DSCR Investor Solutions 2
Program Guidelines

Revised 3/4/2025 rev. 108

(Click the link to go straight to the section)

Section 1 Program Summary

Plaza's Debt Service Coverage Ratio (DSCR) Investor Solutions 2 program utilizes the property income to qualify the transaction. DSCR Investor Solutions 2 is available to experienced investors purchasing or refinancing investment properties for business purposes. Available products include fully amortizing 30-Year Fixed Rate and 40-year Fixed Rate Interest Only. Products are offered with or without prepayment penalties subject to state limitations. Loan amounts from $150,000 to $2,500,000 are available.

Section 2 Product Codes

Product Name	Product Code	Available Term in Months
DSCR Investor Solutions 2 30 Year Fixed	DS2F30	360
DSCR Investor Solutions 2 40 Year Fixed Interest Only	DS2F40IO	480

Section 3 Program Matrix

Purchase[2] and Rate/Term Refinance					
Property Type	**Loan Amount[1]**	**LTV[2,3]**	**Credit Score[3]**	**DSCR**	**Reserves**
1-Unit SFR / PUD	$1,000,000	80%	700	1.15	3
		70%	700	1.00	3
		70%	680	1.15	3
	$1,500,000	75%	700	1.15	6
		65%	700	1.00	6
		65%	680	1.15	6
	$2,000,000	70%	700	1.15	6
		60%	700	1.00	6
		60%	680	1.15	6
	$2,500,000	65%	700	1.15	12
Condo 2-4 Units[2]	$1,000,000	70%	700	1.00	3
		70%	680	1.15	3
	$1,500,000	70%	700	1.15	6
		65%	700	1.00	6
		65%	680	1.15	6
	$2,000,000	70%	700	1.15	6
		60%	700	1.00	6
		60%	680	1.15	6
	$2,500,000	65%	700	1.15	12

1. Minimum Loan Amount $150,000.
2. Short-term rental:
   a. Refinances only.
   b. Reduce maximum LTV by 5%.
   c. 2-4 units not eligible for short-term rental.
3. Interest Only:
   a. Maximum 70% LTV.
   b. Minimum 720 Credit Score.

Cash-Out Refinance[2]					
Property Type	**Loan Amount[1]**	**LTV[3,4]**	**Credit Score[4]**	**DSCR**	**Reserves**
1-Unit SFR / PUD	$1,000,000	75%	700	1.15	3
		65%	700	1.00	3
	$1,500,000	70%	700	1.15	6
		60%	700	1.00	6
	$2,000,000	65%	700	1.15	6
Condo 2-4 Units[3]	$1,000,000	70%	700	1.15	3
		65%	700	1.00	3
	$1,500,000	70%	700	1.15	6
		60%	700	1.00	6
	$2,000,000	65%	700	1.15	6

1. Minimum Loan Amount $150,000.
2. Cash-out > $500,000 reduce LTV by 10%. Maximum $1,000,000 cash-out.
3. Short-term rental:
   a. Reduce maximum LTV by 5%.
   b. 2-4 units not eligible for short-term rental.
4. Interest Only:
   a. Maximum 70% LTV.
   b. Minimum 720 Credit Score.

Section 4 Occupancy

Investment properties only. The property cannot be occupied by the borrower nor a family member of the borrower.

Occupancy Considerations. The following will be considered when evaluating occupancy. Additional documentation may be required to validate occupancy:

- Borrowers should own a primary residence. Borrowers who do not own a primary residence may be eligible by exception; however, borrowers who do not own a primary residence but are refinancing a tenant occupied rental are eligible without requiring an exception.
- The value of the borrower's primary residence should exceed the value of the subject property.
- Subject property could reasonably function as a second home (red flag).
- Borrower or other documents show subject property as current primary residence (red flag).

Departure Residence: If on a refinance, the borrower is converting the subject property primary residence to a rental property, the new primary residence purchase must close concurrently with the subject property refinance. Any occupancy concerns must be addressed.

Borrowers are required to sign an **Business Purpose and Occupancy Affidavit**.

Section 5 Transactions

Business Purpose: All loans must be business purpose loans. A **Business Purpose and Occupancy Affidavit** must be executed by the borrower(s) on every transaction.

Any loan where the proceeds are used primarily for personal, family, or household purposes is considered a consumer transaction and is not eligible for this program. This includes cash-out on an investment property when loan proceeds are used for any personal use. Cash-out proceeds must not be used for any personal use including the payoff of personal debt.

Purchase:

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV is based upon the lesser of the sales price or appraised value.
- Assignment of contract or finder's fees reflected on the purchase contract are not eligible to be included in the sales contract price or associated with the LTV calculation.

Rate & Term Refinance: Proceeds from the transaction are used to:

- Pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
  - Closed-end loan, at least 12 months of seasoning has occurred.
  - HELOC, at least 12 months of seasoning has occurred, and total draws over the past 12 months are less than $2,000.
- Buy out a co-owner pursuant to an agreement.

Other Rate/Term Considerations:

- At least one of the borrowers must have been an owner of the subject property throughout the three-month period preceding the date of the loan.
- Refinance of a previous loan that provided cash out and is seasoned less than 6 months, as measured from the previous note date to the subject loan note date, will be considered a cash out refinance.
- Cash back not to exceed the lesser of 1% of the new loan amount or $2,000.
- The transaction must be treated as cash-out when the subject property is encumbered by one of the following:
    - Blanket/Cross-Collateralized loan, or
    - Loan that allows for Paid in Kind (PIK) interest. A copy of the note must be provided to determine required payment terms. Notes allowing interest to accumulate during the term of the loan are eligible.
- Properties listed for sale in the past six (6) months are ineligible.
- LTV:
    - If the subject property was acquired greater than 12 months from the note date, the appraised value will be used to determine LTV.
    - If the property was acquired less than or equal to 12 months from the note date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV. The purchase settlement statement and any invoices for materials/labor will be required.

Cash-Out Refinance: A refinance that does not meet the definition of a rate/term transaction is considered cash-out.

- **Loan proceeds must not be used for any personal use including the payoff of personal debt.**
- A mortgage secured by a property currently owned free and clear is considered cash-out unless the transaction is delayed financing – see the delayed purchase refinance section below.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- Loans not eligible for cash-out:
    - Properties listed for sale in the past six (6) months are ineligible.
    - There has been a prior cash-out within the past six (6) months.
    - There is a closed-end second seasoned less than six (6) months or there is a HELOC with any draws in the last six (6) months.
    - Land Contract/Contract for Deed.
- Cash-Out Seasoning is defined as the time difference between the note date of the new loan and the property acquisition date.
    - Borrower ownership seasoning of six (6) months is required for a transaction to be eligible for cash-out.
    - If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six-month ownership requirement. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.
    - If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust.
- LTV:
    - If the subject property was acquired greater than 12 months from the note date, the appraised value will be used to determine LTV.
    - If the property was acquired less than or equal to 12 months from the note date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV. The purchase settlement statement and any invoices for materials/labor will be required.

Delayed Purchase Refinance: Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the new loan note date.

- The original purchase transaction was an arms-length transaction.
- Closing Disclosure (CD) or other settlement statement must be provided to document the original purchase price, the date of acquisition and confirm that no financing was obtained for the initial purchase of the property.
- The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property). Funds may not be gift funds.
- The maximum LTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
- The preliminary title search or report must confirm that there are no existing liens on the subject property
- Delayed financing refinances are underwritten as rate and term refinances and are not subject to cash-out refinancing program limitations.
- Cash back to the borrower in excess of documented funds used to purchase the property is not allowed.

Conversion of Construction-to-Permanent Financing:

The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a Borrower for the purpose of replacing interim construction financing that the Borrower has obtained to fund the construction of a new residence. The Borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.

- Rate/Term refinance only. Loan amount is limited to the payoff of the construction lien and closing costs.
- Borrower must have held title to the lot for a minimum of six months prior to the closing of the permanent loan.
- For lots owned ≥ 12 months from the note date for subject transaction, LTV is based on the current appraised value.
- For lots owned < 12 months from the note date for subject transaction, LTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of documented construction costs and documented purchase price of lot).
- A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy, proof must be provided.
- Construction loan refinances in which the borrower has acted as builder are not eligible.

New York Consolidation, Extension and Modification Agreement (CEMA): Allowed for refinances only.

Section 6 Property Flips

If the Seller has taken title to the subject property within 90 days prior to the date of the sales contract (timeframe is measured from the seller's note date to the date of the borrower's purchase agreement), the following requirements apply:

- Property Seller on the purchase contract must be the owner of record.
- Second full appraisal is required.
- LTV/CLTV will be based on the lesser of the prior sales price, current purchase price or the current appraised value.
- There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months.
- No double escrows or assignment of sales contract.
- Loans that are bank or relocation sales are exempt from the above requirements.

Section 7 Identity of Interest & Non-Arm's Length

Non-Arm's length transactions are ineligible. Identity of interest transactions are eligible with restrictions.

Non-Arm's Length Transaction (ineligible)

- Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions include family sales, property in an estate, and employer/employee sales.
- When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.
- Property trades between buyer and Seller are not allowed.

Identity of Interest Transactions (eligible with restrictions)

- An Identity of Interest/Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.
- In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent, extra due diligence must be exercised. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined.
- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction: Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves.
- The Seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property.
- A Letter of Explanation regarding the relationship between the parties is required.

Section 8 Loan Limits

Maximum Loan Amount: $2,500,000

Minimum Loan Amount: $150,000

Section 9 Subordinate Financing

Subordinate financing is not allowed

Eligible Borrowers:

- Experienced investors only (see below for definition)
- U.S. citizens
- Permanent resident aliens with the following acceptable documentation:
  - I-151 – Alien Registration Receipt Card (Green Card), or
  - I-551 – Alien Registration Receipt Card (Resident Alien Card) that does not have an expiration date on the back (aka Green Card), or
  - I-551 – Alien Registration Receipt Card (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of USCIS form I-751 requesting removal of the conditions, or
  - Un-expired Foreign Passport with an un-expired stamp (valid for a minimum of three years) reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized."
- Inter Vivos Revocable Trusts – Refer to **Plaza's Living Trust Policy** requirements.
- Non-borrowing mortgagors: A non-borrowing mortgagor must be a spouse, significant other, or family member of the borrower on the note and reside in the United States.
- LLCs – For title vested in an LLC refer to the LLC details at the end of this section.

Ineligible Borrowers:

- Inexperienced investors
- Borrowers living rent free (borrowers must own or rent their primary residence for a minimum of 12 months)
- First-time homebuyers (FTHB). FTHB are individuals who have had no ownership interest (sole or joint) in a residential property during the three-year period preceding the application date of the subject property transaction.
- Non-Permanent Resident Aliens
- Foreign Nationals
- Irrevocable Trusts / Life Estates / Blind Trusts
- Land Trusts
- Not-For-Profit entity
- Persons without a Social Security number or with only an ITIN (Individual Taxpayer Identification Number)
- Persons with diplomatic status and/or immunity
- Persons from OFAC sanctioned countries and persons sanctioned by OFAC
- Persons subject to a lawsuit

Borrower Investor Experience:

- **Experienced Investor:** An experienced investor is a borrower having a history of owning and managing commercial or residential rental real estate for at least 1 year in last 3 years.
  - Experience can be documented by one of the following:
    - Mortgage history on credit report along with completed REO schedule on the loan application, or
    - Lease agreement along with proof of property ownership (tax bill or property profile report), or
    - Other 3rd party documentation
  - The borrower must own or rent a primary residence (borrowers living rent free are ineligible).
  - For loans made to natural persons with more than one borrower, only one borrower must meet the definition.
  - For loans made to entities (LLCs): In order to be considered an experienced investor, the primary guarantor must meet the definition of an experienced investor. If the primary guarantor is not an experienced investor the entity will be considered inexperienced and first-time investor guides must be met.

- **First-Time Investor:** First-time investors are ineligible. If a borrower does not meet the definition of an experienced investor they are considered a first-time investor.

Limited Liability Company (LLC): Title may be vested in an LLC subject to the requirements below.

- The LLC purpose and activities are limited to ownership and management of real property
- LLC must be domiciled in a US State
- LLC is limited to a maximum of four (4) members or managers
- LLC members must be natural persons (LLCs whose members include other LLCs, corporations, partnerships or trusts are ineligible)
- A Power of Attorney may not be used with an LLC

LLC Documentation Requirements:

- LLC Articles of Organization.
- Evidence of Good Standing (Certificate of Good Standing or screen shot from state website) for the state in which the entity was formed. Certificate/screen shot must be dated within 30 days of the note date.
- LLC documents authorizing the guarantor to execute loan documents on behalf of the entity (e.g., Operating Agreement, Certificate of Authorization).
    - If the authorizing documents are not provided, a Certificate of Authorization/Borrowing Certificate for the members executing documents on behalf of the Entity is required. Certificates are not required if the authorization can be determined by reviewing the Operating Agreement or other corporate documents. Sample **LLC Borrowing Certificate Single Member** or **LLC Borrowing Certificate Multiple Member**.
- Corporate documents that contain a list of members/managers and ownership percentage (e.g., organization structure).
- EIN/Tax Identification Number
    - Single member LLC may use EIN or the guarantor social security number
    - All multi-member LLCs must have an EIN

LLC Loan Document Completion and Signature Requirements:

- Loan Application (1003): Each LLC member must complete a separate 1003 loan application.
    - The 1003 is to be completed and signed as an individual (not LLC name) – one 1003 for each member
    - Section labelled "Title will be held in what Name(s)" should be completed with *only* the LLC name
    - Only the debt appearing on the personal credit report of the member needs to be reflected on the loan application
    - The credit score and creditworthiness of each member will be used to determine qualification and pricing.
- Personal Guaranty: Separate Personal Guaranties must be provided by each member of the LLC.
    - The personal guaranty is to be completed and signed by Individuals (not LLC name)
    - The guaranty is executed at loan closing and dated the same date as the Note. Plaza's **Personal Guaranty Form** will print with closing docs and is to be used.
    - The guaranty must be full recourse.
    - The guaranty must reference the note and loan amount.
    - Spousal Consent to Pledge – **(Spousal Consent Form)** is required for properties located in community property states (AK, AZ, ID, LA, NM, TX, WA, WI).
- Documents to be signed by the authorized signer(s) for the LLC (Plaza associates refer to the **Loan Closing Manual** for signature requirements and signature line examples):
    - Note, Deed of Trust/Mortgage, Addenda and Riders
    - Disclosures
    - Settlement Statement

Section 11 Underwriting Method

All loans are manually underwritten and documented per these Program Guidelines.

Section 12 Credit

Credit Report:

- A tri-merged credit report is required
- Credit reports with bureaus identified as frozen are required to be unfrozen and a current credit report with all bureaus unfrozen is required

Credit Scores:

- The lowest qualifying score of all applicants is used to qualify
- The qualifying score is the lower of 2 or middle of 3 scores for each borrower

Minimum Credit Score:

- Full amortized products: 680
- Interest only: 720

Trade Lines:

- At least three (3) tradelines opened and reporting for the last 12 months, or
- At least two (2) tradelines opened for the last 24 months and reporting for the last 12 months.
- One tradeline must be an installment, rental or mortgage account.
- Authorized user accounts, non-traditional credit, Derogatory credit and public records (collections, judgments, charge-off, repossessions, foreclosures, tradelines included in a bankruptcy and credit counseling) and disputed accounts are not acceptable as valid tradelines.

Housing Payment History:

- For each property owned: 0 x 30 x 24 months.
  - If the borrower has a mortgage or rental history of less than 24 months, the payment history will need to be verified for the number of months available based on the application.
  - A minimum mortgage/rental payment history of 12 months is required.
- Mortgage/rental verification can be verified utilizing:
  - Credit report.
  - Verification of Mortgage (VOM).
  - Rental:
    - Verification of Rent (VOR) completed by a professional management company or
    - 24 months of bank statements or canceled checks.

Timeshares: Timeshare obligations are treated as a consumer installment loan.

Forbearance / Modification / Deferral:

- Modified or restructured loans, including loans with deferred balances, are ineligible.
- Forbearance: The loan must be reinstated and the past 12 months of payments have been paid on a timely basis since reinstatement.

Bankruptcy / Foreclosure / NOD / Short Sale / Deed-in-Lieu: 48 months seasoning required.

- Applies to all properties owned by the borrower(s)
- Seasoning is measured to the new note date
- A borrower with multiple significant derogatory credit events is ineligible

Liens, Judgments, Collections, Charge-offs and Past Due Accounts:

- All delinquent credit that could have the potential to impact the lien position must be paid off; however,
- Collection accounts and charged-off accounts do not need to be paid off if the balance of an individual account is less than $1,000 or, if there are multiple accounts, the total balance of all accounts cannot exceed $2,500, and
- Income tax liens, delinquent credit, judgments, collections, charge-offs and past due accounts may not be paid off at closing with loan proceeds. Funds used to pay off must be verified and must not be proceeds from the subject property transaction.

Inquiries: Recent inquiries within 90 days of the credit report date do not need to be explained by the borrower.

Section 13 DSCR Property Income Analysis

Traditional employment and income analysis is not performed. Borrower employment and income should not be disclosed on the loan application (1003). The minimum information required on a business purpose application includes borrower/guarantor name, current address, social security number, and date of birth.

Qualification is based on the subject property cash flow as represented by a debt service coverage ratio (DSCR). DSCR is the eligible gross rental income divided by the property PITIA.

- All products calculate P&I at the note rate
- Interest Only qualifies using the fully amortized payment per the amortized term
- Minimum DSCR: 1.00. **Refer to Program Matrix in Section 3**

DSCR Example:

- Gross Monthly Rent: $2,500
- PITIA: $2,000
- DSCR = 1.25 (monthly gross rent of $2,500 divided by PITIA of $2,000 = 1.25)

Gross Monthly Rent Documentation – Long Term Rental:

- Purchase:
  - Fannie Mae® Form 1007/1025 reflecting long term market rents, and
  - Existing lease agreement(s), if applicable. If the existing lease is being transferred to the borrower, it must be verified that it does not contain any language or provisions that could affect the first-lien position.
  - Gross Monthly Rents:
    - Property is not leased at time of closing: Use the monthly rent established on FNMA Form 1007 or 1025 reflecting long term market rent.
    - Property is currently tenant occupied and being sold subject to a tenancy: Use the lesser of the actual rent and the monthly rent established on FNMA Form 1007 or 2025 reflecting long term market rent.
      - The rents that are stated in the purchase agreement should be used to determine the actual rent of the subject property.
      - If the rents are not set forth in the purchase agreement, the leases must be obtained to determine actual rent.
- Refinance:
  - Fannie Mae Form 1007/1025 reflecting long term market rents, and
  - Existing lease agreement(s)
    - If the lease has converted to month-to-month, the most recent two (2) months proof of receipt of rent is required to evidence continuance of lease.
    - If unable to provide evidence of receipt, the unit will be treated as vacant and will be ineligible for financing.
  - For a new lease, provide the new lease, receipt and deposit of the security deposit and first month's rent.
  - Gross Monthly Rents: The lesser of the current subject property rent from the lease or the monthly rent established on FNMA Form 1007 or 1025 reflecting long term market rent.
  - Note: For refinance transactions, the property is required to be leased and cannot be vacant.

Gross Monthly Rent Documentation – Short-Term Rental (Refinance Only):

- Gross Monthly Rent: The lesser of the rental value of the property from a rental addendum prepared by the appraiser (1007 with long-term or short-term rents) or the average monthly rental income received from the short-term rental over the past 12 months (both must be provided). Provide:
  - Rental addendum from the appraiser (Form 1007 with long-term or short-term rents), and
  - Third-party statements from Airbnb, VRBO or similar service. The statement must identify:
    - The subject property/unit
    - Rents collected for the previous 12 months
    - All vendor management fees (vendor fees are not included in rental income)
  - Third-party rental service must confirm the property has been actively marketed for at least the prior 24
  - months.
  - Third-party service to provide listing dates the property is rented in the future.
  - For seasonal rentals, rental history must demonstrate seasonality of rental activity. Example: For a property typically rented May through September, the expectation would be to see rental activity during those same months of each year reviewed. Lack of consistency in receiving short-term rental income will make income ineligible.
- Short-Term Rental guideline restrictions:
  - Reduce allowable LTV by 5% when using short-term rental income to qualify.
  - One-unit properties/condos only.
  - If the subject property is a condo, provide evidence (letter or documentation from the HOA or appraiser) that the property is eligible for short-term rentals.
  - Must be permitted in accordance with local ordinance.

Section 14 Assets / Down Payment / Gifts

Assets used for down payment, closing costs, debt payoff, and reserves must be documented.

Documentation:

- Account statements for the most recent two consecutive months (e.g., checking, savings, brokerage accounts). Statements must include the following:
  - Name of financial institution
  - Reflect borrower as the account holder (Funds held jointly with another individual are considered 100% of the borrower's own funds)
  - Account number
  - Statement date
  - Time period covered by the statement
  - All deposit and withdrawal transactions for depository account or all purchase and sale transactions for financial portfolio account
  - Beginning and ending balances
- Verification of Deposit (VOD) form for the most recent two consecutive months.
- Assets may be verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty® process.

Large Deposits: Large deposits on any of the above asset documentation must be sourced.

Eligible Assets:

- Checking, savings and certificates of deposit accounts.
- Borrowed funds secured by an asset are an acceptable source of funds. Follow Fannie Mae guidelines.
- Business accounts may be considered for borrower's assets subject to the following:
  - Borrowers must own at least 50% of the business and have access to the funds.
  - The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
  - Provide a signed letter from an accountant verifying the following:
    - The amount of business assets that can be used
    - The funds are not an advancement of future earnings, cash distribution or a loan
    - Withdrawal of the funds will not negatively impact the business
    - May not be used for reserves
- Cash Value of Life Insurance:
  - 100% of the cash surrender value less any loans may be considered for assets.
  - If being used for down payment or closing costs, the policy must be liquidated and document with the check sent by the insurance company and deposited in the borrower's account.
  - If being used for reserves, liquidation of the insurance policy is not required.
- Cryptocurrency:
  - Down payment and closing costs: Cryptocurrency must be liquidated and deposited into an established US bank account.
  - Reserves: Ineligible unless liquidated and deposited into a US bank account.
- Earnest Money:
  - Verification of sufficient funds on deposit in a depository account and/or verification the funds have been withdrawn from the account.
  - A copy of the canceled check if funds have been withdrawn.
- Foreign Assets: Assets held in foreign accounts or originating outside of the U.S. must be:
  - Transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless funds are held in a foreign bank with U.S. branches insured by the FDIC.
  - Verified by the U.S. institution.
  - Translated to English and verified in U.S. Dollar equivalency at the current exchange rate via either **http://www.xe.com** or the Wall Street Journal conversion table.
  - All other asset requirements in this section apply.

- Retirement account (e.g., IRA, 401k, Keogh, 403b):
  - It must be verified that withdrawals are allowed.
  - Borrower's receipt of funds and liquidation must be documented when using for down payment or closing costs.
  - Borrower age > 59.5: 80% of the vested balance may be considered when using for reserves.
  - Borrower age <= 59.5: 70% of the vested balance may be considered when using for reserves.
- Stocks/bonds/mutual funds:
  - Borrower's receipt of funds and liquidation must be documented when using for down payment or closing costs.
  - 80% of the account(s) value may be considered when using for reserves.
- Trust/Assets held in a Trust:
  - Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee.
  - Document the borrower has access to the funds.
  - Borrower receipt of funds must be verified when using for down payment or closing costs.
- 1031 Exchange: Funds held by a 1031 administrator/agent are eligible for down payment and closing costs. The file must contain:
  - The closing statement for both properties, and
  - An exchange agreement, and
  - The sales contract for the exchange of property.

Gift Funds: Not allowed.

Ineligible Assets:

- Non-vested or restricted stock accounts
- Cash-on-hand
- Sweat equity
- Gift funds
- Down payment assistance programs
- Unsecured loans or cash advances

Section 15 Reserves

Refer to **Eligible Assets** listed in the previous section.

Reserve Requirement: Refer to the program matrices in section 3.

Other Reserves Considerations:

- Reserve requirements apply to the subject property loan only. Additional reserves are not required for additional financed properties.
- Cash-out may be used for reserves.
- Business assets may not be used for reserves.
- Reserves for a loan with an Interest Only feature are based upon the fully amortized payment.
- Proceeds from a 1031 exchange are not allowed for reserves.

Section 16 Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements.

Maximum Interested Party Contributions: 2%

Seller Concessions:

All seller concessions must be addressed in the sales contract, appraisal and Closing Disclosure/HUD-1. A seller concession is defined as any interested party contribution beyond the above stated limits or any amounts not being used for closing costs or prepaid expenses (i.e., funds for repairs not completed prior to closing). If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV.

Section 17 Property Eligibility

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- 2-4 units
- Condos (Fannie Mae Warrantable)
  - Follow Fannie Mae review requirements
  - Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV
  - All other condominium projects require a completed **Fannie Mae Form 1076**, **Plaza Condo HOA Questionnaire Full Review Form FM-259**, or equivalent condo project questionnaire; or
  - Evidence of Fannie Mae Condo Project Manager (CPM) approval is acceptable in lieu of providing a completed condo project questionnaire

Accessory Dwelling Units (ADUs):

- A 1-unit property with a single ADU is eligible. Multiple ADUs are not allowed.
- The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- Rental income from the ADU may not be utilized in the DSCR analysis.

Lot Size: Maximum lot size of 20 acres. Properties with 10 acres or more must have three comparable sales with similar acreage in the appraisal.

Modular Homes are eligible.

Private Roads: Require a permanent easement for ingress and egress with provisions for road maintenance.

Solar Panels:

- Owned: If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage) the property is eligible.
- Leased: Properties with leased solar panels must meet Fannie Mae requirements.
- Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar financing arrangement must be considered personal property and not be included in the appraised value.
- PACE: Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.

Ineligible Properties:

- Acreage > 20 acres
- Agriculturally zoned properties (if current/best use is working farm or ranch)
- Condition rating of C5/C6
- Construction quality rating of Q6
- Barndominiums
- Boarding houses, bed/breakfast properties, or single room occupancy
- Commercial properties
- Condotels and non-warrantable condos
- Cooperatives
- Farms including hobby farms, working farms, ranches, orchards, equestrian amenities
- Geodesic/Dome homes
- Geothermal homes
- Gross living area
  - < 700 square feet if detached SFR
  - < 400 square feet if attached condo
  - < 500 square feet per individual unit in 2-4 unit property
- Healthcare facilities (e.g., assisted living, elder care, recovery/treatment)
- Leasehold Estates
- Log homes
- Manufactured housing
- Mixed use
- Model home leaseback
- Native American Land (Reservations)
- Nonresidential, income-producing structures on premise (e.g., billboards, cell phone towers, commercial workshop)
- Private transfer covenant or deed restricted
- Rural Properties. A property is considered rural if:
  - The appraiser indicates in the neighborhood section of the report a rural location, or
  - The property is zoned rural.
- Timeshare, segmented ownership or projects that restrict the owner's ability to occupy the unit
- Unique properties

Section 18 Appraisal

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

Fannie Mae® Form 1007/1025: Required.

Number of Appraisals: Loan amounts > $1,500,000 require two full appraisals.

Declining Markets: Properties in a declining market, as indicated in the appraisal, require a 10% LTV reduction from the maximum otherwise allowed.

Collateral Desktop Assessment:

- Required on all transactions regardless of CU score; however, a CDA is not required when two appraisals are provided.
- A "Collateral Desktop Analysis - Jumbo (CDA) Pre-Fund" will be ordered by Plaza.
- The CDA is required to support the value of the appraisal. If the CDA returns a value that is "Indeterminate" or if the CDA indicates a value lower than the appraised value by more than 10%, then a field review *or* 2nd full appraisal is required.
    - If the field review indicates a value lower than the appraisal by more than 10%, then a second appraisal will be required. The lower of the two appraisal values will be used as the appraised value of the property.

Transferred Appraisals: Not Allowed.

Section 19 Geographic Restrictions

Declining Markets: Properties in a declining market, as indicated in the appraisal, require a 10% LTV reduction from the maximum otherwise allowed.

Alaska: Prepayment Penalty not allowed.

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

Illinois: Prepayment Penalty is only allowed if vested in an LLC (not allowed on loans vested to individuals).

Iowa: Prepayment Penalty not allowed.

Kansas: Prepayment Penalty not allowed.

Maryland:
- Not eligible.
- Prepayment Penalty not allowed.

Michigan: Prepayment Penalty not allowed.

Minnesota: Prepayment Penalty not allowed.

Mississippi: Prepayment Penalty not allowed.

New Jersey: Prepayment Penalty is only allowed if vested in an LLC (not allowed on loans vested to individuals).

New Mexico: Prepayment Penalty not allowed.

Ohio: Prepayment Penalty not allowed.

Pennsylvania: Prepayment penalties not allowed on loan amounts < $319,778.
Rhode Island: Prepayment Penalty not allowed.

Vermont:

- Prepayment Penalty not allowed.
- Vermont State High Cost loans are ineligible.

Section 20 Max Financed Properties / Exposure

Maximum Financed Properties: Borrower(s) may not own more than 20 residential 1–4-unit financed properties, including the borrower's primary residence and the subject property.

Maximum Loans/Maximum Plaza Exposure: No more than four total Plaza loans are permitted to one borrower

Section 21 Mortgage Insurance

Not Applicable, regardless of LTV.

Section 22 Repair Escrows

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

Section 23 ARM Adjustments

Reserved for future use.

Section 24 Temporary Buydowns

Not allowed.

Section 25 Insurance

Hazard and Flood Insurance: Adequate insurance is required for HOI and flood as applicable. The hazard insurance coverage must be equal to or greater than one of the following:

- 100% of the replacement cost of the improvements of the subject property per a replacement cost estimator from the property insurer or a 3rd party source (i.e., CoreLogic); or
- The estimated cost to replace the dwelling from a recent appraisal; or
- The unpaid principal balance of the mortgage, but in no case less than 80% of the replacement cost.
- Deductible not to exceed 5% of the coverage amount.

For Insurance not addressed in this section refer to Plaza's **Hazard and Flood Insurance Policy**.

Rent Loss Insurance: Rent loss insurance covering a minimum of six months is required for the subject property.

Section 26 Other Requirements

Escrows/Impounds: Escrow/impound accounts may be waived with the exception of flood insurance premiums which must always be impounded when flood insurance is required.

Compliance: All DSCR Investor Solutions loans are Business Purpose loans and therefore exempt from TILA/TRID. Plaza's origination process, including disclosures and document use, will follow traditional consumer purpose loan workflow; however, certain requirements may not apply (such as timing requirements and tolerances).

- **Loan Estimate (LE) and Closing Disclosure (CD):** Although not a regulatory requirement, traditional disclosures will be issued for borrower informational purposes only.
- **High Priced Mortgage Loans (HPML):** Not applicable to business purpose loans.
- **High Cost Mortgage Loans:** Federal High Cost is not applicable to business purpose loans. State and Local High Cost Loans are not permitted.
- **Points and Fees:** 5% maximum does not apply.
- **Loan Originator Licensing:** Loan originator is required to be licensed to originate loans in the state the property is located. Plaza's other DSCR program(s) may have different requirements.

Age of Documentation: All documentation must be dated within 90 days of the date the Note is signed with the exception of the appraisal which may be no more than 120 days old on the date the Note is signed.

Power of Attorney: Loans may not be closed with a Power of Attorney.

Section 27 Interest Only

- DSCR ratio determined by the fully amortized payment per the amortized term
- Minimum Credit Score: 720
- Maximum LTV: 70%

Product Code	Interest-Only Term	Amortized Term	Total Term	Fixed Period	Adjustable Period
DS2F40IO	10 Years	30 Years	40 Years	40 Years	NA

Section 28 Prepayment Penalty

Prepayment Penalty:

- Two prepayment structures are offered:
  - 6 months interest: 6 months interest on the amount paid greater than 20% of the original UPB, or
  - 5% Fixed: 5% of any amount prepaid during the prepayment penalty term.
- 5 prepayment terms are offered:
  - No prepay
  - 1-year
  - 2-year
  - 3-year
  - 5-year
- Applies to payoff due to sale or refinance (hard prepay)
- State Restrictions: Not all states allow a prepayment penalty

Prepayment Penalty Not Allowed in the Following States:

- Alaska
- Illinois: Not allowed if vested to an individual. Allowed if vested to an LLC.
- Iowa
- Kansas
- Maryland
- Michigan
- Minnesota
- Mississippi
- New Jersey: Not allowed if vested to an individual. Allowed if vested to an LLC.
- New Mexico
- Ohio
- Pennsylvania: Loan amounts < $319,778 ineligible for PPP. Loan amounts >= $319,778 are eligible.
- Rhode Island
- Vermont