

This document is a summary of most of Pennymac guideline overlays to Fannie Mae and Freddie Mac requirements. This document should be used as a reference tool in conjunction with the Pennymac Sellers Guide and the appropriate Agency guidelines. "X" indicates an overlay.

Topic	Overlay/Modification	Desktop Underwriter	Loan Product Advisor
4506-C	<ul style="list-style-type: none"> IRS form 8821 is not an acceptable alternate form in lieu of IRS form 4506-C 	X	X
Assets/Gift Funds/Large Deposits	Acceptable documentation to use Cryptocurrency/Virtual Currency funds includes the following: <ul style="list-style-type: none"> Documentation from Cryptocurrency exchange account verifying the borrower as the Legal Owner and not the nickname of the account, AND Previous borrower bank statement showing funds going into the same Cryptocurrency exchange account that the large deposit came from, OR 1099-B/MISC from the same Cryptocurrency exchange account that the large deposit came from, plus the borrower's Tax Returns reflecting the 1099 gain/loss 	X	X
AUS/Underwriting Method	<ul style="list-style-type: none"> AUS required. Desktop Underwriter with "Approve/Eligible" findings only and LPA with "Accept" findings only. LPA A Minus is not allowed. DU Refi Plus must receive an Approve / Eligible or Expanded/Approval (EA-1, EA-II or EA-III) recommendation. Manually Underwritten mortgages are ineligible. 	X	X
Borrower Eligibility	<ul style="list-style-type: none"> Title vested in a life estate, including enhanced life estates (aka lady bird deeds and transfer on death deeds), are ineligible. 		X
	<ul style="list-style-type: none"> Title vested in a life estate is ineligible. 	X	
Cash-Out Refinance	<ul style="list-style-type: none"> All cash-out refinance transactions must present a tangible benefit to the borrower. At Pennymac's discretion, cash-out loans where effective interest of proceeds are clearly more costly than alternative financing may be deemed ineligible. 	X	X
Credit	<ul style="list-style-type: none"> Borrower provide rent payment history documentation for LPA assessment is ineligible 		X
Disaster Policy	<ul style="list-style-type: none"> 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. 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
Documentation	<ul style="list-style-type: none"> When required, handwritten VOM and VOR are not eligible VODs are not acceptable for asset documentation 	X	X
	Amended Tax Returns <ul style="list-style-type: none"> Tax returns where an amendment was filed > 6 months from the application date, <ul style="list-style-type: none"> The amended return should be used for income calculation purposes Tax returns where an amendment was filed <= 6 months prior to the application date, or after the application date: <ul style="list-style-type: none"> The lowest income reflected on either the amended return or original return must be used for qualification purposes 	X	
eMortgages & eNotarization	<ul style="list-style-type: none"> eMortgages and eNotarization are ineligible 	X	X

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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
	<ul style="list-style-type: none"> Ineligible for Manufactured Homes 	X	X
FICO: Minimum	<ul style="list-style-type: none"> AUS approval with a minimum 620 credit score. 		X
	At least one borrower must have a minimum of one credit score to be eligible. <ul style="list-style-type: none"> If there is a borrower with no credit score, the borrower(s) with the credit score must contribute more than 50% of the qualifying income. 	X	
	<ul style="list-style-type: none"> Fannie Mae RefiNow: The minimum representative score for the subject transaction is 620. 	X	
Home Possible	<ul style="list-style-type: none"> Gifts or grants from the Lender as originating lender are not an eligible source of funds. See Lender Letter 9/2016 for additional information. Sweat Equity is not an eligible source of funds. 		X
HomeReady	<ul style="list-style-type: none"> Sweat Equity is not an eligible source of funds. 	X	
Income and Employment Commencing After the Note Date	<ul style="list-style-type: none"> For Fannie Mae option two is acceptable, option one is not allowed (does not apply to RefiNow) For Freddie Mac option one is acceptable, option two is not allowed 	X	X
Ineligible Mortgages and Attributes	<ul style="list-style-type: none"> Fannie Mae ARM loans where the fully-indexed rate must be used for qualification purposes require a manual underwrite and are ineligible Fannie Mae High LTV not eligible SOFR ARM Margin of 2.75% allowed only. 	X	
		X	
	<ul style="list-style-type: none"> Energy Efficient Mortgages are not allowed, including HomeStyle Energy Single-Close Construction are not eligible 	X	
	<ul style="list-style-type: none"> 3/6 SOFR ARMs are not eligible 	X	X
	<ul style="list-style-type: none"> CHOICERenovation and Single close construction mortgages are ineligible Energy Efficient Mortgage are not allowed, including GreenCHOICE 		X
Loan Purpose: Cash-Out Refinance	<ul style="list-style-type: none"> Buyout of other owner's interest: A written agreement must be signed/dated prior to or at application. 		X
Loan Purpose: Rate and Term Refinance	<ul style="list-style-type: none"> Buyout of other owner's interest: A written agreement must be signed/dated prior to or at application. 	X	
Manufactured Home	In addition to standard overlays, the following apply: <ul style="list-style-type: none"> Max 97% LTV/CLTV regardless of secondary financing type ARMs are not eligible Property must be complete when the loan is sold to Pennymac HomeStyle Renovation, HomeStyle Energy, Single close construction and CHOICE Renovation are ineligible Single-width ineligible Manufactured Home power of attorney required unless an affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval. 	X	X
	<ul style="list-style-type: none"> Two-time Close Construction not eligible. CHOICEHome is ineligible 		X
Mortgage Insurance	<ul style="list-style-type: none"> Lender paid monthly/annual; borrower paid annual are not allowed. 	X	
	<ul style="list-style-type: none"> Any type of MI not listed as acceptable on the product profile is ineligible 	X	X
	<ul style="list-style-type: none"> Borrower paid financed split premium is ineligible 		X
Power of Attorney (POA)	<ul style="list-style-type: none"> An individual employed by or affiliated with any party to the loan transaction e.g. title insurer, settlement agent etc. is not eligible as a POA. 	X	X

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Property Eligibility	<ul style="list-style-type: none"> Cooperatives not allowed. 	X	X
	<ul style="list-style-type: none"> Land Trusts, including Illinois and Community Land Trust Mortgages are not allowed. 	X	X
	<ul style="list-style-type: none"> New construction and gut rehab condos are not allowed, unless final PERS approved from Fannie Mae, with no conditions. 	X	X
	<ul style="list-style-type: none"> Condition rating of C5 is ineligible 	X	
Property Flips	<ul style="list-style-type: none"> Properties that involve a re-sale that occurred within the last 180 days that have a non-arm's length relationship between the buyer and seller and an increase in value are prohibited. 	X	X
Ratios	<ul style="list-style-type: none"> Maximum DTI is 50%. Loans with DTI exceeding 50% regardless of AUS decision are ineligible 		X
Recently listed properties	<ul style="list-style-type: none"> The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject property (for principal residence transactions). 		X
	<ul style="list-style-type: none"> If the property was listed in the prior 30 days to the application date, the Early Pay-off (EPO) provision will be extended to 1 year. 	X	X
State Restrictions	<ul style="list-style-type: none"> Fixed rate mortgages only for Texas 50(a)(6) loans 	X	
Tax Repayment Plans	<ul style="list-style-type: none"> No more than 2 years of taxes may be on tax repayment plan. 	X	X
Temporary Interest Rate Buydowns	<ul style="list-style-type: none"> Temporary Interest Rate Buydowns allowed with minimum 660 FICO Score. 	X	X
	<ul style="list-style-type: none"> Temporary buydowns are ineligible for manufactured homes 	X	X
Title	<ul style="list-style-type: none"> Attorney opinion letters of title (AOL) are ineligible. 	X	

These requirements apply to programs currently offered by Pennymac. If there are conflicts between the Overlay Matrix and the Product Profile, follow the Product Profile. Other programs offered by Fannie Mae or Freddie Mac are not eligible. Programs which require specific Fannie Mae or Freddie Mac approval are not eligible for purchase.