



Overlays | Non-Delegated

This document is a summary of most of Pennymac guideline overlays to FHA and VA requirements. This document should be used as a reference tool in conjunction with the Pennymac Sellers Guide and the appropriate Government guidelines.

GOVERNMENT LOANS September 18, 2023 - X Indicates Overlay		FHA 203(B) and 203(K)	VA	FHA Streamline	VA IRRRL
Topic	Overlay/Modification				
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) FSD 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 the minimum a 2055/1075 if the AVM FSD/confidence level does not meet the minimum requirements above.</p>				X
Borrower Eligibility	(FHA) Borrower or properties with previous Mortgage Credit Rejects (MCR) are ineligible.	X		X	
	Joint Loans are not allowed (refer to borrower section in 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 (does not apply to 203K)	X	X		
	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

Credit, cont.	<ul style="list-style-type: none"> To meet Ginnie Mae seasoning requirements: 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 for modified loans: the borrower must have made at least six consecutive modified 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 modified payment due date of the refinanced loan. 	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
	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 Condo approval and DELRAP approval are not eligible.	X			
Documentation	<ul style="list-style-type: none"> 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 (does not apply to 203K) 	X	X		
Disaster Policy	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
Eligible Properties	No Cooperatives. No Geodesic domes No Mobile Homes or properties located in a Mobile Home Park	X	X	X	X
	Pennymac does not allow working farms which are allowed by VA.		X	X	X
	Properties located in lava zone 1 or 2	X	X	X	X
Employment Verification	For self-employed borrowers the verbal verification of employment must be completed within 120 days prior to the note date.	X	X	X	

Employment Verification, cont.	<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 Borrowers require a Verbal VOE or income source documentation				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	X
Escrow/Impound Account	Escrow or impound accounts are required for collection of taxes, insurance, or any other required items.		X	X	X
Escrow Holdback	<p>Escrow holdbacks:</p> <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		
Fee Recoupment	Remaining unpaid term must be reduced by a minimum of five years				X
FICO - Minimum	Minimum FICO Score of 580 except for VA Full Doc Cash-Out.	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 and FHA Manufactured Homes that are manually underwritten . Exception: FHA MH Cash-Out requires 640 minimum.	X			
Ineligible Mortgages	Energy Efficient Mortgages, Weatherization, Solar and Wind Technologies.	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	X
	VA Repair and Renovation or Construction to Perm loans are ineligible		X	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 (MH)	<ul style="list-style-type: none"> • Single-width not eligible • 1 unit only • ARMs are ineligible • Fee Simple Land Ownership only • MH Power of Attorney required unless an Affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval • Owner Occupied only 	X	X	X	X
	<ul style="list-style-type: none"> • Lender must be approved for Pennymac Sponsored UW • Minimum 700 square feet 	X			
	<ul style="list-style-type: none"> • Escrow Holdbacks are not allowed • 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 a 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			
	<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	X
Occupancy	Owner occupied only	X			
Payment Decrease/Increase Requirements	Payment may not increase by 20% or more				X
Ratios	Applies to FHA Manufactured Homes only DTI > 50%: <ul style="list-style-type: none"> Credit Score >= 640 or LTV is 5% below max 	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
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

State Restrictions	Texas A (6) Refinances are ineligible.		X	X	X
	FHA Streamlines are not allowed in West Virginia			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	Temporary Interest Rate buydowns are not allowed			X	
	Allowed subject to the following: <ul style="list-style-type: none"> Minimum 660 FICO Score 	X	X		X
	Must qualify at the standard note rate without benefit of the buydown		X		X
Title Insurance	Title insurance is required for all properties		X	X	X
UW Method	<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		
	<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 acceptable for HUD REOs only. 	X			