



**Pennymac Correspondent
Freddie Mac Home Possible Product Profile
6.30.23**

Overlays to Freddie Mac are underlined

Freddie Mac - LPA Accept				
Owner-Occupied Only, Purchase and Rate & Term Refinance				
Home Possible Fixed Rate and Fixed Period ARMs				
Property Type	Maximum LTV/TLTV		Min Credit Score	
	Standard Balance	Super Conforming		
¹ 105% TLTV Allowed with Affordable Second only, Affordable Second may not be HELOC	1 Unit	FRM 97 ¹ ARM 95 ¹	95 ¹	<u>AUS Cert with Min 620</u>
	2 Unit	95 ¹	85	<u>AUS Cert with Min 620</u>
	3-4 Unit	95 ¹	80	<u>AUS Cert with Min 620</u>
Ability To Repay and Qualified Mortgage Rule	<ul style="list-style-type: none"> • 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"> • Must be dated within 120 days old on the note date, 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

- Determined by LPA Findings.
- Desktop Appraisal allowed only with an Accept recommendation and feedback message in LPA indicating the loan is eligible for delivery with a desktop appraisal. All agency required desktop requirements must also be met. Eligibility requirements include:
 - Purchase transactions of one-unit principal residence only
- Properties with unpermitted secondary kitchens may be eligible if:
 - 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 Freddie Mac requirements.
- Properties with accessory units may be acceptable when meeting Freddie Mac requirements:
 - Allowed on 1- to 3 unit property
 - Property must be appraised based on current use
 - At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales.
 - If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property.
 - Manufactured homes as an accessory unit are acceptable if they meet all the requirements in the Seller Guide Section 5601.2 and are given no value by the appraiser.
 - If the subject property accessory unit does not comply with the zoning and land use requirements, property is eligible if:
 - The "Site" section of the appraisal report indicates that the accessory unit does not comply with zoning and land use requirements (illegal zoning compliance)
 - At least two comparable sales with each having only one accessory unit must be included in the appraisal report. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area; and
 - Pennymac confirms that the existence of the accessory unit will not jeopardize future hazard insurance claims
- Appraisal updates in accordance with Freddie Mac guidelines are acceptable.
 - See Freddie Mac Seller Guide section 5604.3 for complete details.
- 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>	<p>Assets</p> <ul style="list-style-type: none"> • Follow Freddie Mac verification of deposit and asset documentation guidelines to determine asset eligibility for down payment, closing costs, and reserve requirements. <ul style="list-style-type: none"> ○ Asset statements must clearly identify the borrower as the account holder ○ Assets held solely in the name of a non-borrowing purchaser are considered a gift and must follow Freddie Mac gift fund requirements. • Follow Freddie Mac guidelines for gift fund eligibility and documentation requirements <ul style="list-style-type: none"> ○ Gift funds are ineligible on an investment property transaction <p>Large Deposits</p> <ul style="list-style-type: none"> • Follow Freddie Mac guidance for large deposit eligibility and verification requirements <ul style="list-style-type: none"> ○ Large deposits sourced back to a non-borrowing purchaser are considered a gift and must follow Freddie Mac gift fund requirements. • On refinance transactions, the documentation or explanation for large deposits is not required; however, any borrowed funds, including any related liability, must be considered. <p>Virtual Currency</p> <ul style="list-style-type: none"> • 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 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>
<p>Assignment of Mortgages</p>	<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>
<p>AUS</p>	<ul style="list-style-type: none"> • <u>Loan Product Advisor with "Accept" Recommendation is required. LPA A Minus Offering is not allowed.</u> • <u>Manual UW is not allowed.</u>

Borrower Eligibility and Occupancy

- U.S. Citizens
- Permanent resident aliens, with proof of lawful permanent residence
- Nonpermanent resident alien immigrants, with proof of lawful residence
- Properties vested in trusts are permitted for all occupancy types in accordance with Freddie Mac Trust guidelines
- At least one borrower must occupy the property secured by a Home Possible Mortgage as their primary residence.
- Non-Occupying Co-borrower allowed subject to:
 - 1 Unit property only
 - Max LTV/TLTV 95%, allowed to 105% TLTV with Affordable Second.

CEMA

- Refinance Only
- eMortgages are ineligible
- Lost Note Affidavits (LNAs) are not allowed for prior or current notes

Condominiums

- Refer to the Freddie Mac Selling Guide for complete guidance on condominium eligibility and project standard requirements.
- Streamlined Condo review allowed in accordance with Freddie Mac Guidelines
- **Non-Del:** New condos must comply with Fannie Mae-approved and Certified Project requirements. Evidence of the approval is required in the file.
- Freddie to Freddie rate and term refinances up to 80% LTV/TLTV may be eligible for a waiver of the project eligibility review.
 - Documentation confirming Freddie Mac is the current owner and the current Freddie Mac loan number is required.
- Pennymac will not allow a project in which: (i) the HOA is named as a party to pending litigation/mediation/arbitration, or (ii) the project sponsor or developer is named as a party to pending litigation/mediation/arbitration that relates to the safety, structural soundness, functional use or habitability of the project. If it is determined that the reason for the pending litigation involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation/mediation/arbitration is limited to one of the following:
 - The litigation amount is known, the insurance company has committed to providing defense and the litigation amount is covered by the insurance policy
 - The litigation amount is Unknown, the complaint is documented in the file, an attorney opinion letter is provided confirming litigation is only a minor matter, insurance is providing defense, against any possible damages are covered by insurance.
 - The matters involve non-monetary neighbor disputes regarding rights of enjoyment, whether litigated or in an alternative dispute resolution (ADR) proceeding, or
 - The HOA is the plaintiff seeking reimbursement for repair expenses and the issue did not significantly impact financial stability or future solvency of HOA. Condominium Project.
 - The valid estimation of or known litigation amount is not expected to exceed 10% of the project's funded reserves, provided that use of the project's funded reserves to pay for project litigation or dispute resolution does not violate the applicable jurisdiction's laws and regulations.
- Florida Condos are allowed in accordance with Freddie Mac requirements with the exception of newly converted condo projects (see ineligible section).
- See Pennymac Announcement 19-62 for additional documentation details. Lenders must provide all documentation used to verify the condo warranty type. This may include, but is not limited to:
 - Loan documentation with warranty type
 - HOA questionnaire
 - Copies of applicable insurance policies
 - Any additional documentation as required by the warranty type

<p>Continuity of Obligation:</p>	<p>When an existing mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:</p> <ul style="list-style-type: none"> • At least one borrower on the refinance mortgage was a borrower on the mortgage being refinanced; or • At least one borrower on the refinance mortgage held title to and resided in the mortgaged premises as a primary residence for the most recent 12 month period and the mortgage file contains documentation evidencing that the borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or • At least one borrower on the refinance mortgage inherited or was legally awarded the mortgaged premises by a court in the case of divorce, separation or dissolution of a domestic partnership
<p>Credit</p>	<ul style="list-style-type: none"> • All borrowers may have no credit score. Freddie Mac and LPA requirements must be met. • Credit report inquiries dated within the previous 120 days: a letter from the creditor, or if such a letter is unobtainable, a signed statement from the borrower may be used to determine whether additional credit was obtained • Must pay off any existing judgments or tax liens. • Mortgage Payment History <ul style="list-style-type: none"> ○ 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. • For borrowers with frozen credit, no more than one credit bureau can have frozen credit information. • IRS Installment Agreements – must meet the following requirements: <ul style="list-style-type: none"> ○ The payment associated with the installment agreement must be included in the calculation of the borrower's debt payment-to-income ratio if there are more than 10 months of payments remaining under the agreement. ○ The loan file must include a copy of the installment agreement approved by the IRS verifying the payment terms, including the monthly payment amount and balance. ○ The loan file must contain documentation verifying that the borrower is <i>not</i> past due under the terms of the installment agreement. ○ There must be no indication, and the lender must have no knowledge that the IRS has filed a Notice of Federal Tax Lien for the taxes owed under the installment agreement. ○ Non-Del only: <u>No more than two tax years may be on a repayment plan.</u>

Derogatory Credit	<ul style="list-style-type: none"> No specific waiting times with an LPA Accept. All derogatory events must be reflected on the credit report in order for the LPA accept to be valid. To further clarify, an LPA Accept will remain valid unless a significant derogatory event “e.g. more than a 1 X30 mortgage late in last 12 months” occurs. If derogatory event is not reflected on credit report, or is not accurate, the loan must be manually underwritten. <u>Pennymac does not purchase manually underwritten Freddie Mac loans.</u>
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. <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	<ul style="list-style-type: none"> Documentation requirements determined by LPA One year of tax returns is acceptable if allowed by LPA and Freddie Mac guidelines Income or assets derived from the following sources are ineligible for qualifying: <ul style="list-style-type: none"> The production or sale of marijuana Bitcoin or other cryptocurrencies <ul style="list-style-type: none"> See the Assets/Gift Funds/Large Deposits section for documentation requirements on funds used for closing/reserves that originated from a cryptocurrency account. Non-Del only: <u>Handwritten Verification of Mortgages (VOM) or Verification of Rents (VOR) are not eligible</u> Non-Del only: <u>VODs are not acceptable for asset documentation</u> Current housing payment for non-occupying borrowers. The borrower must document their current housing payment with one of the following when they do not own a primary residence. <ul style="list-style-type: none"> Direct verification of rent from a management company, or Direct verification of rent from an individual landlord (supported by two months of cancelled checks or other evidence of two months payments), or Copy of the current fully executed lease agreement (supported by two months of cancelled checks or other evidence of two months payments), or Six months of canceled checks or bank statements supporting consistent payment in the amount used in qualifying <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	<ul style="list-style-type: none"> <u>Down Payment Assistance is allowed as long as the assistance is provided by a government entity or a non-profit organization that is affiliated with a government entity. Evidence of the terms and provider must be included in the loan file and must meet Freddie Mac requirements.</u> Employer assistance is acceptable in accordance with Freddie Mac guidelines.

Eligible Mortgage Products

- PennyMac will only purchase the following products:
 - Fixed Rate, up to 30 Year term.
 - Agency SOFR ARMs:
 - 5/6: 2/1/5 caps, qualifying rate: greater of fully indexed rate* or note rate + 2%**
 - 7/6: 5/1/5 caps, qualifying rate: note rate ***
 - 10/6: 5/1/5 caps, qualifying rate: note rate ***
 - ***Exception: ARMs in IL, MA, MD (Purchase only), NM and PA require qualifying at the greater of the Note rate or the fully indexed rate. The LPA qualifying rate may need to be adjusted to comply with this requirement.
- Please refer to selling guide section 4401.8 for additional information
- * Fully indexed rate = index rate + margin
- **An "Accept" recommendation by LPA may differ from the eligibility for the purpose of meeting QM requirements. The APR calculation for 5/6 ARMs requires the use of the maximum interest rate that would apply during the first five years as the interest rate for the full term of the loan. As a result, all loans must also meet QM requirements regardless of the AUS eligible determination.
- Margin of 2.75% to 3.0% are allowed
 - Non-Del: Margin of 2.75% only.
- Agency 3/6 SOFR ARMs are not eligible
 - One time close construction not eligible
 - Enhanced LTV not eligible
 - CHOICERenovation mortgages 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.
 - Loans using the alternative LTV calculation are eligible for purchase subject to meeting all Freddie Mac requirements. See Freddie Mac Chapter 4406.1 and 4406.2, Mortgages Secured by Properties Subject to Resale Restrictions.

eMortgages & eNotarization

- 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:
 - State eligibility; and
 - Product eligibility; and
 - Transaction eligibility; and
 - eNotarization eligibility; and
 - RON eligibility

Employment/Income Verification

Employment and income documentation must comply with the requirements of Loan Product Advisor or the Freddie Mac Seller Guide if not addressed by LPA:

- For salaried employees Pre-closing verification (PCV, previously known as verbal verification of employment) must be completed within 10 business days prior to the note date. • For self-employed borrowers the PCV must be completed within 120 days prior to the note date.
- For borrowers in the military, a military Leave and Earnings Statement dated within 30 days prior to the note date is acceptable in lieu of a verbal verification of employment.
- Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers. • Assets as a basis of qualification is acceptable in accordance with Freddie Mac.
- Mortgage Credit Certificates (MCCs) The amount of the MCC tax credit may be considered as qualifying income in accordance with the following requirements:
 - The amount used as qualifying income must be calculated as follows: (Mortgage amount) x (Note Rate) x (Mortgage Credit Certificate rate %) divided by 12
 - The amount used as qualifying income cannot exceed the maximum Mortgage interest credit permitted by the IRS - The Mortgage file must contain a copy of the:
 - MCC
 - Seller's calculation of the amount used as qualifying income history of receipt of MCC tax credit is not required.
- 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.

Employment and Income commencing after the note date

Borrowers with employment and income commencing after the note date:

- Primary employment with base, non-fluctuating salaried earnings;
- Eligible for One Unit Primary Residence purchase only;
- Borrower may not be employed by a family member or by an interested third party;
- Lender must include a copy of the offer of employment or contract that:
 - Is fully executed and accepted by the Borrower;
 - Is non-contingent or provide documentation, such as letter or e-mails, from the employer verifying all contingencies have been cleared;
 - Includes the terms of employment, including but not limited to, employment start date and annual base non-fluctuating earnings;
- The Lender's written analysis must confirm employment contracts are reasonably common to the particular employment field, industry and/or region
- One of the following:
 - The borrower's employment must begin within 60 days after the note date, and the borrower must have adequate income and/or liquid assets to pay the monthly housing expense and other monthly liabilities between the Note Date and the employment start date; OR
 - A paystub supporting income used to qualify must be included in the file at time of delivery to Pennymac.
- The borrower a minimum of 6 months PITIA reserves in addition to all other required reserves;
- Lender must provide a 10-day PCV verifying the terms of the offer letter or employment contract have not changed.
- Option Two not allowed

<p style="text-align: center;">Escrow Holdbacks</p>	<ul style="list-style-type: none"> • Escrow holdbacks are allowed in accordance with Freddie Mac 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 will be required that states how the escrow account will be managed and how the funds will be disbursed. • <u>Non-Del Only:</u> <ul style="list-style-type: none"> ○ <u>New Construction only</u> ○ <u>Weather related repairs only</u> ○ <u>Settlement Agent must administer escrow account and disbursement of funds</u> ○ <u>150% of repair estimate to be escrowed</u>
<p style="text-align: center;">Financing Concessions</p>	<ul style="list-style-type: none"> • Financing concessions for primary residences must be within the following allowable percentages: <ul style="list-style-type: none"> ○ 9% of value with LTV/TLTV ratios less than or equal to 75% ○ 6% of value with LTV/TLTV ratios greater than 75% up to and including 90% ○ 3% of value with LTV/TLTV ratios greater than 90% <p>Note: Financing concessions paid by Freddie Mac, as the property seller for transactions involving the sale of Freddie Mac REO properties are not subject to the above maximum financing concession limits. In all cases, the requirements for use of financing concessions continue to apply i.e. the concessions must not exceed the borrower's actual closing costs. Selling Guide section 5501.5</p> • Property Seller can pay up to 12 months future HOA dues per Freddie Mac's guidelines. Amount of HOA dues must meet IPC limits. See Freddie Mac 4204.3 for additional information.
<p style="text-align: center;">Funds to Close: Acceptable Sources</p>	<ul style="list-style-type: none"> • In addition to standard Freddie Mac eligible sources, the following sources are eligible to use as funds to close: <ul style="list-style-type: none"> ○ <u>Gifts or grants from the Lender as originating lender are not an eligible source of funds. See FHLMC Lender Letter 9/2016 for additional information.</u> ○ For purchase transactions proceeds from an unsecured loan from an Agency, a Related Person, Community Savings System, and Lender. Must meet the following requirements: <ul style="list-style-type: none"> ▪ Must not contain provisions that allow or could result in negative amortization ▪ Must have a maturity date that: <ul style="list-style-type: none"> • Does not exceed the maturity date of the Mortgage • Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing ▪ Must have an interest rate that is no greater than the Note Rate on the Mortgage ▪ Must not be a cash advance from a credit card or unsecured line of credit ▪ Must have its source, terms and conditions documented on the Form 65, Uniform Residential Loan Application • <u>Sweat Equity is not an eligible source of funds</u>

Funds to Close: Borrower Contribution	Property Type	Home Possible LTV/TLTV/HTLTV ≤ 80%	Home Possible Mortgages with LTV/TLTV/HTLTV >80% ≤ 95%	Home Possible Mortgages with LTV, TLTV or HTLTV ratios >95%
	1-unit	None	None	None
	2- to 4-unit	None	3%	3%
Funds to Close: Cash on Hand	<p>Cash on hand allowed for borrower contribution, down payment, closing costs and prepaids, and reserves, if the following requirements are met:</p> <ul style="list-style-type: none"> • The Lender reasonably concludes, and can support, that the Borrower is a cash-basis individual and that the cash on hand is not borrowed and could be saved by the Borrower. ○ The Mortgage file contains the following documents supporting the Lender's conclusion: <ul style="list-style-type: none"> ▪ A completed Exhibit 23, Monthly Budget and Residual Analysis Form, or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number. ▪ Copies of six months' cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) meeting the requirements of Section 5202.2(b) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash. ▪ A credit report, obtained at the time of loan application, meeting the requirements of Section 5203.1. The credit report must not show more than three tradelines. ▪ Copies of three months' statements for any open revolving account that reveal cash advances are not the source of Borrower Funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation). ▪ An updated credit report obtained approximately one week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the Borrower. • The Mortgage file must have no indication that the Borrower typically uses checking, savings or similar accounts. • Evidence that funds for the down payment, Closing Costs, Financing Costs, Prepaids/Escrows and reserves are deposited in a financial institution or are held in an institutional escrow account prior to closing. 			
High-Cost / Higher Priced	<ul style="list-style-type: none"> • <u>Pennymac will not purchase High-Cost Loans</u> • 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. ○ A prohibition on ARM loans with an initial fixed rate period of less than seven years (7/6 ARMs are eligible). HPML ARMs are qualified at the greater of the note rate or the fully indexed rate. 			

Homeownership Education:

- At least one occupying Borrower must participate in a homeownership education program before the Note Date for purchase transactions when all occupying Borrowers are First-Time Homebuyers.
- Homeownership education must not be provided by an interested party to the transaction, the originating lender or by the Seller.
- Homeownership education programs may use different formats and require different lengths of time to complete. The following are acceptable:
 - Programs developed by HUD-approved counseling agencies, Housing Finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs)
 - Homeownership education programs developed by mortgage insurance companies or other providers' programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com)
- As an alternative to the programs listed above, Freddie Mac's free financial literacy curriculum, CreditSmart, meets the homeownership education requirements, provided:
 - The Borrower completes the on-line Credit Smart – Steps to Homeownership Tutorial, which includes Module 1 (Your Credit and Why It is Important), Module 2 (Managing Your Money), Module 7 (Thinking Like a Lender), Module 11 (Becoming a Homeowner), and Module 12 (Preserving Homeownership: Protecting Your Investment)
 - The financial literacy curriculum is not provided by an interested party to the transaction, the originating lender or by the Seller
- A copy of Exhibit 20, Homeownership Education Certification, or another document (such as the CreditSmart – Steps to Homeownership certificate of completion) containing comparable information must be retained in the Mortgage file.
- Landlord education (2- to 4-unit Primary Residences)
 - Purchase Transaction – At least one qualifying Borrower must participate in a landlord education program before the Note Date. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller.
 - A copy of a certificate evidencing successful completion of the landlord education program must be retained in the mortgage file
 - Refinance Transactions – Landlord education is not required but is recommended for Borrowers who have not previously attended a program.

<p>Income: Boarder</p>	<p>Rental income from a 1-unit Primary Residence may be considered as stable monthly income (as defined in FHLMC Section 5301.1) provided it meets the requirements in Section FHLMC 5306.1 or the following:</p> <ul style="list-style-type: none"> • Connection with Borrower. The person providing the rental income and the Borrower: <ul style="list-style-type: none"> ○ Have resided together for at least one year ○ Will continue residing together in the new residence, and ○ The person providing the rental income provides appropriate documentation to evidence residency with the Borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of that person to be the same as the Borrower's address) ○ The person providing rental income is not obligated on the mortgage and does not have an ownership interest in the mortgaged premises. ○ The person is not the borrower's spouse or domestic partner. • Rental payment. Rental income from the person residing in the Mortgaged Premises: <ul style="list-style-type: none"> ○ Has been paid to the Borrower for the past 12 months on a regular basis ○ Can be verified by the Borrower with evidence showing receipt of regular payments of rental income to the Borrower for at least nine of the past 12 months (i.e., copies of cancelled checks) ○ Must be averaged over 12 months for qualifying purposes when fewer than 12 months of payments are documented ○ Does not exceed 30% of total income used to qualify for the Mortgage • The Mortgage file must contain a written statement from the Borrower affirming: <ul style="list-style-type: none"> ○ The source of the rental income ○ The fact that the person providing the rental income has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future
<p>Income: Limits</p>	<p>The borrower's qualifying income converted to an annual basis must not exceed 80% of the area median income (AMI) for the location of the mortgaged premises.</p>
<p>Loan Purpose</p>	<ul style="list-style-type: none"> • Purchase • No Cash-Out/Rate & Term Refinance <ul style="list-style-type: none"> ○ The refinance mortgage being paid off must have a note date no less than 30 days prior to the note date of the no cash-out refinance, and evidence must be documented in the loan file. ○ Proceeds can be used to pay off a first mortgage. ○ Proceeds can be used to pay off or pay down any junior liens related to the purchase of the subject property ○ Proceeds can be used to pay off an existing first lien mortgage that includes a deferred balance <ul style="list-style-type: none"> ▪ A deferred balance that is a second lien is not eligible for a no cash-out refinance ○ Pay related closing costs and prepaid items ○ Disburse cash out to the borrower (or any other payee) up to the greater of 1% of the new refinance mortgage or \$2,000.

<p>Loan Purpose: Ineligible Transactions</p>	<p>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 purchase by Pennymac. Unacceptable transactions of this type may have some or all of the following characteristics:</p> <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
<p>Mortgage Insurance</p>	<ul style="list-style-type: none"> • Coverage percentage per Freddie Mac requirements. Full or reduced coverage is allowed. <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 MI <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).
<p>Occupancy</p>	<p>Primary Residence - 1-4 units</p>
<p>Open-End (30 Day) Accounts</p>	<p>For 30-day accounts (i.e. accounts that require the balance to be paid in full monthly):</p> <ul style="list-style-type: none"> • Verify sufficient funds¹ to cover balance, in addition to funds required for closing and reserves and exclude from DTI, or • Document payment amount and include in DTI. Acceptable documentation may include a monthly statement or credit supplement showing the payment amount. • 5% of balance may not be used as a default payment. <p>¹ The source of funds must be from an eligible source as described in Freddie Mac Guide section 5501.</p>

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 • 2-4 Unit Attached/Detached • PUDs • Low-rise and High-rise Condominiums (must be Freddie Mac eligible) • Rural Properties (in accordance with agency Guidelines, loans must be residential in nature) • Leaseholds • <u>Manufactured Homes</u> – refer to the Freddie Mac 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>Non-Del: New condos that are not PERS approved</u> • Mobile Homes • <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> • Condition Rating of C5/C6 or a Quality Rating of Q6.
Property: Maximum Number of Financed Properties	The occupying borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date.
Property Flipping Policy (Properties resold within 180 days of purchase)	<ul style="list-style-type: none"> • <u>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.</u> • Lenders must pay particular attention and institute extra due diligence for those loans in which the appraised value is believed to be excessive or where the value of the property has experienced significant appreciation in a short time period since the prior sale. Pennymac believes that one of the best ways lenders can reduce the risk associated with excessive values and/or rapid appreciation is by receiving accurate appraisals from knowledgeable, experienced appraisers. • Pennymac recommends an additional value product to support the subject appraised value in instances of greater than 20% appreciation.

Ratios	<ul style="list-style-type: none"> • <u>The maximum DTI is 50% with a LPA Accept.</u> • <u>Loans with DTI exceeding 50% regardless of AUS decision are ineligible.</u>
Recently Listed Properties	<ul style="list-style-type: none"> • <u>No Cash-Out Transaction - 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).</u> • <u>Note: 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	<ul style="list-style-type: none"> • Follow guidelines in FHLMC 5306 relative to rental income calculation • Rent loss insurance is not required. • See Freddie Mac chapter 5306.2 or 5306.3 for information on Rental Income from an ADU on a 1-unit primary residence.
Reserves	<ul style="list-style-type: none"> • Reserves must be based upon the full monthly payment amount for the property. • Verify all reserves required by LPA.
Seasoning	Please refer to the Pennymac Seasoned Loan Policy located in the Pennymac Seller Guide for requirements and loan-level price adjustments.
State Restrictions	<ul style="list-style-type: none"> • Texas 50 (a)(6) refinance mortgages are eligible with Pennymac Seller Approval: <ul style="list-style-type: none"> ○ Owner-Occupied, 1 unit only ○ Maximum 80% LTV/TLTV ○ 2% fee restriction in accordance with Texas Constitution ○ Full appraisal required ○ No new secondary financing ○ Loans must comply with Freddie Mac and Texas Constitution requirements ○ Power of Attorney allowed in accordance with Texas requirements.
Tax Transcripts	<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 when the loan file contains tax transcripts. • <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 Buy downs</p>	<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% (1/0,1/1, 2/1, and 3/2/1 buydowns allowed) • Maximum 3 year to reach standard note rate • <u>Minimum 660 FICO</u> • Fixed rate & 7/6 and 10/6 ARMs only • 1-2 units only • Manufactured Homes are ineligible • Must qualify at the standard note rate without benefit of the buydown • Must meet all other applicable Freddie Mac requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.
<p>Title</p>	<ul style="list-style-type: none"> • Loans with private transfer fee covenants are ineligible. Transfer fee covenants exempted from this requirement are fees paid to any homeowner associations, condominiums, cooperatives, and certain tax-exempt organizations that use such private transfer fee proceeds to benefit the property. Fees that do not directly benefit the property are subject to the above rule, and would disqualify mortgages on the property from being originated by Pennymac. (FHFA Final Ruling 12 C.F.R. Part 1228) • <u>Attorney Opinions of title are not acceptable.</u>
<p>Seller shall deliver loans that were originated in accordance with the Freddie Mac Single Family Selling Guide unless otherwise noted in the Pennymac Seller's Guide.</p> <p><i>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.</i></p>	