



**Pennymac Correspondent
Fannie Mae RefiNow Option
8.14.23**

Overlays to Fannie Mae are
underlined Overlays indicated as
Non-Del Only are specific to Non-
Delegated loans only

Agency	Fannie Mae - DU Approval		
Finance Type	Rate/Term Refinances		
Occupancy	Owner Occupied		
Term	Fixed Rate		
	Property Type	LTV/CLTV ²	Min Credit Score
	1 Unit	97 ¹	<u>620</u>
¹ Transactions with non-occupant co-borrowers are limited to 95% LTV/CLTV ² Loans with Community Seconds may be eligible up to 105% CLTV			
Maximum Loan Amounts	Current Guidance is available at: https://www.fanniemae.com/singlefamily/loan-limits		
Ability To Repay and Qualified Mortgage Rule	<ul style="list-style-type: none"> • For loans subject to the ATR/QM rule, Pennymac will only purchase loans that comply with the ATR/QM requirements. • Correspondents are responsible for providing evidence of compliance with the ATR/QM rules. • Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans. • See Seller Guide section "Ability to Repay and Qualified Mortgage Rule" under "Delivery Procedures" for more details. 		
Age of Documents	<ul style="list-style-type: none"> • Credit documents must be no more than 4 months old on the date the note is signed, including credit reports and employment, income and asset documents. • Preliminary Title Policies must be no more than 180 days old on the date the note is signed. 		

Appraisals	<ul style="list-style-type: none"> • Determined by AUS Findings. The use of value acceptance (appraisal waiver) is allowed when the final submission of the loan casefile to DU results in a value acceptance (appraisal waiver) offer. • If the appraiser identifies an addition(s) that does not have the required permit, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market value of the subject property. • Properties with unpermitted secondary kitchens may be eligible if: <ul style="list-style-type: none"> ○ it is common for the area, ○ no negative impact on marketability, and ○ Appraiser comments on quality of construction, any health/safety issues, any soundness issues, which must meet Fannie Mae requirements. • Accessory units are acceptable when meeting Fannie Mae requirements. <ul style="list-style-type: none"> ○ When the accessory unit is permitted or complies with zoning: <ul style="list-style-type: none"> ▪ The property is defined as a one-unit property. ▪ There is only one accessory unit on the property; multiple accessory units are not permitted ▪ The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use. ▪ The borrower qualifies for the mortgage without considering any rental income from the accessory unit. ▪ The accessory unit must have the required separate features per Selling Guide Section B2-3-04 ▪ The kitchen must meet all requirements per Selling Guide Section B2-3-04. The removal of the stove does not change the Accessory Unit classification. ▪ Manufactured homes are eligible as accessory units if they meet the requirements per Selling Guide Section B2-3-04 and are <u>not given any value by the appraiser.</u> ○ When the accessory unit is NOT permitted or DOES NOT comply with zoning: <ul style="list-style-type: none"> ▪ Pennymac confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property. ▪ The use conforms to the subject neighborhood and to the market. ▪ The property is appraised based upon its current use. ▪ The appraisal must report that the improvements represent a use that does not comply with zoning. ▪ The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least two comparable properties that have the same non-compliant zoning use. Aged settled sale(s) with the same non-compliant zoning use are acceptable if recent sales are not available. At a minimum, the appraisal report must include a total of three settled sales. ▪ See Fannie Mae Seller Guide section B4-1.3-05 for complete details. • Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.
Assignment of Mortgages	<p>All loans must be registered with MERS at time of delivery to Pennymac and a MERS transfer of beneficial rights and transfer of servicing right must be initiated by the Seller, to Pennymac Corp, LLC (#1009313), within 24-hours of purchase.</p>
AUS	<ul style="list-style-type: none"> • <u>Desktop Underwriter with "Approve/Eligible" Findings is required.</u> • <u>Manual UW is not permitted.</u>

Borrower Eligibility	<ul style="list-style-type: none">• U.S. citizens• Permanent resident aliens, with proof of lawful permanent residence• Nonpermanent resident alien immigrants with proof of lawful residence• DACA recipients are eligible with proof of legal status, including but not limited to a valid Employment Authorization Document card. See Non-U.S. Citizen Documentation Requirements.• The borrowers on the new loan must be identical as the borrowers on the existing loan being refinanced. New borrowers• Non-occupant borrowers are permitted to maximum 95% LTV/CLTV with a DU Approve/Eligible.
CEMA	<ul style="list-style-type: none">• eMortgages are ineligible• Lost Note Affidavits (LNAs) are not allowed for prior or current notes
Condominiums	<ul style="list-style-type: none">• All project review requirements will be waived for properties located in a condo or PUD project subject to confirmation that<ul style="list-style-type: none">○ The project is not a condo hotel or motel, houseboat, timeshare or segmented ownership project and○ Appropriate property and flood insurance is obtained, and○ Complies with the requirements of Fannie Mae LL 2021-14, <i>Temporary Requirements for Condo and Coop Projects</i>○ Florida Condos are allowed in accordance with Fannie Mae requirements.

Credit

- All borrowers may have no credit score. Fannie Mae and DU requirements must be met.
 - Mortgage Payment History
 - The mortgage payment history reflected on the credit report can be used to meet mortgage payment history requirements
 - Non-Del: Mortgages serviced by Pennymac: Use Pennymac servicing data to verify mortgage payment history for all mortgages regardless if they are the subject mortgage or other REO
 - Lenders must warrant that repayment of the debt can be expected from the borrower and that there are no circumstances or conditions of which the lender is aware involving the mortgage, the mortgaged premises or the creditworthiness of the borrower that would adversely affect the value or marketability of the mortgage. If a borrower is not making payments on an existing mortgage at the time of application for a new mortgage, it may be an indication that the borrower is experiencing a financial hardship that is preventing them from making their mortgage payments. The lender must also consider whether the borrower's circumstances will impact their willingness or ability to make the payments on the new mortgage.
 - As a reminder, Fannie Mae requires the following: On the date of the loan application, the borrower's existing mortgage(s) must be current, which means that no more than 45 days have elapsed since the last paid installment. If the credit report does not reflect the above, proof the additional loan payments were paid on time is required. Refer to Fannie Mae Selling Guide B3-5.3-03
 - A maximum of one credit bureau may be frozen with a DU accept. If the credit must be un-frozen, borrowers must unfreeze all bureaus, and the DU rerun with the updated credit.
 - Non-Del Only:
 - No more than two tax years may be on repayment plan
 - The mortgage payment history for the loan being refinanced requires:
 - Borrower cannot have had any 30-day mortgage delinquencies in the most recent six-month period (months 1-6), and
 - No more than one 30-day delinquency in months 7 through 12.
- Note: If the borrower has missed payments due to a COVID-19 forbearance, and those payments have been resolved according to Fannie Mae's temporary eligibility requirements (Fannie Mae LL 2021-03 (3.11.21)), those missed payments are not considered delinquencies for the purpose of meeting the above payment history requirements as long as validation the mortgage is current between the date the mortgage tradeline was last reported on the credit report and the note date of the new transaction is also completed.

Derogatory Credit	Derogatory Event	Waiting Period Requirements
	Bankruptcy – Chapter 7 or 11	4 years
	Bankruptcy – Chapter 13	<ul style="list-style-type: none"> • 2 years from discharge date • 4 years from dismissal date
	Multiple Bankruptcy Filings	5 years if more than one filing within the past 7 years <ul style="list-style-type: none"> • 7 years • 3 years with documented extenuating circumstances (see section below) allowed subject to: <ul style="list-style-type: none"> ○ up to the lesser of 90% LTV/CLTV or the max LTV/CLTV per the eligibility matrix, ○ purchase of an OO, or ○ rate and term of any occupancy If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if the lender obtains the appropriate documentation to verify that the mortgage obligation was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied.
	5 years if more than one filing within the past 7 years	5 years if more than one filing within the past 7 years <ul style="list-style-type: none"> • 4 years • 2 years with documented extenuating circumstances, see Extenuating Circumstances below
Deed-in-Lieu of Foreclosure, Pre-foreclosure Sale (Short Sale), Mortgage Charge-Off	<ul style="list-style-type: none"> • 4 years • 2 years with documented extenuating circumstances, see Extenuating Circumstances below 	
All transactions require a DU Approve/Eligible regardless of which time frame for the derogatory event is met, standard or extenuating circumstances.		
Disaster Policy	<ul style="list-style-type: none"> • <u>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.</u> • <u>Non-Del Only: 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.</u> 	

Documentation

- Documentation requirements are determined by the AUS
- **Non-Del only:** VODs are not acceptable for asset documentation
- Income Minimum Documentation requirements
 - Base Pay (non-variable) – borrower’s year-to-date paystub dated no earlier than 30 days prior to the loan application date. See selling guide B3-3.1-02 Standards for Employment Documentation.
 - Base Pay (variable), Tip, Bonus, OT and Commission – borrower’s year-to-date paystub and W2 covering the most recent one-year period. See B3-3.1-02
 - Military Income – Military Leave and Earnings Statement
 - Self-Employment – One year personal and business tax returns, unless the terms to waive business tax returns are met in accordance with the Fannie Mae Selling Guide
 - Alimony, Child Support, or Separate Maintenance – copy of divorce decree, separation agreement, court order or equivalent documentation, and most recent one month documentation of receipt
 - All other Eligible Income Types – Standard Fannie Mae Selling Guide requirements apply
- Verification of funds to close are required. Acceptable asset documentation includes one recent statement (monthly, quarterly, or annual) showing asset balance.
- Verification and consideration of recurring alimony and child support payments as a liability, if applicable, are required. Acceptable documentation includes a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation.
- Income or assets derived from the following sources are ineligible for qualifying:
 - The production or sale of marijuana
 - Bitcoin or other cryptocurrencies
 - See Large Deposits for documentation requirements on funds used for closing/reserves that originated from a cryptocurrency account.

Note: Regardless of AUS documentation requirements, all documentation submitted with the loan file is subject to review and may be used for qualification purposes.

Extenuating Circumstances

- Extenuating circumstances are nonrecurring events that are beyond the borrower’s control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.
- If a borrower claims that derogatory information is the result of extenuating circumstances, the lender must substantiate the borrower’s claim. Examples of documentation that can be used to support extenuating circumstances include documents that confirm the event (such as a copy of a divorce decree, medical reports or bills, notice of job layoff, job severance papers, etc.) and documents that illustrate factors that contributed to the borrower’s inability to resolve the problems that resulted from the event (such as a copy of insurance papers or claim settlements, property listing agreements, lease agreements, tax returns (covering the periods prior to, during, and after a loss of employment), etc.).
- The lender must obtain a letter from the borrower explaining the relevance of the documentation. The letter must support the claims of extenuating circumstances, confirm the nature of the event that led to the bankruptcy or foreclosure-related action, and illustrate the borrower had no reasonable options other than to default on their financial obligations.

<p>Eligible and Ineligible Mortgage Products and Features</p>	<ul style="list-style-type: none"> • Fixed Rate only • High-balance loans are not allowed • RefiNow Option may only be used one time • HomeStyle Renovation, HomeStyle Energy, DU Refi Plus, Refi Plus loans are not eligible. • HomeReady refinance may not be combined with a RefiNow loan • Temporary buydowns are not eligible • Escrow for taxes, insurance, and mortgage insurance are required above 80% LTV, (90% in CA), or as required by applicable state law. • Property taxes must be escrowed at the same amount used to qualify. Note: Fannie Mae requires escrows for a minimum of two years.
<p>eMortgages & eNotarization</p>	<ul style="list-style-type: none"> • eMortgages and eNotarization are eligible for Delegated correspondents only • Lenders must be approved by Pennymac prior to delivering eMortgages, transactions closed using eNotarization or Remote Online Notarization (RON) • Lenders are responsible for ensuring eMortgage loans are delivered in accordance with all requirements in the Pennymac Correspondent Group eMortgage Guide, including but not limited to the following: <ul style="list-style-type: none"> ○ State eligibility; and ○ Product eligibility; and ○ Transaction eligibility; and ○ eNotarization eligibility; and ○ RON eligibility
<p>Employment/Income Verification</p>	<ul style="list-style-type: none"> • For salaried employees the verbal verification of employment must be completed within 10 business days prior to the note date. • For self-employed borrowers the verbal verification of employment must be completed within 120 days prior to the note date. • For borrowers in the military, a military Leave and Earnings Statement dated within 120 calendar days prior to the note date is acceptable in lieu of a verbal verification of employment. • Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) are an acceptable source of income.
<p>Escrow Holdbacks</p>	<p>Not eligible with a Refi Now</p>
<p>Income: Limits</p>	<ul style="list-style-type: none"> • The borrower's income must be less than or equal to 80% of the applicable Area Median Income (AMI) for the subject property's location. (Note-For DU 11.0 loan casefiles submitted/resubmitted on or after 12/4/21: borrower's income must be less than or equal to 100% of the applicable AMI for the subject property's location.) • The income from all borrowers who will sign the note must be considered in determining whether the loan is eligible under the borrower income limits.

High Cost / High Priced

- Pennymac will not purchase High Cost Loans
- Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require:
 - Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence.
 - Must meet all applicable state and/or federal compliance requirements.
 - A prohibition on ARM loans with an initial fixed rate period of less than seven years (7/1 ARMs are eligible).

Large Deposits

- Cryptocurrency/Virtual Currency may only be used as funds for closing and reserves if it has been exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution. There must be sufficient documentation to verify that the funds originated from the borrower's cryptocurrency/virtual currency account. Acceptable documentation to use those funds includes the following:
 - 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

Loan Purpose: Rate and Term

Limited Cash-Out/Rate & Term Refinance

- Requires documentation that the existing loan being refinanced is owned (or securitized) by Fannie Mae. Documentation may come from any of the following:
 - The servicing system,
 - Fannie Mae's Mortgage Loan Lookup, or
 - Any other source as confirmed by Pennymac.
- The borrowers on the new loan must be identical as the borrowers on the existing loan being refinanced.
 - Title may not be held in an LLC or other entity at the time of application of the new refinance transaction.
 - New borrowers cannot be added.
 - Borrowers may be removed if:
 - The remaining borrower(s) meet the payment history requirements and provide evidence that they have made the last 12 months payments from their own funds; or
 - Due to the death of a borrower (evidence of the deceased borrower's death i.e., death certificate must be documented in the loan file).
- The existing loan being refinanced
 - Must be a minimum of 12 months seasoned from the original note date to the new loan note date, and
 - No more than 120 months old from original note date to new note date (Note – The maximum loan seasoning is not required on DU 11.0 loan casefiles submitted/resubmitted on or after 12/4/2021)
- Not be subject to recourse, repurchase agreement, indemnification, outstanding repurchase demand, or credit enhancement (unless the new loan is also subject to the credit enhancement or it is no longer required)
- Proceeds cannot be used to pay off any existing subordinate financing
- Proceeds can be used to pay off a first mortgage meeting the above seasoning requirements but may not be a payoff of a RefiNow Option, High LTV refinance, DU Refi Plus or Refi Plus loan
- Proceeds can be used to pay off an existing first lien mortgage that includes a deferred balance
 - A deferred balance that is a second lien is not eligible for a limited cash-out refinance
- For two-closing construction-to-permanent loans, to pay off an existing construction loan and documented construction cost overruns that were incurred outside of the interim construction financing. (These construction cost overruns must be paid directly to the builder at closing.)
- Pay financed closing costs, prepaid items and points, and
- Disburse cash out to the Borrower in an amount not to exceed \$250. Excess proceeds must be applied as a curtailment on the new loan

Mortgage Insurance	<p>Acceptable MI Types:</p> <ul style="list-style-type: none"> • Borrower Paid Monthly • Borrower Paid Single Premium • Financed: Gross LTV cannot exceed Pennymac's program maximum • Split Premium • Lender Paid Single Premium • Reduced coverage <p>Unacceptable MI Types:</p> <ul style="list-style-type: none"> • <u>Lender Paid Monthly</u> • <u>Lender Paid Annual</u> • <u>Borrower Paid Annual</u> • <u>Any MI type not listed as acceptable</u> <p>For properties in NY</p> <ul style="list-style-type: none"> • To determine if MI is required on a purchase transaction, base the LTV calculation on the Appraised Value only instead of the lower of Appraised Value or Sales price. • When MI is required based on the above calculation, determine the level of MI required by using the standard LTV calculation (lower of Appraised Value or Sales price).
Net Tangible Benefit	<p>Net Tangible Benefit may be met when:</p> <ul style="list-style-type: none"> • A reduction in the borrower's monthly payment that includes principal, interest, and the mortgage insurance payment (if applicable) and • At least a 50 basis point (0.5%) reduction in the borrower's new interest rate
Occupancy	Owner-occupied one unit only
Power of Attorney (POA)	<u>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.</u>
Property: Eligible Types	<ul style="list-style-type: none"> • Single Family Detached Single Unit • Single Family Attached Single Unit • PUDs • Low-rise and High-rise condominiums (must be Fannie Mae eligible) • Rural Properties (in accordance with agency Guidelines, properties must be residential in nature) • Leaseholds • <u>Manufactured Homes</u> – refer to the Fannie Mae Manufactured Home Product Profile for all requirements. The more restrictive of the loan program guidelines apply.

Property: Ineligible Types	<ul style="list-style-type: none"> • <u>Mobile homes</u> • <u>Cooperatives</u> • Condotels • Hotel Condominiums • Timeshares • Working Farms and Ranches • Unimproved Land • Property currently in litigation • <u>Land Trust, including Community Land Trust Mortgages, and Illinois Land Trust</u> • <u>Condition Rating of C5/C6 or a Quality Rating of O6</u> • 2–4 Unit Attached/Detached
Ratios	The Maximum DTI is 65% with a DU Approve/Eligible.
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. • <u>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.</u>
Rental Income Calculation	Follow Fannie Mae and DU for rental income requirements.
Reserves	<ul style="list-style-type: none"> • Follow DU for reserve requirements <p>In general:</p> <ul style="list-style-type: none"> • DU will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties. • If the borrower owns other financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties: <ul style="list-style-type: none"> ○ 2% of the aggregate UPB if the borrower has one to four financed properties, ○ 4% of the aggregate UPB if the borrower has five to six financed properties, or ○ 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only). • The aggregate UPB calculation does not include the mortgages and HELOCs that are on the subject property, the borrower's principal residence, properties that are sold or pending sale, and accounts that will be paid by closing (or omitted in DU on the online loan application). • Note: DU will also include in the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application.

<p>Secondary Financing</p>	<ul style="list-style-type: none"> • New subordinated financing is only permitted if it replaces existing subordinate financing. • Existing subordinate financing <ul style="list-style-type: none"> ○ May not be satisfied with the proceeds of the new loan, ○ Can remain in place if it is resubordinated to the new loan, and ○ May be simultaneously refinanced with the existing first lien mortgage, provided that: <ul style="list-style-type: none"> ▪ The unpaid principal balance (UPB) of the new subordinate lien is not more than the UPB of the subordinate lien being refinanced at the time of payoff, and ▪ There is no increase in the monthly principal and interest payment on the subordinate lien.
<p>State Restrictions</p>	<ul style="list-style-type: none"> • Texas 50 (a) (6) refinance mortgages are not eligible
<p>Tax Transcripts</p>	<ul style="list-style-type: none"> • <u>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.</u> • <u>When tax transcripts are provided, they must support the income used to qualify.</u> • A properly executed 4506-C is required for all transactions except: <ul style="list-style-type: none"> ○ Loan file contains tax transcripts, or ○ When all of a borrower’s income is validated by the DU validation service (FNMA only). • <u>If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.</u>
<p>Temporary Interest Rate Buydowns</p>	<p>Not allowed</p>

Seller shall deliver loans that were originated in accordance with the Fannie Mae Single Family Selling Guide unless otherwise noted in the Pennymac Seller's Guide.

Pennymac does not discriminate in any aspect of a credit transaction on the basis of sex, gender identity or expression, sexual orientation, marital status, familial status, race, color, ethnicity, religion, national origin, age, handicap or disability status, income derived from public assistance, military status or the good faith exercise of rights under the Consumer Credit Protection Act.