

Pennymac Correspondent Group Overlays September 18, 2023 - X Indicates Overlay		FHA Full doc	FHA Streamline	VA Full Doc	VA IRRRL	Rural Housing
GOVERNMENT						
Topic	Overlay/Modification					
203(k) Specific Pennymac approval required	<ul style="list-style-type: none"> Refinances: The appraiser must provide the as-is value in the body of the report. If the appraiser refuses to provide the as-is value within the as-repaired report, Pennymac will require both an as-is appraisal and as-repaired appraisal. The existing debt plus fees may not be used to determine the Adjusted as-is Value. Self Help is not allowed. Homes that have been demolished, or will be razed as part of the rehabilitation work are ineligible. Homes located on another site, that will be moved onto a new foundation are ineligible. Historic Homes – homes designated by an official body as “historic” e.g. listed on the National Register of Historic Places are ineligible. Temporary Interest Rate buydowns require a minimum 660 FICO Score 	X				
Appraisal	<p>Base loan amount limited to 110% of current value. Current value determined by one of the following options with an FSD/confidence level not to exceed the level indicated:</p> <ul style="list-style-type: none"> Pennymac Home Value Estimator with an FSD not exceeding 15, https://www.goPennymac.com/home-value-estimator Collateral Analytics AVM with an FSD not exceeding 15, or Freddie Mac Home Value Explorer (HVE): max of 15 or confidence level of "H", or Clear Capital AVM:FSD max of 15 or CoreLogic Total Home Value (THV):FSD max of 11 or CoreLogic Pass: FSD max of 12 or CoreLogic VP4: FSD max of 7 or CoreLogic Prospect: FSD max of 7 or Radian Market Assessed Prices (MAP): FSD max of 10, or A 2055/1075 drive by appraisal report, or full appraisal. <p>Note: The lender must obtain at a minimum a 2055/1075 if the AVM FSD/confidence level does not meet the minimum requirements above.</p>				X	

Appraisal – Unpermitted Additions	<p>Pennymac will purchase loans secured by properties with “unpermitted” structural additions under the following conditions:</p> <ul style="list-style-type: none"> ○ The quality of the work is described in the appraisal and deemed acceptable (“workmanlike quality”) by the appraiser; ○ The addition does not result in a change in the number of units comprising the subject property (e.g. a 1 unit converted into a 2 unit). ○ If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal: <ul style="list-style-type: none"> ▪ Non-Permitted additions are typical for the market area and a typical buyer would consider the “unpermitted” additional square footage to be part of the overall square footage of the property. ▪ The appraiser has no reason to believe the addition would not pass inspection for a permit. 					X
Cash-Out	Loan Term limited to 30 years on VA Cash-Out when LTV is > 90%			X		
Credit	All mortgages must have a mortgage history of 0 x 30 in the last 3 payments.				X	
	<ul style="list-style-type: none"> • To meet Ginnie Mae seasoning requirements when paying off any loan: the borrower must have made at least six consecutive payments on the loan being paid off and the first payment due date of the new loan must be at least 210 days after the first payment due date of the refinanced loan. • To meet Ginnie Mae seasoning requirements when paying off a modified loan: the borrower must have made at least six consecutive payments on the modified loan being paid off and the first payment due date of the new loan must be at least 210 days after the first payment due date of the modified loan. 	X	X			X
	<p>To meet Ginnie Mae seasoning requirements, the new note date must be on or after the later of:</p> <ul style="list-style-type: none"> • The date that is 210 days after the date on which the first monthly payment was due on the mortgage being refinanced, and • The date on which 6 full monthly payments have been made on the mortgage being refinanced. 			X	X	
	All borrowers must return at least 1 credit score.	X		X	X	X
	At least one borrower must have a minimum of one credit score to be eligible.		X			
	Tri-merge credit report or mortgage account(s) rating is required.		X		X	

Disaster Policy	Pennymac may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster. See Pennymac disaster policy located in the Seller's Guide for full details.	X	X	X	X	X
Eligible Properties	No Manufactured Housing. This includes on-frame modular homes built on a permanent chassis. FHA 203K and Rural Housing only	X				X
	No Cooperatives.	X	X	X	X	
	Pennymac does not allow working farms which are allowed by VA.			X	X	
	Geodesic Domes are not allowed			X	X	
	Mobile Homes or properties located in a mobile home park are not allowed	X	X	X	X	X
Employment/Income	Provide a V-VOE or third party verification for income source. Not required for retired borrowers aged 60 or older.		X		X	
	Transactions involving HAPs paid directly to the Servicer are ineligible for purchase by Pennymac. Transactions with HAPs paid directly to the borrower continue to remain eligible for purchase.	X		X		X
Entitlement	VA loans must conform to GNMA secondary market guidelines which include the minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment/equity.			X	X	
Escrow/Impound Account	Escrow or impound accounts are required for collection of taxes, insurance, or any other required items.			X	X	
FICO - Minimum	Minimum FICO score of 580.except for VA Full Doc Cash-Out	X	X	X	X	X
	Minimum FICO score of 620 for VA Cash-Out (If LTV < = 90%) Minimum FICO Score of 680 for VA Cash-Out (If LTV > 90%)			X		
	Minimum FICO Score of 620 for Manufactured Home FHA Purchase/R&T/Streamline and Manufactured Home VA IRRRL	X	X		X	
	Minimum FICO Score of 640 for Manufactured Home FHA Cash-Out and Manufactured Home VA Purchase/Cash-Out	X		X		
	Minimum FICO Score of 620 for FHA full doc, 203K (delegated only) and FHA Manufactured Homes that are manually underwritten . Exception: FHA MH Cash-Out requires 640 minimum.	X				
Funds to Close	Cash on hand is not allowed.					X

Ineligible Mortgages	Energy Efficient Mortgages, Weatherization, Solar and Wind Technologies.	X	X	X	X	X
	203(k) only eligible with specific Pennymac approval. Additional construction overlays apply. See FHA 203(k) Product Profile for details.	X				
	No Graduated Payment Mortgages.			X	X	
	Streamline Refinances.					X
	VA Repair and Renovation or Construction to Perm are eligible. Additional construction overlays apply. See VA Reno Product Profile for details.			X		
	USDA Single Close Construction to Perm are ineligible					X
Loan Limits	<p>Maximum base loan amount cannot exceed \$2,000,000</p> <ul style="list-style-type: none"> • Base loan amounts exceeding \$1,000,000 to \$1,500,000 require minimum FICO of 700. • Base loan amounts exceeding \$1,500,000 to \$2,000,000 require minimum FICO of 720 and <ul style="list-style-type: none"> ○ AUS approval required (except on VA IRRRLs), and ○ Maximum 45% DTI regardless of AUS approval (doesn't apply to VA IRRRLs), and ○ The 25% guarantee must be composed entirely from the veteran's entitlement, and ○ 0x30x12 housing history, and ○ Please refer to the specific product profiles for additional requirements including LTV restrictions. 			X	X	
Manufactured Homes	<ul style="list-style-type: none"> • Single-width not eligible • 1 unit only • ARMs are ineligible • Fee Simple Land Ownership only • Owner Occupied only 	X	X	X	X	
	<ul style="list-style-type: none"> • Minimum 700 square feet 	X				
	<ul style="list-style-type: none"> • New Construction must be complete and have Certificate of Occupancy by loan closing • MH that has been moved or will move to another location are not eligible • Appraisal condition rating must be C4 or better 	X		X		
	<ul style="list-style-type: none"> • 2055 or BPO required and property condition must be average or better • Max LTV based on current market value is 110% 		X		X	
	<ul style="list-style-type: none"> • Foundation Certification required 				X	
	<ul style="list-style-type: none"> • Temporary Interest Rate Buydowns allowed with 660 minimum FICO Score <ul style="list-style-type: none"> ○ For VA and VA IRRRL also must qualify at the standard note rate without benefit of the buydown 	X		X	X	
	<ul style="list-style-type: none"> • Temporary Interest Rate Buydowns are not allowed 		X			

Properties listed for sale	Properties that were listed for sale. On cash-out transaction, the listing must have expired or been withdrawn prior to the application date. Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.	x				
	No Cash Out Transactions require the listing to have expired or be withdrawn prior to the application date. Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.					x
	<ul style="list-style-type: none"> VA IRRRL / Rate & Term - the listing must have been expired or been withdrawn on or before the application date. Cash-Out Transaction - the listing must have been expired or been withdrawn 180 days prior to the application date. Note for all transactions: If the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year. 			x	x	

Ratios - Maximum	Applies to FHA Manufactured Homes only: <ul style="list-style-type: none"> • DTI > 50%: <ul style="list-style-type: none"> ○ Credit score ≥ 640, or ○ LTV is 5% below the maximum 	X				
Renovation Specific Requirements for VA	<ul style="list-style-type: none"> • All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed. • 0x30x3 months payment history required. No exceptions. <ul style="list-style-type: none"> ○ Payment history may be from renovation period. Loans with no payments during renovation are ineligible • Refinances are ineligible • Renovation must be complete at time of delivery to Pennymac <ul style="list-style-type: none"> ○ Reduced guaranty option is not eligible for purchase ○ Loans will be purchased after completion of the final inspection required for guaranty. • Temporary Interest Rate buydowns require minimum 660 FICO Score and must qualify at the standard note rate without benefit of the buydown. 			X		
Seasoning	All closed loans must be delivered on or before 45 days past the Note date (i.e., Note date to file delivered date). Loans aged greater than 45 days are eligible for purchase subject to Pennymac review, approval, and additional fees. Please note loans aged greater than 105 days, up to 9 months, if approved, are subject to additional loan price adjustments determined by Pennymac at review.	X	X	X	X	X
Tax Transcripts	Tax transcripts for the most recent one year are required for all self-employed borrowers whose income is used to qualify. If only non-self-employed income is used to qualify, transcripts are not required.	X		X		
Temporary Interest Rate Buydowns	Allowed subject to the following: <ul style="list-style-type: none"> • Minimum 660 FICO Score (for Rural Housing applies to Streamlined-Assist program) 	X		X	X	X
	Must qualify at the standard note rate without benefit of the buydown			X	X	
	Temporary Interest Rate buydowns are not eligible		X			
Title Insurance/Policy	Title insurance is required for all properties			X	X	

UW Method	On Rural Housing transactions, manual underwrite allowed; must provide copy of the GUS findings in file to determine location and annual income compliance with Rural Housing requirements.					X
	<ul style="list-style-type: none"> All loans must be submitted through FHA TOTAL Mortgage Scorecard utilizing DU or LPA. Loans receiving a Refer recommendation or loans that require a downgrade may be manually underwritten in accordance with Pennymac overlays and FHA manual underwriting requirements. Approve/ineligible due to LTV are acceptable for HUD REOs only. 	X				
	<ul style="list-style-type: none"> Loans can be submitted and approved through DU or LP. Manual underwriting on non IRRRL transactions are permitted under the following conditions: <ul style="list-style-type: none"> 660 FICO on purchase & rate/term transactions; 700 for cash out transactions 0 x 30 in the most recent 12 months for all prior mortgages Maximum DTI of 45% 			X		
Additional Overlays Specific to Non-Delegated Transactions Lender must have specific Pennymac approval to participate in the Non-Delegated Program						
Borrower Eligibility	Borrower or properties with previous Mortgage Credit Rejects (MCR) are ineligible.	X				
	Joint loans are not allowed (refer to Borrower section in VA Product Profile for two exceptions.)			X		
Cash-Out	Borrowers may not have multiple cash-out transactions in a 12 month period. See product profiles for exceptions	X		X		
Credit	Installment debt must be paid in full to be excluded. Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying			X		
Condo	FHA Single Unit Approval and DELRAP approval are ineligible	X				
Disaster Inspections	Disaster inspections may not be completed by the Lender. Acceptable inspection providers include, but are not limited to, the original appraiser or a post-disaster inspection company.	X	X	X	X	

Documentation	<ul style="list-style-type: none"> (FHA and VA) For self-employed borrowers: the verbal verification of employment must be completed within 120 days prior to the note date. (VA) For wage earner borrowers: the verbal verification of employment must be completed within 10 business days prior to the note date. Handwritten Verifications of Mortgage (VOM) or Verifications of Rents (VOR) are not eligible. Verifications from private loans are acceptable however cannot be handwritten. VODs are not acceptable for asset documentation 	X		X		
Employment/Income	<ul style="list-style-type: none"> Retirement and/or social security income requires the most recent bank statement or award letter Interest/Dividend income requires the first page of the most recent tax returns and a copy of the statements reflecting the current balance Rental income requires the 1st page and Schedule E of the most recent tax return or a current lease agreement 				X	
	All borrower require a Verbal VOE or income source documentation				X	
Escrow Holdbacks	Escrow holdbacks: <ul style="list-style-type: none"> New Construction only Weather related repairs only Settlement Agent must administer escrow account and disbursement of funds 150% of repair estimate to be escrowed 	X		X		
	Escrow Holdbacks on Manufactured Homes are not allowed	X		X		
Fee Recoupment	Remaining unpaid term must be reduced by a minimum of five years				X	
Ineligible Mortgages	Single-Close Construction and VA Reno Loans Not Eligible	X	X	X	X	
Manufactured Homes	MH Power of Attorney required unless an Affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval	X	X	X	X	
	Lender must be approved for Pennymac Sponsored UW	X				
Occupancy	Owner occupied only	X				
Payment Decrease/Increase Requirements	Payment may not increase by 20% or more				X	
Property Eligibility	Properties located in lava zone 1 or 2	X	X	X	X	

Reserves/Funds to Close	When funds must be sourced, then deposits that are greater than 2 times the new PITIA + MIP, plus any secondary financing, must be sourced if needed for funds to close		X			
State Restrictions	FHA Streamlines are not allowed in West Virginia		X			
<p>These requirements apply to programs currently offered by Pennymac. Programs including, but not limited to, Hawaiian Homelands, Section 184 Indian Housing, Graduated Payment Plan Mortgage, or any other program that requires government specific approval, are not eligible for purchase. If there is a conflict between the overlay matrices and the product profile, follow the product profile.</p>						