

Pennymac Correspondent

Standalone Closed-End Second (CES) Product Profile

09.25.26

		Primary Residence - 1-2 Units				
Eligibility	Maximum DTI < = 45.00%			Maximum DTI 45.01 to 50.00%		
	Minimum/Maximum Loan Amount ^{1*}	Maximum CLTV ²	Minimum FICO	Minimum/Maximum Loan Amount*	Maximum CLTV ³	Minimum FICO
	One-Unit			One-Unit		
	\$50,000 / \$250,000	85%	680	\$50,000 / \$250,000	85%	680
		65%	660			
	>\$250,000 / \$500,000	80%	720			
	2-Units					
	\$50,000 / \$250,000	80%	720	N/A		
		75%	700			
		70%	680			
	Second Home - One-Unit					
	Maximum DTI < = 45.00%			Maximum DTI 45.01 to 50.00%		
	Minimum/Maximum Loan Amount*	Maximum CLTV ²	Minimum FICO	Minimum/Maximum Loan Amount	Maximum CLTV	Minimum FICO
	\$50,000 / \$250,000	80%	720	N/A		
		75%	700			
70%		680				
Investment Property – 1-2 Units						
Maximum DTI < = 45.00%			Maximum DTI 45.01 to 50.00%			
Minimum/Maximum Loan Amount*	Maximum CLTV ²	Minimum FICO	Minimum/Maximum Loan Amount	Maximum CLTV	Minimum FICO	
\$50,000 / \$250,000	70%	700	N/A			
* Minimum loan amount for properties in North Carolina is \$50,000						
Properties > 20 and <= 40 acres:						
1. Maximum loan amount: \$250,000						
2. Reduce maximum CLT V by 10%						
3. Maximum DTI: 45.00%						

**CES underwriting requirements are modeled after Fannie Mae manual underwriting requirements.
For items/scenarios not addressed in this product profile, follow Fannie Mae's manual underwriting requirements.**

CES General Program Requirements

- CES program requirements include, but are not limited to the following:
- For primary residence CES transactions, any portion of the cash-out proceeds may not be used to purchase a new primary residence within 1 year of the CES note date.
 - All investment property transactions require a use of funds attestation.
 - Attestation must indicate whether the funds are being used for personal or business purposes.
 - Must be signed and dated by at least one borrower.
 - Loan term: Fixed rate 10, 15, 20, and 30-year terms only
 - The subject CES loan must be in second lien position
 - Existing subordinate liens must be paid off through this transaction
 - The property must have been purchased or acquired by the borrower at least 12 months prior to the disbursement date of the new CES mortgage
 - Must not have a prior cash-out on the subject property in the last 12 months measured from original note date to new CES note date
 - Includes first lien cash-out refinances, fixed rate seconds, and HELOCs carrying a balance originated within 12 months of the new CES note date (the HELOC must be closed/terminated at closing)
 - HELOCs with a zero balance as of the application date of the new CES loan are excluded from the above requirement regardless if the line was opened or draws were taken in the past 12 months (the borrower may not draw from the line after the CES application date, and the HELOC must be closed/terminated at closing)
 - Loans with CLTV of 75% or less are excluded from this requirement.
 - See Appraisal Section for properties >10 acres ≤ 40 acres
 - A copy of the most recent mortgage statement for the first lien mortgage is required; *and*
 - A copy of the note for the first lien mortgage is required

Ability to Repay and QM Determination

- Closed-End Seconds must comply with the ATR/QM rule
- CES loans may be QM safe harbor, QM rebuttable presumption, non-QM, or business purpose, but all must meet ATR requirements in 12 CFR Part 1026.43

Age of Documents

- Credit report must be dated within 4 months of the note date
- Employment, income, and asset documentation must be dated within 4 months of the note date
- The Owner's and Encumbrance Report, Quick EQ Report, or Home Equity Report must have an effective date not more than 90 days prior to the note date if an Errors & Omissions Liability Policy is used.

Appraisal

- A full appraisal is required for the following:
 - Loan amounts >\$400,000
 - Second homes
 - Investment properties. Single family comparable rent schedule (1007) is required if rental income is used for qualification
 - 2-unit properties
 - Properties >10 acres
 - Texas (a)(6) transactions
 - HPML transactions that are not subject to the HPML threshold adjustment and are not Qualified Mortgages.
- For loan amounts ≤ \$400,000 and for properties ≤ 10 acres, valuation products should be selected in the following order. However, selecting a more comprehensive valuation product is acceptable:
 - Pennymac Home Value Estimator (HVE) or Clear Capital ClearAVM with a maximum FSD score of 15, combined with a FIRREA compliant exterior property inspection including at least photos of the front and sides, if accessible, and description of the physical condition.
 - If the Pennymac Home Value Estimator or Clear Capital ClearAVM does not return a value or meet the maximum FSD requirement, then one of the following two options are required:

	• CoreLogic Total Home Valuer (THVx) with a maximum FSD score of 13; OR • Note: A Corelogic THVx AVM may only be used if the Pennymac HVE or Clear Capital AVM does not return a value or the FSD > 15%. - o Exterior-only appraisal - o Full appraisal • When an appraisal is obtained: - o All appraisers must hold at least the minimum required state license and a copy of the license must be submitted with the appraisal - o Appraisals must be completed in compliance with FIRREA/USPAP and all applicable regulatory requirements - o Appraisals must be Appraiser Independence Requirements (AIR) compliant • Appraisal and valuation products must be dated within 4 months of the note date • If multiple valuation products are obtained, use the value from the most comprehensive inspection • Valuation products must show in average or better condition • Appraisals transferred from another financial institution are eligible
Assets / Funds to Close	• Funds to close are generally not required. In circumstances where the borrower is required to bring funds to the closing table (e.g., payoff of debt at closing), the following is required: - o 1 month's most recent bank statement (all pages) verifying sufficient funds to close - o Gift funds are ineligible - o Follow Fannie Mae asset verification and large deposit requirements. - o Reserves are not required
AUS	• All loans are manually underwritten; AUS is not utilized
Borrower Eligibility	Eligible Borrowers: • U.S. citizens • Permanent resident alien • Non-permanent resident alien - o Minimum of 2 years U.S. employment history - o Must have at least 3 years existing on current Visa; or - o A history of at least one Visa renewal - o One-unit primary residence only • All borrowers must have a valid social security number • Inter-Vivos revocable trust Ineligible Borrowers: • Irrevocable trusts or blind trusts • Title vested in a life estate, including enhanced life estates (aka lady bird deeds and transfer on death deeds), are ineligible. • Limited/general partnerships and corporations • Foreign nationals • Borrowers with diplomatic immunity • Non-occupant borrowers, unless obligated to the first lien (applies to primary residence and second homes only).. • Land trusts, including Illinois • Borrowers and title holders using a Power of Attorney (POA), except for a borrower in the military when deployed abroad or when required by law
Credit	• A Residential Mortgage Credit Report (RMCR) from all three bureaus that includes credit scores and a complete mortgage payment history with trended credit data for all mortgages is required. • Classic FICO credit score model for qualification and pricing is required. No exceptions. • No credit bureaus may be frozen (borrowers must unfreeze all bureaus). • All borrowers must have a minimum of one credit score meeting Pennymac minimum requirements to be eligible

	Mortgage Payment History ○ Mortgage payment history must reflect 0x30x24, or since inception, for all of the borrower(s) mortgages. ○ The credit report must contain the entire mortgage payment history. If the report covers activity for the previous 24 months or longer the credit report may be relied on for verification. ▪ “Activity” refers to the mortgage payment history actually reflected on the credit report in the most recent 24-month period. ▪ Months where the reporting history is blank or has a dash (-) is not considered “activity” and does not evidence 0x30x24 ○ Non-Del only: Mortgages serviced by Pennymac: Utilize SSE to verify mortgage payment history for all mortgages regardless if they are the subject mortgage or other REO ○ If there is evidence the subject first lien mortgage, or any other mortgage the borrower is obligated to, is in an active forbearance the loan is ineligible (e.g., reflected on the credit report, mortgage statement, payoff statement, etc.) ○ Pennymac will consider the borrower as having timely payments for the time in which the borrower has owned a property “free and clear.” Liabilities ● Follow Fannie Mae Selling Guide requirements for documenting and calculating liabilities including, but not limited to, business debt in borrower’s name, contingent liabilities, debts paid by others, loans secured by financial assets, etc. ● Installment debt, including debts with <10 months remaining, must be paid in full prior to or at closing to be excluded from DTI for qualification purposes. ● Open (30 day) charge accounts that do not reflect a payment on the credit report, or with a payment equal to the balance: ○ If the open balances are less than the net cash proceeds from the CES, no further action is required ○ If the open balances are more than the net cash proceeds, document the payment amount with a current monthly statement or credit report showing the payment amount and add to the DTI, or ○ Verify sufficient funds to cover the balances (less any net proceeds) with a current bank statement ● If the most recent year’s Federal tax return or filed extension reflects Federal Income Taxes are owed, Pennymac may require validation the taxes have been paid or proof of an IRS repayment plan. ○ No more than two years may be on a tax repayment plan.
Credit: Derogatory	● Borrowers cannot have a prior bankruptcy of any kind in the past 7 years ● Borrowers cannot have a prior foreclosure, deed-in-lieu, or short sale in the past 7 years ● All judgements, collections, charge-offs and tax liens must be paid at or prior to close ○ Medical collections are excluded
Credit: Disputed	● If the credit report reflects the borrower has disputed credit information, the following applies: ○ If none of the disputed accounts are derogatory¹: ● If the borrower(s) qualifies with the disputed accounts included in the DTI, no additional action is necessary. ● If the borrower does not qualify with the disputed accounts included in the DTI: ● Obtain written documentation from the credit repository or the creditor confirming the correct information regarding the disputed accounts; and ● If any of the disputed accounts are confirmed to be the responsibility of the borrower(s), the dispute must be resolved, and a new credit report and credit score obtained; or ● If the confirmation reveals that none of the disputed accounts are the responsibility of the borrower(s), exclude the disputed accounts from the DTI ● Borrowers may pay off but not pay down disputed accounts for qualification purposes without resolving the dispute. ○ If any of the disputed accounts are derogatory¹: ● If the aggregate disputed amount balance is less than or equal to \$1,000 and the borrower(s) qualifies with the disputed accounts included in the DTI, no additional action is necessary. ● If the aggregate disputed amount balance exceeds \$1,000 or the borrower(s) do not qualify with the disputed accounts included in the DTI,

	- Obtain written documentation from the credit repository or the creditor confirming the correct information regarding the disputed tradelines. - If any of the disputed accounts are confirmed to be the responsibility of the borrower(s), the dispute must be resolved, and a new credit report and credit score obtained. - If the confirmation reveals that none of the disputed accounts are the responsibility of the borrower(s), exclude the disputed accounts from the DTI. - Borrowers may not pay down or pay off disputed accounts for qualification purposes without resolving the dispute and then obtaining a new credit report and credit score. - Medical collections must be excluded from the DTI (regardless of whether it is disputed). ¹Derogatory accounts are: All charge offs and collection accounts, and accounts with late payments in the past 24 months.
Disaster Policy	- 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. Non-Del: 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.
Eligible and Ineligible Mortgages	- Eligible First Lien Programs - Fixed rate mortgages - Fixed interest-only mortgages that have ≥ 7 years of interest-only period remaining - Ineligible First Lien Programs - Private mortgages - Open renovations - Negative amortization - Adjustable-rate mortgages (ARMs) - Fixed interest-only mortgages where there is less than seven years remaining on the interest-only period (measured from the new CES note date) - CEMA transactions - Loans with balloon payments that become due within the term of the CES - Reverse mortgages - Properties with a PACE lien - FHA Section 247 and PIH 184a Hawaiian Home Lands - PIH 184 Indian Home Loan Guarantee
Escrow Holdbacks	Escrow holdbacks are ineligible
High Cost/High Priced	- Pennymac will not originate High-Cost loans - High Cost defined as secondary/subordinate financing with an APR 8.5% $\geq$ above the APOR - Includes loans classified as High-Cost mortgages under any state law - Pennymac will originate Higher Priced Mortgage Loans (HPML) that comply with all regulatory compliance - HPML defined as secondary/subordinate financing with an APR 3.5% $\geq$ above the APOR

**Income:
General Requirements**

Pennymac's CES income and requirements are modeled after Fannie Mae manual underwriting requirements, but requires one year of income documentation.

Salaried and variable income:

- Most recent pay stub covering at least 30 days YTD income
- Most recent 1-year W-2
- VVOE dated within 10 business days of the note date
 - Email VOE is eligible (per Fannie Mae requirements)
 - Written VOE (Form 1005), most recent paystub, and current bank statements are ineligible
 - Third-party employment verification vendors are eligible (e.g., The Work Number, Truework, etc.). The written verification of the borrower's employment status must be within the same timeframe as Fannie Mae verbal VOE requirements.

Self-Employed:

- Most recent one-year signed complete tax return (all pages & schedules)
- The existence of the borrower's business must be verified within 120 calendar days of the note date. Verification methods include:
 - From a third party (e.g., a CPA, regulatory agency, or an applicable licensing bureau), or
 - By verifying a phone listing address for the borrower's business using a telephone book, the internet, or directory assistance
 - The source of the information and the name/title of the employee who obtained the information must be documented in the loan file

Secondary Employment:

- Must validate two-year history of employment
- Most recent pay stub covering at least 30 days YTD income
- Most recent 1-year W-2
- VVOE dated within 10 days of the note date (refer to VVOE requirements outlined in salaried and variable income above)

Military Income

- Most recent Military Leave Earnings Statement (LES)
- In lieu of a VVOE obtain one of the following
 - LES dated within 120 days prior to the note date; or
 - Verification of employment through the Defense Manpower Data Center

Interest/Dividend Income:

- Most recent one-year signed complete tax return (all pages & schedules), plus evidence of account ownership

Non-taxable Income

- Social Security Income (SSI)
 - Document regular receipt per requirements outlined in the Fannie Mae Selling Guide
 - 15% of Social Security Income (SSI) may be treated as non-taxable without having to provide documentation evidencing the nontaxable status. That amount can then be grossed-up by 25%

Example:

- Social Security Benefit amount: \$1,500
- Non-taxable amount: $\$1,500 \times 15\% = \225
- Gross-up amount: $\$225 \times 25\% = \56 (rounded to the nearest dollar)
- Qualifying income: $\$1,500 + \$56 = \$1,556$ (does not require additional documentation)
 - Note: If more than 15% of SSI is grossed-up, documentation to verify the income is non-taxable is required. Refer to the Fannie Mae Selling Guide.
- Child-support income
 - Copy of divorce decree, legal separation agreement or legal agreement / court decree describing the payment and terms
 - No less than the most recent 6 months documented receipt required (payments must be timely and regular)
 - Can be grossed-up 25% without having to provide documentation of its non-taxable status.
 - Refer to Fannie Mae Selling Guide for complete requirements

VA Disability

- VA disability can be documented via the Certificate of Eligibility (COE) for the veteran and surviving spouses.
 - A copy of the COE must be retained in the file,
 - The disability income must be reflected in the conditions section of the COE, and
 - The COE must be dated within 120 days of the note date.
 - If the surviving spouse receives additional benefits for dependent children, verification of the children's ages is required to establish continuance for a minimum of 3 years.

Restricted Stock Income (RSU)

- Restricted stock must have vested and been distributed to the borrower without restrictions
 - Performance based awards
 - Minimum 24 months history of receipt from current employer
 - 12-24 months may be acceptable if there are positive factors to offset the shorter income history (refer to Fannie Mae guidelines)
 - Time based awards
 - Minimum 12 months history of receipt from current employer
 - Sign-on bonuses received in the form of RSUs that vest over any length of time cannot be used as qualifying income
- All of the following must be documented:
 - Verification of 3 years continuance is required regardless if the RSUs were awarded in multiple consecutive years or were a 1-time award
 - Evidence the stock is publicly traded
 - Current vesting schedule reflecting past and future vesting
 - Brokerage or bank statement showing receipt of the previous year(s) distribution and, at a minimum, the number of vested shares or the cash equivalent
 - Borrower's most recent paystub showing receipt of the income (completed WVOE ineligible)
 - Most recent 2-years' W-2s.
- Calculation method for RSU income will vary depending on whether the income is received in shares or in cash, and the length of time received
 - Income paid in shares:
 - $200\text{-Day Moving Average of share price} \times \text{total number of distributed vested shares (pre-tax) in most recent 24 months} / 24 \text{ months}$
 - Income paid in cash:
 - $\text{Total cash distributed (pre-tax) equal to the total value of vested shares in the most recent 24 months} / 24 \text{ months}$

Note: When the borrower has a history of income ranging from 12-24 months, the actual number of months the borrower has received the income rather than 24 months must be used for calculation purposes

Unacceptable Income Sources:

- Boarder income
- Capital gains income. Capital losses do not need to be deducted from the borrower's income
- Employer mortgage differential payments: Payments made by a borrower's employer to subsidize the borrower's mortgage payment
- Employment assets as Income, asset annuitization, or asset depletion
- Projected Income
 - Includes employment offers / income from employment starting after the note date

Amended Tax Returns

- Tax returns where an amendment was filed > 6 months from the application date
 - The amended return should be used for income calculation purposes
- Tax returns where an amendment was filed <= 6 months prior to the application date, or after the application date:
 - The lowest income reflected on either the amended return or original return must be used for qualification purposes

Income: 401K, Retirement, Pension, Annuity	Document regular and continued receipt of the income, as verified by: • Letters from the organizations providing the income • Copies of retirement award letters • Tax transcripts or, copies of signed federal income tax returns • IRS W-2 or 1099 forms, or • Proof of current receipt via the most recent one month's bank statement. • If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three years after the date of close. In addition, the borrower must have unrestricted access without penalty to the accounts.
Income: Rental	• Most recent one-year signed complete tax return (all pages & schedules) is required • Lease agreements may be used when the property is not on the Schedule E due to a recent purchase, or limited history is reported due to extensive repairs or renovations ○ If lease agreements are dated within 60 days of the application date, evidence of receipt of security deposit or rents are required ○ Properties must be cash-flowed using Fannie Mae's method of rental income calculation
Insurance	• Homeowners Insurance (e.g., HO3, condo master insurance, HO6, and all other separate perils and supplemental policies as required by Fannie Mae) ○ 1-2 Unit Properties • Policies must provide for coverage on a replacement cost basis, except for roofs. • Roofs must be insured. Policies that provide for coverage on an actual cash value (ACV) basis are acceptable for roofs, personal property, and structures that are not buildings. • The maximum deductible for all required perils is 5% of the property insurance coverage amount. ○ Master Property Insurance for Condominium and PUD Projects: • The master property insurance policy must provide coverage on a replacement cost basis, with the exception of roofs. • Roofs must be insured. Policies that provide coverage on an actual cash value (ACV) basis are acceptable for roofs, personal property, and certain property elements. • The master property insurance policy coverage amount must equal at least 100% of the estimated replacement cost value (RCV) of the project improvements, including common elements and residential structures. One of the following must be used to document coverage sufficiency: • Guaranteed replacement cost coverage, or its equivalent; • Extended replacement cost coverage, or its equivalent; • A replacement cost value estimate provided by the insurer; • The project's insurance risk appraisal; or • A statement validating the coverage amount is at least 100% of the RCV of the project's improvements, common elements, and residential structures from the insurer or other applicable professional with appropriate expertise to make such a determination. ○ The maximum deductible for all required perils is 5% of the master property insurance coverage amount. Refer to the Fannie Mae Selling Guide for per unit deductible requirements when applicable. ○ Individual Unit Property Insurance (HO-6) • The HO-6 policy must provide coverage on a replacement cost basis. • If the master property insurance policy includes a per unit deductible applicable to a specific required peril, the unit owner's property insurance policy must include coverage for that peril. • The maximum deductible for all required property insurance perils is the greater of 5% of the property insurance coverage amount or \$2,500. ○ Pennymac must be named as second lien holder mortgagee on the HOI policy • Flood Insurance

	○ Flood Zone Determination Certification is required for each CES ○ Loans secured by properties located in SFHA, CBRS, or OPA require flood insurance meeting Fannie Mae's requirements except that the minimum amount of flood insurance required shall be the lowest of: ● 100% of the replacement cost of the insurable value of the improvements ● the maximum insurance available from the NFIP, or ● the combined principal balance of the first and second lien ○ Pennymac must be named as second lien holder mortgagee on the flood policy.
Loan Purpose	● Standalone 2nd lien refinance transactions only
Mortgage Insurance	● Mortgage Insurance is not required, regardless of CLTV
Occupancy	● Primary residence ● Second home ● Investment properties
Property: Eligible Types	● Single family attached/detached 1-2 units ● Leasehold property provided the lease expires a minimum of 5 years past the note maturity date ○ Refer to the Fannie Mae Selling Guide for complete requirements. ● PUDs ● Condominiums ○ Must be reviewed by CPM and must not receive an "unavailable", "guide ineligible" or "incomplete certification" status designation. ○ Must be Fannie Mae warrantable (including master policy and HO6 insurance requirements) ○ All project documentation needed to demonstrate that the project meets Fannie Mae eligibility requirements, including any documentation relied upon to enter information into CPM must be retained in the loan file.
Property: Ineligible Types	The following property types are ineligible: ● 3-4-unit properties ● Properties > 40 acres ● Land trusts, including but not limited to Illinois, Native American trust land and restricted land and leasehold, Hawaiian Home Lands, and Community Land Trusts ● Commercial enterprises (e.g., bed and breakfast, boarding house, hotel) ● Condotels ● Cooperatives ● Unwarrantable condos ● Geodesic domes ● Berm, subterranean, underground, or earth-sheltered homes ● Hotel condos ● Log homes ● Container homes ● Manufactured homes or any dwelling built on a permanent chassis ● Mixed-use properties ● Mobile homes ● Properties held in a business name ● Properties with environmental hazards ● Properties with income or resale deed restrictions ● Properties under construction or have a renovation in process ○ Significant or substantial repairs are in process to the improvements that reflect a property in which some of its building

	components are under repair or renovation and are no longer functional, or are partially functional, in their current state. • Properties with health & safety issues • Timeshares • Unimproved land • Property currently in litigation • Working farms and ranches • Zoning violations including residential properties zoned commercial • Properties with private transfer fee covenants • Properties in C5/C6 or Q6 condition as indicated on any appraisal product. • Lava zones 1 or 2		
Property: Max # of Financed	• There are no restrictions to the number of financed properties a borrower may own		
Qualifying Payment First Mortgage	Non-Port Loans (first liens not serviced by Pennymac)		
	First Mortgage PITIA	Documentation Requirements	Calculation
	Principal & Interest	• Copy of the note	• Fixed-rate first lien: Calculate based on the note rate of the first lien mortgage (without any consideration of the bought-down rate if applicable) • Loans with fixed-rate, interest-only payments must qualify at the term remaining when the loan is recast (often 20 years) ◦ Pennymac requires at least seven years remaining for the interest-only period (refer to CFR 1026.43 (c) (5) for complete details)
	Property taxes	• Current tax information (county assessor record, tax bill, or title equivalent) <i>For FHA or USDA loans, a mortgage statement or credit report may be used</i>	• Property tax amount annualized and divided by 12 ◦ If property tax is due within 30 days of disbursement, obtain new bill and use the updated amount in calculation
	Insurance (HOI, Flood, HO6)	• Current insurance declaration page(s) <i>Mortgage statement or use of credit report does not meet documentation requirements</i>	• Annual insurance premium/amount divided by 12 ◦ If insurance policy expires within 30 days of disbursement, obtain renewal policy and use updated amount in calculation.
	HOA	• Use current appraisal or obtain HOA bill	• HOA amount annualized and divided by 12
	Non-Del only: Port Loans (first liens serviced by Pennymac)		

	Principal & Interest	Comprehensive print screen from Pennymac servicing system (SSE)	Use amount on SSE screen print
	Property taxes	- Impounded: Comprehensive print screen from Pennymac servicing system (SSE) - Non-impounded: Current tax information (screen print of county assessor record or tax cert, copy of tax bill, or title equivalent)	- Impounded: Use proposed payment amount, do not include shortage or reserve amounts - Non-impounded: Property tax amount annualized and divided by 12 - If property tax is due within 30 days of disbursement, obtain new bill and use the updated amount in calculation
	Insurance (HOI, Flood, HO6)	- Impounded: Comprehensive print screen from Pennymac servicing system (SSE) - Non-impounded: Current insurance declaration page(s)	- Impounded: Use proposed payment amount, do not include shortage or reserve amounts - Non-impounded: Annual insurance premium/amount divided by 12 - If insurance policy expires within 30 days of disbursement, obtain renewal policy and use updated amount in calculation.
Recently Listed Properties	The subject property may not be listed for sale. Previously listed properties must have expired or been withdrawn 6 months prior to the note date on the new CES loan.		
Soft Market	The maximum CLTV is to be reduced by 5% when the One-Unit Housing Trends section, and/or any other place in the appraisal report indicates that property values are declining		
State Restrictions	- Ineligible States: IA, IN, MI, NY, TN, VT - Texas allowed: - Maximum 80% CLTV - Must follow Texas Constitution for all requirements including points/fees test and acreage. - Full appraisal required - Only one Texas(a)(6) at a time		
Tax Transcripts / 4506-C	Tax transcripts will be ordered when red flags are present or at Pennymac's discretion - 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. - When tax transcripts are provided, they must support the income used to qualify. - A properly executed 4506-C is required for all transactions except when the loan file contains tax transcripts.		
Temporary Buydowns	Temporary interest rate buydowns are ineligible		
Title Requirements	- Title: Select a title product from either Section 1 or 2. - QuickEQ Report, Home Equity Property Report, or Property Report (aka "Owner's and Encumbrance" (O&E) Reports) verifying the senior lien, and no other liens or encumbrances exist; and - A Residential Equity Loan Policy Certificate (RELPC) evidencing coverage under a Master Residential Equity Loan Policy (MRELPC) OR A Home Equity Loan Policy Certificate (HELP) evidencing coverage under a Master Home Equity Policy (MHELP) when available - If investment property, move to step b. - In states or loan scenarios where MRELPC or MHELP are not available,		

- (i) A junior ALTA policy must be used when available
- (ii) If a junior ALTA policy is not available
 - o Primary residence and second homes: Errors & Omissions (E&O) certificate evidencing the loan is covered under a Service Agreement for which there is an Errors & Omissions Liability Policy
 - o Investment properties: Full ALTA
- c) Due to required master policy agreements, the title and closing services in this section (Section 1) must be provided by Townsgate Closing Services, LLC "(in states where available)", Old Republic National Title Company, or ServiceLink, LLC.
- 2. Full ALTA title policy may be obtained from a title underwriter acceptable to Fannie Mae in lieu the requirements in listed in Section 1
 - UCC filings must always be subordinate to the Pennymac CES loan.

Pennymac will originate in accordance with the applicable underlying Investor unless otherwise noted in the Pennymac guidelines. 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.