

LTV/FICO Requirements								
Purchase			No Cash-out Refinance			Cash-out Refinance		
Maximum LTV/CLTV*	Minimum FICO		Maximum LTV/CLTV	Minimum FICO		Maximum LTV/CLTV	Minimum FICO	
96.50%	TOTAL	Manual UW	97.75%	TOTAL	Manual UW	75.00%	TOTAL	Manual UW
	<u>580</u>	<u>620</u>						
						85.00%**	<u>580</u>	<u>620</u>

*Refer to the Down Payment Assistance and Secondary Financing Section for CLTV details

**Maximum LTV allowed for payoff of existing mortgage and all remaining proceeds must be used for documented home improvements

Correspondent clients are expected to have a thorough understanding of Hawaiian Home Lands (HHL) requirements, including but not limited to, properly creating a HHL case number, DHHL borrower eligibility, property, property tax, lease, recording, and all documentation / loan document requirements.

	For guidelines not addressed in this product profile, refer to FHA 247 and/or 203(b) requirements in the HUD Handbook 4000.1
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.
Accessory Dwelling Unit (ADU)	<ul style="list-style-type: none"> An ADU refers to a single habitable living unit with separate ingress and egress from the primary housing unit. <ul style="list-style-type: none"> One-unit properties, with a single ADU unit only The ADU must be subordinate in size to the primary residence The ADU must meet FHA minimum requirements for a living unit The ADU along with the one-unit primary residence dwelling, together, constitute a single interest in real estate Rental income received from the subject property ADU is eligible <ul style="list-style-type: none"> Rental income from the ADU unit may not exceed 30% of the total monthly income used for qualification Rental income from the ADU must be added to the borrower's gross monthly income Two months PITIA reserves required Full appraisal is required. Appraisal requirements include <ul style="list-style-type: none"> Must represent highest and best use A complete description of the ADU characteristics Report the GLA of the ADU separate from the primary residence State whether the ADU can be legally rented without restrictions; and Report the current occupancy of the ADU unit, and provide the details of an existing lease agreement if applicable A Single-Family Comparable Rent Schedule (Form 1007/1000) may be required depending on the length of time the ADU rental income has been received by the borrower Note: A renter of an ADU is not a boarder. Rental income received from other REO or departing residence with an ADU is eligible <ul style="list-style-type: none"> A Single-Family Comparable Rent Schedule (Form 1007/1000) may be required depending on the length the rental income has been received by the borrower Use of rental income from an ADU is ineligible for cash-out refinance transactions Refer to the FHA Handbook for complete ADU, appraisal, and rental income from an ADU requirements.
Age of Documents	<ul style="list-style-type: none"> Credit documents must be no more than 120 days old on the disbursement date, including credit reports and employment, income and asset documents. Lien and financing statement must be no more than 120 days old on the date the Note is signed.
Appraisals	<ul style="list-style-type: none"> A full appraisal for both existing and new construction is required. <ul style="list-style-type: none"> Due to the nature of the title and property rights, the appraiser must develop the cost for both existing and new construction. When appropriate, the appraiser must attempt to apply the income and sales comparison approaches. The appraiser must include the following language on the applicable 1004/70 Form URAR: <i>"The value defined for this appraisal is not 'Market Value' as defined in the standard documents of form appraisal reports. This appraisal has been completed for FHA mortgage insurance purposes, per HUD instructions for Department of Hawaiian Home Lands (DHHL) properties."</i> The appraiser must analyze and report the terms of the ground lease, including the amount of the ground rent, the term of the lease, if the lease is renewable, and if the ground rent can increase or decrease over the life of the lease term. The appraiser must estimate and report the value of the leasehold interest.

- In valuing the leasehold Interest, the appraiser must apply the appropriate techniques to each of the approaches to value included in the analysis.
 - In the cost approach, the value of the land reported must be its leasehold interest.
 - In the GRM income approach, the sales used to derive the GRM factor must be based on properties under similar Ground Rent terms (or be adjusted to similar Ground Rent terms).
 - In the sales comparison analysis, the comparable sales must be adjusted for their lack of similarity to the subject in the "Ownership Rights" section of the Sales Comparison Approach (SCA) Grid.
- The appraiser must develop a cost approach from a published cost service in addition to developing the cost approach described in the Handbook 4000.1. The appraiser's report must include:
 - Photocopies of all pages used to derive the cost figures, except as noted below;
 - Application of all current multipliers necessary and published by the cost service;
 - No marketing expense to the cost analysis of a DHHL property appraisal because these properties are not freely marketable;
 - Entrepreneurial venture may only be included if reasonable profit and overhead are not already included in all costs; and
 - Depreciation due to normal aging, which may be derived from the tables in the cost service book.
 - Depreciation from incurable external or functional obsolescence should be based on verifiable market extractions, by paired-sales analysis and capitalized rent loss.
- The appraiser may use a computer-generated cost analysis provided it contains sufficient information to verify that all significant property features have been properly addressed in the cost analysis.
 - Accordingly, the appraiser will not be required to supplement a computer-generated cost analysis with photocopies from the cost service book.
- Properties with additions and converted living space may be acceptable when the property meets FHA's requirements. See 4000.1 II.D.3.c for complete details. In general:
 - The appraiser must treat room additions and garage conversions as part of the GLA of the dwelling, provided that the addition or conversion space:
 - is accessible from the interior of the main dwelling in a functional manner;
 - has a permanent and sufficient heat source; and
 - Was built in keeping with the design, appeal, and quality of construction of the main dwelling.
 - Room additions and garage conversions that do not meet the criteria listed above are to be addressed as a separate line item in the sales grid, not in the GLA.
 - The appraiser must address the impact of inferior quality garage conversions and room additions on marketability as well as Contributory Value, if any.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.

<p>Assets/Gift Funds/Large Deposits</p>	<ul style="list-style-type: none"> • Refer to the FHA 203(b) program for complete asset requirements. • 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. <u>Acceptable documentation to use those funds includes the following:</u> <ul style="list-style-type: none"> ○ <u>Documentation from a cryptocurrency exchange account verifying the borrower as the legal owner and not the nickname of the account. AND</u> ○ <u>Previous borrower bank statement showing funds going into the same cryptocurrency exchange account that the large deposit came from, OR</u> • <u>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</u> • Assets derived from the following sources are ineligible: <ul style="list-style-type: none"> ○ The production or sale of marijuana ○ Restricted stock or restricted stock units (RSU)
<p>AUS/Underwriting Method</p>	<ul style="list-style-type: none"> • <u>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 must be manually underwritten in accordance with Pennymac overlays and FHA manual underwriting requirements.</u> • A borrower is not eligible for a new FHA-insured mortgage if: <ul style="list-style-type: none"> ○ The borrower's credit history reflects any of the ineligible derogatory credit criteria outlined in the Derogatory Credit section of the product profile; ○ The borrower doesn't meet business income requirements outlined in the Documentation section of the product profile; ○ The mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard; ○ Additional information, not considered in the AUS recommendation affects the overall insurability of the mortgage. • Scenarios that require downgrades to manual underwriting are: <ul style="list-style-type: none"> ○ The borrower has \$1,000 or more collectively in disputed derogatory credit accounts. See Credit and Derogatory Credit sections. <p>Refer to FHA Handbook 4000.1 for scenarios that require downgrades to manual underwriting.</p>

<p>Borrower Eligibility</p>	<ul style="list-style-type: none"> • A borrower must be a native Hawaiian who is at least 18 years of age and certified as eligible to hold a Hawaiian Home Lands Lease, or possesses a lease of Hawaiian Home Lands issued under Section 207(a) of the Hawaiian Homes Commission Act, 1920, that has been certified by DHHL as being a valid current lease, and not in default. <ul style="list-style-type: none"> ◦ Refer to the 4000.1 for the native Hawaiian definition and requirements. • DHHL may be a co-borrower on the Mortgage. • U.S. citizens • Permanent resident aliens, with proof of lawful permanent residence • Nonpermanent resident aliens are ineligible • 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 • Borrowers with an existing FHA insured mortgage on their on their own principal residence may qualify as a non-occupying co-Borrower on other FHA-insured Mortgages. • Occupant borrower and non-occupant co-borrower must share a family relationship that meets the definition in the FHA Glossary, and does not involve the following: <ul style="list-style-type: none"> ◦ A family member selling to a family member who will be a non-occupying co-borrower; or ◦ If family relationship requirements are not met the maximum LTV for the transaction is 75.00%
<p>Condominiums</p>	<ul style="list-style-type: none"> • Condominiums and townhomes on HHL leased land are eligible. • Must be located in an FHA-approved condominium project • Condominiums involved in minor litigation are subject to DE approval and must meet FHA requirements. • Condo Single Unit-Approvals are eligible • <u>DELRAP condo approvals are ineligible</u>
<p>Credit</p>	<ul style="list-style-type: none"> • <u>Each borrower must have at least one credit score to be eligible.</u> • <u>Frozen Credit: No credit bureaus may be frozen. Borrowers must unfreeze all bureaus, and the AUS rerun with the updated credit.</u> • Non-borrowing spouse (NBS): If the subject property is located in a community property state, or the borrower currently resides (rents or owns) in a community property state the NBS debt must be included in qualifying ratios if the NBS obligations are not excluded by state law. <ul style="list-style-type: none"> ◦ A note in the file referencing the specific state law that justifies the exclusion of any debt from consideration is required. • Solar lease or financing payments must be included in the DTI. • All applicable monthly liabilities must be included in the qualifying ratio. <ul style="list-style-type: none"> ◦ Closed-end debts (e.g., installment loans) do not have to be included if they will be paid off within 10 months from the date of closing and the cumulative payments of all such debts are less than or equal to 5 percent of the borrower's gross monthly income. ◦ The borrower may not pay down the balance in order to meet the 10-month requirement however may pay the debt in full to exclude the debt from qualification. • Payoff of debt for qualification purposes applies to purchase and rate & term refinance transactions only. Refer to the cash-out refinance section for cash-out refinance-specific requirements. • If the credit report reflects the borrower has disputed credit information, the following applies: <ul style="list-style-type: none"> ◦ If the TOTAL Scorecard returned an Approve AND the manual downgrade conditions in "Derogatory Credit / Accounts" does not apply, then no additional action is necessary. Underwrite the file using TOTAL. ◦ If TOTAL Scorecard returned a Refer OR the manual downgrade conditions in "Derogatory Credit / Disputed Accounts" apply, then:

		<ul style="list-style-type: none">▪ Obtain written documentation from the repository of the credit information or the creditor reporting the disputed information confirming the accuracy of all disputed information.▪ If the inaccurate/disputed information can be resolved, and a new corrected credit report and TOTAL Accept received, the loan may be underwriting using TOTAL.▪ If a new, corrected credit report cannot be obtained timely, the correct information must be documented in the file and the loan must be manually underwritten. All debts for which the borrowers are obligated must be included in the DTI and all requirements in the Derogatory Credit section and elsewhere in this Product Profile apply.
Derogatory Credit	Mortgage Payment History	<ul style="list-style-type: none">• Purchase or rate and term refinances with a payment history for ANY mortgage, including HELOCs, that reflect any of the following must be downgraded to a Refer and manually underwritten:<ul style="list-style-type: none">○ 3x30x12, or 1x60x12 plus 1x30x12, or 1x90x12 within the most recent 12 months prior to the case number assignment date; or○ The borrower has made less than three consecutive monthly housing payments since completion of a mortgage forbearance plan.• Cash-out refinance with a payment history for ANY mortgage, including HELOCs that reflect any of the following must be downgraded to a Refer and manually underwritten:<ul style="list-style-type: none">○ Current delinquency; or○ Any delinquency within 12 months of the case number assignment date; or○ The borrower has made less than 12 consecutive monthly mortgage payments since completion of a mortgage forbearance plan.• Undisclosed mortgage debt with a pay history that reflect the following must be downgraded to a Refer and manually underwritten:<ul style="list-style-type: none">○ Current delinquency; or○ Any mortgage delinquency within 12 months of the case number assignment date; or○ More than two 30-day late payments within 24 months of the case number assignment date.• Follow FHA Handbook 4000.1 requirements for loans receiving a Refer recommendation or loans that require a downgrade to a Refer and must be manually underwritten.
	Bankruptcy	<ul style="list-style-type: none">• Follow FHA Handbook 4000.1 requirements for loans receiving a Refer recommendation or loans that require a downgrade to a Refer and must be manually underwritten.
	Foreclosure and Deed-in-Lieu	<ul style="list-style-type: none">• Follow FHA Handbook 4000.1 requirements for loans receiving a Refer recommendation or loans that require a downgrade to a Refer and must be manually underwritten.
	Short Sale	<ul style="list-style-type: none">• Follow FHA Handbook 4000.1 requirements for loans receiving a Refer recommendation or loans that require a downgrade to a Refer and must be manually underwritten.

	Collections	<ul style="list-style-type: none"> • For loans receiving an Accept/Eligible recommendation, follow FHA Handbook 4000.1 requirements. • For loans receiving a Refer recommendation or loans that require a manual downgrade, the following applies: <ul style="list-style-type: none"> ○ If the total outstanding balance for all borrowers is less than \$2,000, a capacity analysis is not required to be performed. ○ If the total outstanding balance for all borrowers is equal to or greater than \$2,000 at time of underwrite, lender must perform a capacity analysis. Capacity analysis includes: <ul style="list-style-type: none"> ▪ Payment in full of collection accounts, prior to or at closing, along with documentation of acceptable source of funds, ▪ Borrower makes payment arrangements, and provides proof of arrangement with payment included in DTI, or ▪ 5% of the outstanding balance of each collection account is included as monthly payment in DTI. ○ Non-borrowing spouse collection accounts ARE included in cumulative balance in community property states, with the exception of obligations excluded by state law. • Medical collections and charge offs are excluded.
	Judgments	<ul style="list-style-type: none"> • Judgments must be paid prior to or at closing. <ul style="list-style-type: none"> ○ An exception to the payoff of a court ordered judgment may be made if the borrower has an agreement with the creditor to make regular and timely payments. Provide a copy of the agreement and proof of 3 months payments made prior to credit approval. Borrowers may not prepay the scheduled payments to qualify. • Judgments of a non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law.
	Disputed Accounts	<ul style="list-style-type: none"> • If the credit report utilized by TOTAL Mortgage Scorecard indicates that the borrower has \$1,000 or more collectively in disputed derogatory credit accounts, the mortgage must be downgraded to a Refer and manually underwritten. <ul style="list-style-type: none"> ○ Cumulative outstanding balance of disputed derogatory accounts less than \$1,000: Manual downgrade NOT required. • Disputed medical accounts and disputed derogatory accounts resulting from identity theft may be excluded from the \$1,000 limit. Identity theft documentation must be provided. • Disputed derogatory accounts defined as: <ul style="list-style-type: none"> ○ Disputed charge-off accounts, ○ Disputed collection accounts, and ○ Disputed accounts with late payments in the last 24 months • The following disputed non-derogatory accounts are not included in the \$1,000 limit: <ul style="list-style-type: none"> ○ Disputed accounts with \$0 balance, ○ Disputed accounts with late payments 24 months or older, or ○ Disputed accounts that are current and paid as agreed. • For manually underwritten loans the payment history on all disputed tradelines must be confirmed.

	Tax liens	<ul style="list-style-type: none"> • Tax liens may remain unpaid if the borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three months of scheduled payments. <ul style="list-style-type: none"> ○ The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. ○ Provide proof of satisfactory payment agreement, and minimum of three months timely payments. Include the payment amount in the agreement in the calculation of the borrower's Debt-to-Income (DTI) ratio.
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>
Documentation Type		<ul style="list-style-type: none"> • All required DHHL documents, including but not limited to the following: <ul style="list-style-type: none"> ○ Certificate of Eligibility ○ Consent to Mortgage ○ Copy of the Homestead Lease • Follow TOTAL Scorecard and FHA requirements • Self-Employed <ul style="list-style-type: none"> ○ A year-to-date profit and loss (P&L) statement and balance sheet if more than a calendar quarter has elapsed since date of most recent calendar or fiscal year-end tax return was filed by the borrower. <ul style="list-style-type: none"> ▪ A balance sheet is not required for self-employed borrowers filing Schedule C income. ▪ If income used to qualify the borrower exceeds the two-year average of tax returns, an audited P&L or signed quarterly tax return must be obtained from the IRS. ▪ If business income shows a greater than 20 percent decline over the analysis period the borrower is not eligible for an FHA mortgage, a downgrade to a Refer and manual underwriting is required. • For salaried employees the verbal verification of employment must be completed within 10 days prior to the note date. • Rental income received from boarders of the subject property is eligible for qualification purposes. Rental income receipt and eligibility must be documented and verified as follows: <ul style="list-style-type: none"> ○ Evidence of rental history over the previous 12 months and evidence of current receipt ○ Evidence of receipt of rental income for at least nine of the most recent 12 months in the form of: <ul style="list-style-type: none"> ▪ The borrower's tax returns, deposit slips; or ▪ Bank statements, canceled checks, or showing rental payments received (including Venmo, PayPal, or similar); ○ Evidence that the boarder's address is the same as the borrower's address; and ○ A copy of the executed written agreement documenting the boarding terms and the boarder's intent to continue boarding with the borrower. ○ Where rental Income from boarders has been documented for at least nine of the last 12 months, rental income must be averaged over a 12-month period. ○ The amount of the rental income from boarders used as effective income must not exceed 30% of the total monthly effective income to qualify the borrower ○ Rental income from boarders must be calculated by using the lesser of: <ul style="list-style-type: none"> ▪ The 12-month average; or ▪ The current rent as documented in the written lease agreement ○ Refer to the FHA Handbook 4000.1 for complete requirements • Income derived from the following sources are ineligible for qualifying: <ul style="list-style-type: none"> ○ The production or sale of marijuana

	<ul style="list-style-type: none"> Income derived from or paid in virtual currency Restricted stock or restricted stock units (RSU) Documentation requirements for purchase transactions with departing residence being rented to family member: <ul style="list-style-type: none"> Lease agreement – fully completed and executed. Must also meet all agency requirements Evidence of payment of a security deposit and/or first month's rent – cancelled check(s) or evidence of online transfer (must be dated on or near to lease signing date). Cash is not allowed. Maximum rental income used will be the lesser of the lease agreement or market rents. Follow FHA 4000.1 requirements for items not addressed. <p><i>Note: Regardless of AUS documentation requirements, all documentation submitted with the loan file is subject to review and may be used for qualification purposes.</i></p>
Down Payment Assistance and Secondary Financing	<ul style="list-style-type: none"> Down Payment Assistance (DPA) programs are permitted in accordance with FHA's guidelines. <ul style="list-style-type: none"> DPA programs that are considered loans or require a lien against the property are ineligible. Secondary financing is ineligible
eMortgages and eNotarization	<ul style="list-style-type: none"> eMortgages and eNotarization are eligible 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
Escrow Accounts	<ul style="list-style-type: none"> Escrow impound accounts must be established for taxes and insurance premiums for all loans.
Escrow Holdbacks	<ul style="list-style-type: none"> Escrow holdbacks are allowed in accordance with FHA guidelines, including but not limited to: <ul style="list-style-type: none"> A post funding stipulation for a copy of a 1004D confirming completion will be placed on loans where the appraisal is "subject to" improvements. A post funding stipulation for a final title policy endorsement that ensures the priority of the first lien will be required on any loan where the appraisal is "subject to" improvements. A copy of the escrow agreement (HUD 92300 on FHA loans) will be required that states how the escrow account will be managed and how the funds will be disbursed.
Financing Concessions	<ul style="list-style-type: none"> Financing concessions cannot exceed 6% of the sales price.
Flood Insurance	<ul style="list-style-type: none"> Refer to the HUD Handbook (Title II Forward Mortgages) for complete flood insurance requirements.

High Cost / High Priced	<ul style="list-style-type: none"> • Pennymac will not purchase High-Cost Loans • Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> ○ 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.
Identity of Interest Transaction	<ul style="list-style-type: none"> • An Identity-of-Interest Transaction is a sale between parties with an existing business relationship or between family members. • Generally, the maximum LTV percentage for Identity-of-Interest transactions on principal residences is restricted to 85%, see 4000.1 II.A.2.b.ii (A) for a complete list of exceptions. <ul style="list-style-type: none"> ○ The 85% LTV restriction may be exceeded if a borrower purchases the principal residence of another family member as their principal residence; or ○ A property owned by another family member in which the borrower has been a tenant for at least six months immediately predating the sales contract. A lease or other written evidence to verify tenancy and occupancy is required. • Business Relationship refers to an association between individuals or companies entered into for commercial purposes. • Family member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status: <ul style="list-style-type: none"> ○ Child, parent, or grandparent; <ul style="list-style-type: none"> ▪ Child is defined as a son, stepson, daughter, or stepdaughter; ▪ Parent or grandparent includes a step-parent/grandparent or foster parent/grandparent; ○ Spouse or domestic partner; ○ Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption; ○ Foster child; ○ Brother, stepbrother; sister, stepsister; ○ Uncle; aunt; or ○ Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.
Ineligible Transactions	<ul style="list-style-type: none"> • Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bonafide purchase transactions and therefore not eligible for origination by Pennymac. Unacceptable transactions of this type may have some or all of the following characteristics: <ul style="list-style-type: none"> ○ Gift of equity from the seller ○ Large amount of seller credits ○ Family member remaining in the home and on title after the “purchase” ○ Seller unable to qualify for a cash-out transaction of their own
Loan Limits	<ul style="list-style-type: none"> • FHA mortgage limits for all areas: https://entp.hud.gov/idapp/html/hicostlook.cfm. Refer to rate sheet for High Balance price adjustments.
Loan Purpose: Cash-Out	<ul style="list-style-type: none"> • Cash-out refinances for the purpose of debt consolidation are eligible. All debt, including those being paid off through the refinance must be included in the qualifying DTI. • The property securing the cash-out refinance must have been owned and occupied by at least one borrower as their principal residence for the 12 months prior to the date of case number assignment. Exceptions: <ul style="list-style-type: none"> ○ In the case of inheritance, a borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the borrower has not treated the subject Property as an investment property at any point since inheritance of the property.

	<ul style="list-style-type: none"> ○ If the borrower rents the property following inheritance, the borrower is not eligible for cash-out refinance until the borrower has occupied the property as a principal residence for at least 12 months. ○ The payments for all mortgages secured by the subject property must have been paid within the month due for the month prior to mortgage disbursement. ○ Subject properties with mortgages must have a minimum of six months of mortgage payments on the current loan. • Income from a non-occupant co-borrower may not be used to qualify for a cash-out refinance. • To meet Ginnie Mae Seasoning requirements: <ul style="list-style-type: none"> ○ The borrower has made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date as of the new loan application date; and ○ The first payment due date of the new loan may not occur earlier than 210 days after the first payment due date of the loan paid off through the transaction. • To meet Ginnie Mae seasoning on modified loans: <ul style="list-style-type: none"> ○ The borrower has made at least six consecutive monthly payments on the modified loan being refinanced, beginning with the payment made on the first payment due date as of the modification date; and ○ The first payment due date of the new loan may not occur earlier than 210 days after the first payment due date of the modified loan paid off through the transaction
Loan Purpose: Purchase and Rate &Term	<ul style="list-style-type: none"> • Purchase • Rate & Term Refinance <ul style="list-style-type: none"> ○ Proceeds can be used to pay off an existing HHL first mortgage loan ○ Proceeds cannot be used to pay off any junior liens related to the purchase of the subject property <ul style="list-style-type: none"> ▪ A partial claim may not be paid off with loan proceeds from an FHA Rate & Term Refinance and must be paid from a borrower's own funds. A partial claim may only be paid off using loan proceeds when it's a cash-out transaction. ▪ Note: Per DHHL second liens are ineligible. If a second lien is present additional scrutiny is required. ○ Pay related closing costs and prepaid items ○ Disburse cash out to the borrower in an amount not to exceed \$500 ○ If the borrower has not occupied the property for 12 months prior to case number assignment, or the entire time if owned less than 12 months, follow max LTV is 85%. ○ If the mortgage has been modified, the borrower must have made at least six payments under the modification agreement to be eligible for a no-cash out refinance.
Mortgage Products: Eligible	<ul style="list-style-type: none"> • Fixed-rate: 10, 15-, 20-, 25- & 30-year terms. • CMT ARM: 5/1 (1/1/5 caps). • Section 203(b) Basic with ADP code of 759 (HHL) • Section 203(b) with Interest Rate Buy-down ADP Code 811 (HHL/IBD) • Section 234 (c) Condominiums with ADP codes of 734
Mortgage Products: Ineligible	<ul style="list-style-type: none"> • FHA Title 1 • Streamline refinance • Simple refinance • 203(k) • <u>Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above, including but not limited to Energy Efficient Mortgages, Weatherization, Solar and Wind, GPM, and one- or two-time close construction programs including CP and BOOL.</u>

Occupancy	<ul style="list-style-type: none"> Principal residence only.
Property: Eligible Types	<ul style="list-style-type: none"> The mortgaged Property must be located within the Hawaiian Home Lands covered under a homestead lease issued under Section 207(a) of Hawaiian Homes Commission Act, 1920, or under the corresponding provision of the Constitution of the State of Hawaii adopted under Section 4 of the Act entitled "An Act to provide for the admission of the State of Hawaii into the Union," approved March 18, 1959 (73 Stat. 5). Single-family attached/detached Leased land PUDs Leased land low-rise and high-rise condominiums Rural Properties (in accordance with Agency guidelines, must be residential in nature) <p>Property Specific Requirements</p> <p>Leasehold:</p> <ul style="list-style-type: none"> A mortgage secured by real estate under leasehold requires a renewable lease with a term of not less than 99 years, or a lease that will extend not less than 10 years beyond the maturity date of the mortgage. <ul style="list-style-type: none"> Note: The Hawaiian Homes Commission Act allows a lease to be extended for an additional 100 years (for a grand total of 199 years for a specific lease). A lease extension granted by the DHLL is required if there is less than 10 years on the existing lease beyond the maturity date of the mortgage. <p>Water Catchment System</p> <ul style="list-style-type: none"> Refer to the FHA Handbook 4000.1 for complete requirements. <p>Cesspool/Septic Systems:</p> <ul style="list-style-type: none"> Refer to the FHA Handbook 4000.1 for complete requirements.
Property: Ineligible Types	<ul style="list-style-type: none"> 2–4 unit detached/attached Mobile homes Manufactured homes <u>Cooperatives</u> Condotels Hotel condominiums Timeshares Working farms and ranches Unimproved land Property currently in litigation Land trusts
Property Flipping Policy	<ul style="list-style-type: none"> Properties resold 90 days or fewer following the date of acquisition by the seller are not eligible for FHA financing unless the loan meets the exceptions set forth in 4000.1 II.A.1.iv (A)(3). The date of acquisition is defined as date of settlement on the seller's purchase of the property. The resale date is defined as the date of execution of the sales contract by a buyer intending to finance the property with an FHA-insured loan. Properties resold between 91 and 180 days after acquisition require a second appraisal by a different appraiser if the resale price is 100% or more over the price paid by the seller when the property was acquired.
Qualifying	<ul style="list-style-type: none"> Fixed-rate: Qualify at the note rate. 5/1 ARMs: Qualify at the note rate.

Ratios (DTI)	<ul style="list-style-type: none"> Per AUS or FHA manual underwriting requirements.
Recently Listed Properties	<ul style="list-style-type: none"> No cash-out transaction - Allowed when the property is listed for sale. The property and the borrower must be eligible and qualified for the refinance. <u>Cash-Out Transaction: The listing must have expired or been withdrawn prior to the application date.</u> <ul style="list-style-type: none"> 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.
Reserves	<ul style="list-style-type: none"> All assets submitted to the AUS (TOTAL) must be verified and documented. This includes the assets that exceed the amount required for closing i.e., reserves.
Tax Transcript and 4506- C Requirements	<ul style="list-style-type: none"> Tax transcripts are not required. If red flags are present, tax transcripts may be requested at Pennymac's discretion. A properly executed 4506-C is required for all transactions except when the loan file contains tax transcripts.
Temporary Interest Rate Buydowns	<p>Allowed subject to the following:</p> <ul style="list-style-type: none"> Max total interest rate reduction of 3%, max increase per year of 1% (only 1/0, 2/1 and 3/2/1 buydowns allowed) Maximum 3 years to reach standard note rate Fixed-rate only <u>Minimum 660 FICO</u> Owner-occupied only Purchase only Must qualify at the standard note rate without benefit of the buydown Must meet all other applicable FHA requirements, including but not limited to IPC limits, qualification, documentation of buydown, and funding of buydown.
Title	<ul style="list-style-type: none"> <u>The subject 247 mortgage must be in first lien position upon closing/recordation.</u> <ul style="list-style-type: none"> Exception: When applicable, the subject mortgage may be subordinate to the DHHL homestead lease. Title insurance is not required. A Lien and Financing Statement covering all financing statements that have not lapsed is required. <ul style="list-style-type: none"> The lien search should include bankruptcy, litigation, federal and state lien searches for the past 10 years, and UCC financing statement searches for the past five years. DHHL to provide evidence of all loans and/or mortgage liens recorded against the property. Property Assessed Clean Energy (PACE) obligations must be satisfied (paid off) at or before closing. <ul style="list-style-type: none"> Purchase transactions require the sales contract to include a clause specifying the PACE obligation will be satisfied by the seller, at or prior to closing. Refinance transactions require the payoff of the PACE obligation as a condition of loan approval <ul style="list-style-type: none"> The appraiser must be notified the PACE obligation will be paid off at or before closing. Solar panel UCC filings against the property must be terminated or subordinated to the subject mortgage. The mortgage must be recorded in DHHL's recording system upon closing of the mortgage. The documents must not be recorded at the State of Hawaii Bureau of Conveyances or filed with the Office of Assistant Registrar of the Land Court. Recordation at either of these offices does not effectuate a lien on the Hawaiian Home Lands lease.

**Up Front Mortgage
Insurance Premium
(UFMIP)**

- A copy of the FHA Connection Case Query evidencing receipt of the UFMIP must be included in the loan file.

Seller shall deliver loans that were originated in accordance with the Federal Housing Administration Handbook, 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.