only.
- When bank statement documentation is combined with Full Doc the loan must meet the bank statement eligibility matrices and will be priced as bank statement documentation.
- Note: A borrower may not combine bank statement income with Full Doc social security income or other Full Doc income that is reported on Form 1099 due to 1099 transcript requirements.

**Rental Income and Bank Statement Income Documentation:**

- If rental income is being used in addition to bank statement income, the rental income must be documented with a current lease agreement and the most recent 2 months receipt. Calculate income using 75% of lease agreement minus PITIA.
- Short-term rental income is not allowed.
- Rental income from an ADU is not allowed.

**Personal Bank Statements:**

- Most recent 24 or 12 months of PERSONAL bank statements.
- Most recent 2 months of BUSINESS bank statements.
  - They must evidence activity to support business operations.
  - They must reflect transfers to the personal account.
- Verify that the borrower owns 20% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.



- The business being used to source the income must be in existence for a minimum of 2 years as evidenced by one of the following:
  - CPA or tax preparer letter, or
  - Business License, or
  - Business bank statement from 24 or more months prior to note date reflecting activity, or
  - Other reasonable evidence of business activity.
- If the borrower does not have a separate business bank account and cannot provide 2 months of business bank statements, the personal bank statements will be reviewed using business bank statement guidelines. In this situation the personal bank statements are considered co-mingled personal and business accounts and business bank statement analysis applies:
  - An expense factor must be applied using one of the business bank statement analysis methods described below.
  - Verify the borrower is 100% owner of the business (borrower and spouse with combined 100% ownership is eligible).
- If the borrower has a personal account and a business account and co-mingles business deposits into both accounts, only deposits into the business account may be used.

**Personal Bank Statement Income Calculation:**

- Only transfers or deposits from the business account(s) are eligible deposits, except
  - ATM deposits may be included if a consistent pattern of such deposits is present
- Any inconsistent or large deposits not justified must be backed out of the calculation
- Net income is based upon the total eligible deposits from the 24 or 12 months of statements divided by the number of statements
- Qualifying income is the lower of:
  - for the 24-month statement option, the net income from the analysis using all 24 months of bank statements, or
  - for both the 24 or 12 month statement option, the net income based upon the most recent 12 months of bank statements
  - Income cannot exceed the income disclosed on the initial 1003
- The most recent bank statement must be consistent with the qualifying income.

**Business Bank Statements:**

- Verify that the borrower is at least 25% owner of the business by providing one of the following:
  - CPA letter, tax preparer letter, operating agreement, or equivalent 3<sup>rd</sup> party documentation reflecting the borrower's ownership percentage.
- The business used to source the income must be in existence for a minimum of two years as evidenced by:
  - CPA or tax preparer letter, or
  - Business License, or
  - Business bank statement from 24 or more months prior to note date reflecting activity, or
  - Other reasonable evidence of business activity.
- Income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's net income.
- The expense analysis method should be reasonable for the type of business being reviewed.
- Income cannot exceed the income disclosed on the initial 1003.

**Business Bank Statement Analysis:**

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

- Expenses must be reasonable for the type of business.
- Deposits should be reviewed for consistency.
- Deposits from alternative payment processing applications (i.e., Square, Venmo) are eligible.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of a large deposit is any deposit exceeding 50% of the average monthly sales of the business.
- Changes in deposit patterns must be explained.
- Income documented separately or not from the business must be backed out of deposits.

• **Option 1 - Business Expense Statement Letter:**

- 24 or 12 months of business bank statements covering the most recent time-period; and





- An expense statement (**example letter**) specifying business expenses (minimum expense ratio is 10%) as a percent of the gross annual sales/revenue, prepared and signed by either a CPA/accountant, IRS Enrolled Agent or tax preparer; and
  - Credit file must contain documentation showing evidence of the preparer's business.
  - **Determining Income Using Business Expense Statement Letter:**
    - **Net Income** is determined by the total deposits from the bank statements, minus any inconsistent deposits, multiplied by 50% **expense ratio**, multiplied by ownership percentage, divided by the number of bank statements reviewed.
    - Qualifying income is the lower of:
      - for the 24-month statement option, the net income from the analysis using all 24 months of bank statements, or
      - for both the 24 or 12 month statement option, the net income based upon the most recent 12 months of bank statements
      - Income cannot exceed the income disclosed on the initial 1003
    - The most recent bank statement must be consistent with the qualifying income.
    - Expenses must be reasonable for the type of business.
    - Plaza reserves the right, at the reviewer's discretion, to require additional documentation if the expense ratio appears unreasonable for any business entity
  - **Option 2 - Fixed Expense Ratio 50%:**
    - Not eligible for businesses that experience higher expense ratios. Borrowers with businesses in the industries listed below may be eligible for a 50% expense ratio but will require additional documentation or explanation to support the business is not a high expense business.
      - Construction / Builder (single employee tradesman/handyman are eligible)
      - Manufacturing
      - Retail and Wholesale Trade
      - Hospitality, Food and Beverage Services
      - Transportation
    - 24 or 12 months of business bank statements covering the most recent time-period; and
    - A business narrative provided by the borrower (See **Self-Employed Business Narrative Form**) which includes details regarding the industry, size, and operating profile of the business, addressing location/rent, number of employees/contractors, COGS, and physical assets such as trucks/equipment (owned or leased).
    - The **Self-Employed Business Narrative Form** should be used to determine if the borrower's business is eligible for this option based on reasonableness of expenses.
  - **Determining Income Using Fixed Expense Ratio 50%:**
    - Qualifying income is the lower of:
      - Total deposits from the bank statements, minus any inconsistent deposits, multiplied by 50% Profit Margin, multiplied by ownership percentage, divided by the number of bank statements reviewed, or
      - If 24 months of statements reviewed: total deposits from the most recent 12 months of bank statements, minus any inconsistent deposits, multiplied by 50% Profit Margin, multiplied by ownership percentage, divided by 12.
      - Income cannot exceed the income disclosed on the initial 1003.
    - The deposits from the most recent bank statement must be consistent with the qualifying income.
    - Plaza reserves the right, at the reviewer's discretion, to require additional documentation if the expense ratio appears unreasonable for any business entity.
- Non-Sufficient Funds:**  
Non-sufficient funds (NSF) reflected on the bank statement must be considered. Overdraft protection fees associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:
- Occurrences included in the analysis are subject to the following tolerances (An occurrence is defined as one or more checks returned the same day):
    - If there are one (1) or more occurrences in the most recent three-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
    - If there are zero (0) occurrences in the most recent three-month time period, up to five (5) are allowed in the most recent 12-month time period.



	<ul style="list-style-type: none"> <li>Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that: <ul style="list-style-type: none"> <li>(a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer,</li> <li>(b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and</li> <li>(c) the linked account did not receive overdraft protection proceeds during the transfer statement period.</li> </ul> </li> <li>Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer, and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.</li> <li>Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.</li> <li>The underwriter must consider the financial strength of a self-employed borrower's business</li> </ul> <p><b>Unacceptable Income (all doc types):</b></p> <ul style="list-style-type: none"> <li>Illegal Income</li> <li>Employment and income commencing after the note date</li> <li>Boarder income</li> <li>Education benefits</li> <li>Refunds of federal, state, or local taxes</li> <li>Gambling winnings</li> <li>Mortgage Credit Certificates (MCCs)</li> <li>Mortgage Differential Payments</li> <li>Income derived from the Cannabis industry</li> </ul>
<b>Insurance</b>	<p>Adequate insurance is required for HOI and flood as applicable.</p> <ul style="list-style-type: none"> <li>100% of the replacement cost per a replacement cost estimator from the property insurer or a 3rd party source (i.e., CoreLogic); or</li> <li>The estimated cost to replace the dwelling from a recent appraisal; or</li> <li>The unpaid principal balance of the 1<sup>st</sup> and 2<sup>nd</sup> mortgage.</li> <li>Deductible not to exceed 5% of the coverage amount.</li> </ul> <p>The insurance policy Mortgage Clause must be updated to reflect the lender as the second lien holder. Refer to Plaza's <b>Hazard and Flood Insurance Policy</b>.</p>
<b>Interested Party Contributions</b>	Not applicable.
<b>Loan Limits</b>	<p><b>Minimum loan amount:</b> \$50,000  <b>Maximum loan amount:</b> \$500,000</p> <p>The maximum combined first and second lien amounts may not exceed \$3,000,000.</p>
<b>Max Financed Properties</b>	<p>There is no limit on the number of financed properties a borrower may own.</p> <p><b>Maximum Loans/Maximum Exposure:</b></p> <ul style="list-style-type: none"> <li>No more than four total Plaza loans are permitted to one borrower.</li> <li>Maximum \$5,000,000 in Second Lien and Solutions loans to any single borrower.</li> </ul>
<b>Mortgage Insurance</b>	Not required.
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>Owner-occupied primary residence</li> <li>Second home</li> </ul>
<b>Property Eligibility</b>	<p><b>Eligible Properties:</b></p> <ul style="list-style-type: none"> <li>Attached/detached SFRs</li> <li>Attached/detached PUDs</li> <li>Condos (Fannie Mae Warrantable) <ul style="list-style-type: none"> <li>Follow Fannie Mae review requirements</li> <li>Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTV</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>○ All other condominium projects require a completed <b>Fannie Mae Form 1076, Plaza Condo HOA Questionnaire Full Review Form FM-259</b>, or equivalent condo project questionnaire; or</li> <li>○ Evidence of Fannie Mae Condo Project Manager (CPM) approval is acceptable in lieu of providing a completed condo project questionnaire</li> </ul> <p><b>Rural Property:</b></p> <ul style="list-style-type: none"> <li>• Rural is any property identified as rural by the appraiser or AVM, rural zoned, on a gravel road, comps &gt; 5 miles, &lt; 25% of surrounding market developed</li> <li>• May be allowed by exception when the following is met: <ul style="list-style-type: none"> <li>○ Maximum CLTV will be reduced by 10%</li> <li>○ Maximum 10 acres</li> <li>○ Full appraisal is required</li> <li>○ Property must be residential in nature</li> <li>○ Marketing time on appraisal must be six months or less</li> <li>○ At least two comparable sales must be within 3 miles and be within the same city</li> </ul> </li> </ul> <p><b>Ineligible Properties:</b></p> <ul style="list-style-type: none"> <li>• 2-4 unit properties</li> <li>• Properties with condition rating of C5/C6</li> <li>• Properties with construction rating of Q6</li> <li>• Properties with a private transfer covenant</li> <li>• Properties with resale restrictions (Fannie Mae eligible age restrictions are allowed)</li> <li>• Properties with litigation</li> <li>• Barndominiums</li> <li>• Commercial properties</li> <li>• Co-ops</li> <li>• Condotels</li> <li>• In-home healthcare facilities (e.g., assisted living, elder care, recovery/treatment)</li> <li>• Log, dome, berm and earth homes</li> <li>• Factory built housing including Modular Homes and Manufactured housing</li> <li>• Leasehold</li> <li>• Mixed use</li> <li>• Non-warrantable condos</li> <li>• Timeshares, TIC (fractional ownership)</li> <li>• Unique properties</li> <li>• Properties &gt; 10 acres</li> <li>• Agriculturally including working farm, ranch, or orchard (hobby allowed)</li> <li>• Properties located on Indian/Native American tribal land</li> </ul>
<b>Property Flips</b>	Not applicable.
<b>Repair Escrows</b>	Not allowed.
<b>Reserves</b>	Two months reserves required. <ul style="list-style-type: none"> <li>• Reserves are based on the PITIA of the first and second mortgage combined.</li> <li>• Cash-out may be used for reserves.</li> </ul>
<b>Qualifying Ratios</b>	<p><b>Maximum DTI:</b></p> <ul style="list-style-type: none"> <li>• 45% no additional requirements</li> <li>• 50% eligible with: <ul style="list-style-type: none"> <li>○ 80% CLTV</li> <li>○ 720 Credit Score</li> <li>○ \$5,000 residual income</li> </ul> </li> </ul> <p><b>Second Lien Qualifying Payment:</b> Qualify at the note rate.</p> <p><b>First Lien Qualifying Payment:</b></p> <ul style="list-style-type: none"> <li>• Fixed Rate: Note Rate</li> <li>• ARM: Qualify at the maximum rate that could apply during the five years following the first payment date of the new second lien.</li> </ul> <p><b>Liabilities:</b> Refer to <b>Fannie Mae Selling Guide Chapter B3-6-05</b>.</p>
<b>Temporary Buydowns</b>	Not allowed.

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<b>Title</b>	<p>Title requirements are based on loan amount.</p> <ul style="list-style-type: none"> <li>• Loan amount &lt;= \$250,000: <ul style="list-style-type: none"> <li>○ ALTA Residential Limited Coverage Junior Loan Policy, or</li> <li>○ ALTA Standard Coverage Policy insuring the second lien amount, or</li> <li>○ Owner and Encumbrance report from a title insurer <ul style="list-style-type: none"> <li>▪ Report must identify the recorded owner, legal description, tax information, and any open liens, mortgages, lis pendens and judgments</li> <li>▪ Report must be dated within 60 days of the note date</li> </ul> </li> </ul> </li> <li>• Loan amount &gt; \$250,000: ALTA Standard Coverage Policy insuring the second lien amount</li> </ul> <p>PACE loans, or any similar loans with payments that are included in property taxes or that take lien priority, are ineligible.</p>
<b>Transactions</b>	<p><b>Stand-Alone Refinance:</b></p> <ul style="list-style-type: none"> <li>• All transactions are refinances and considered cash-out and there is no restriction on the amount of, or the use of cash-out.</li> <li>• Properties owned &lt; 12 months use the lesser of the purchase price or AVM/appraised value to determine the CLTV.</li> <li>• Any other existing subordinate liens must be satisfied; no re-subordination permitted.</li> </ul> <p><b>Ineligible Transactions:</b></p> <ul style="list-style-type: none"> <li>• Properties listed for sale within the last 6 months.</li> <li>• Lien Free Properties – If the subject property is lien free, including delayed financing.</li> <li>• Payoff of a Land Contract/Contract for Deed.</li> <li>• Subject loan being used as a bridge (i.e., short term).</li> </ul> <p><b>Seasoning:</b> Seasoning is based on the application date (not the note date) of the subject mortgage.</p>
<b>Underwriting Method</b>	<p>Loans are manually underwritten per these program guidelines. For anything not addressed in these program guidelines refer to Fannie Mae underwriting guidelines.</p>
<b>Other Requirements</b>	<p><b>Age of Documentation:</b></p> <ul style="list-style-type: none"> <li>• AVMs must be dated within 60 days of the note date</li> <li>• Appraisal must be dated within 120 days of the note date</li> <li>• All other documentation must be dated within 90 days of the note date</li> </ul> <p><b>Loan Disclosures:</b> A complete loan file including URLA and all applicable disclosures (LE, COC, CD, state specific disclosures, etc.) is required.</p> <p><b>Higher Priced Mortgage Loans:</b> A second mortgage with an APR 3.5% &gt;= APOR is considered HPML. HPML are eligible and a full appraisal is required regardless of loan amount.</p> <p><b>High Cost:</b> Federal, State and Local High Cost Loans are not permitted. Loans that meet the definition of “high cost,” “high risk,” “covered,” “subprime,” or any similar designation under state or local law are ineligible.</p> <p><b>Power of Attorney:</b> Only allowed for borrowers in the military and deployed abroad.</p> <p><b>Qualified Mortgage (QM) Status:</b> Loans may be QM or Non-QM. All loans must demonstrate Ability to Repay however QM compliance is not required.</p> <p><b>Points and Fees:</b> Points and Fees must be less than 5%.</p>

