



**Pennymac Correspondent
VA Renovation Product Profile 03.18.24**
Overlays to VA are underlined.
Delegated Only

Maximum LTV / CLTV and FICO Requirements

Purchase Only

Max LTV/CLTV¹

100%

Minimum FICO²

580

¹ Exclusive of Financed VA Guaranty Funding Fees

² See the Underwriting Section for other FICO requirements for manual underwrites

Maximum Guaranty

The Maximum Guaranty, when the veteran has full entitlement, is shown in the table below:

Loan Amount	Maximum Potential Guaranty
Up to \$45,000	50% of the loan amount
\$45,001 to \$56,250	\$22,500
\$56,251 to \$144,000	40% of the loan amount, with a maximum of \$36,000
Greater than \$144,001	25% of the loan amount

The percentage and amount of guaranty is based on the loan amount including the funding fee portion when the fee is paid from loan proceeds.

COVID-19

- Please refer to the following for all updates related to COVID-19:
 - VA website for Circulars and additional information
https://www.benefits.va.gov/HOMELOANS/resources_circulars.asp
 - Pennymac announcements located at <https://www.goPennymac.com/announcements>
- All COVID specific requirements and flexibilities have ended. Follow standard VA underwriting guidelines.

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. <ul style="list-style-type: none"> ○ Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold. • 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 Docs	120 days from the date the note is signed.
Appraisals	<ul style="list-style-type: none"> • All appraisals must be ordered through VA WebLGY, which will assign the order to a VA approved appraiser • All loan files must have a COE in "Active or Pending" status prior to ordering an appraisal through WebLGY • If the project is primarily cosmetic and does not require permitting and inspection from local authority, Lender may condition the NOV for Lender certification or appraiser re-inspection/certification. • If the project requires permitting and/or local authority inspections and/or construction exhibits to be provided to the appraiser, NOV must be conditioned for appraiser re-inspection/certification. • A notice of value for property appraised as existing or new construction is valid for six months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period. • <u>Any previously unpermitted additions or improvements must be permitted or removed by the end of the project.</u> • Properties must meet HUD and VA Minimum Property Requirements (MPRs) by the end of the project • Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.
ARM Initial Interest Rate Adjustment Dates	Please see the Adjustable Rate Mortgage Initial Interest Rate Adjustment Dates Document. Can be found on www.goPennymac.com , click on Tools & Resources , then, Guides, then choose Government ARM Initial Interest Rate Adjustment Dates
Assets/Gift Funds/Large Deposits	<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 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>

<p style="text-align: center;">Borrowers</p>	<ul style="list-style-type: none"> • Must be a veteran or served as an Officer for the U.S. Public Health Service (PHS) or National Oceanic & Atmospheric Administration, with eligibility documented with a Certificate of Eligibility (COE), which will also indicate the veteran's entitlement. • Resident Alien permitted as long as primary borrower is a veteran. • Veterans with DACA status are eligible • Joint loans are allowed. <ul style="list-style-type: none"> ○ VA prior approval may be required in some instances. See VA lender's Handbook Chapter 7 for complete details. ○ VA will only guaranty the veteran's portion of the loan. 25% guaranty is required to meet GNMA requirements. See Entitlement section for additional information. • VA considers a veteran and a non-spouse who is on title but not on the loan to be a joint loan. • A loan involving a veteran and his or her spouse will not be treated as a "joint loan" if the spouse: <ul style="list-style-type: none"> ○ is not a veteran, or ○ Is a veteran who will not be using his or her entitlement on the loan
<p style="text-align: center;">Condominiums</p>	<ul style="list-style-type: none"> • Condos must be approved by VA. The approved condo list is available on WebLGY. • Interior repair or renovation only • If required by the HOA, HOA must approval repairs and renovations
<p style="text-align: center;">Credit</p>	<ul style="list-style-type: none"> • <u>All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed.</u> If the subject property is located in a community property state and the borrower has a non-purchasing spouse, a credit report for the non-purchasing spouse must also be ordered • Frozen Credit: No credit bureaus may be frozen. Borrowers must unfreeze all bureaus, and the AUS (if applicable) rerun with the updated credit • <u>0x30x3 months payment history required. No exceptions.</u> <ul style="list-style-type: none"> ○ <u>Payment history may be from renovation period. Loans with no payments during renovation are not eligible for purchase.</u> • Cannot be delinquent on any federal debt unless the delinquent account has been brought current or a satisfactory arrangement has been made • The credit of a spouse who will not be contractually obligated on the loan does not need to be considered, except: <ul style="list-style-type: none"> ○ if the applicant is relying on alimony, child support, or maintenance payments from the spouse (or former spouse), or ○ In community property states, whether or not the spouse will be personally liable on the note. ○ See Lender's Handbook Ch. 4, 7-c for complete details.

<p>Construction Documentation</p>	<ul style="list-style-type: none"> • When applicable, Lender to include letter in file regarding why loan was guaranteed more than 60 days from note date • All construction documents must be included, including but not limited to <ul style="list-style-type: none"> ○ Any applicable construction documentation ○ All draw administration documentation ○ Accounting summary to show how funds were allocated, including any principle reductions ○ Document in file evidencing final sign off from borrower showing that all work was completed according to the borrower's satisfaction. ○ Change Orders <ul style="list-style-type: none"> ▪ Borrowers are permitted to pay for change orders and upgrades out of pocket. ▪ Change orders/upgrades made after the appraisal cannot be mortgaged into the new loan, unless the appraisal is updated. Change orders must be approved, in advance by the appraiser, to ensure there is no loss in value. ▪ The veteran is allowed to pay an additional appraisal charge if change orders are requested.
<p>Derogatory Credit</p>	<ul style="list-style-type: none"> • Chapter 7 BK <ul style="list-style-type: none"> ○ 2 years seasoning with no additional requirements ○ 1-2 years seasoning requires 2 trade lines re-established with satisfactory credit history (0x30x12) and BK must be due to a documented extenuating circumstance ○ Divorce is not an extenuating circumstance ○ Less than 12 months seasoning is not allowed • Chapter 13 BK <ul style="list-style-type: none"> ○ 12 months under payment plan with BK judge approval OR plan is completed • Deed-in-Lieu/Short Sale follows Chapter 7 BK requirements • Foreclosure follows Chapter 7 BK requirements • Medical collections and charged-off medical accounts do not need to be considered in the qualifying ratios or when determining residual income. • Non-medical collection accounts without a minimum payment amount listed on the credit report, use 5% of the outstanding balance for qualification purposes. • All judgments must be paid in full or subject to a repayment plan with a history of timely payments.
<p>Disaster Policy</p>	<p><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></p>
<p>Down Payment Assistance and Secondary Financing</p>	<ul style="list-style-type: none"> • Down payment assistance is acceptable. • If in the form of secondary financing, the second must meet VA's requirements in Chapter 9 section 4 of the Lender's Handbook, including: <ul style="list-style-type: none"> ○ May not put the veteran in substantially worse position than if the entire amount borrowed had been guaranteed by VA, • May not be used to cover any portion of a down payment required by VA to cover the excess of the purchase price over VA's reasonable value.

DTI	<ul style="list-style-type: none"> • Any allotments reflected on the LES (Leave and Earnings Statement) or paystubs must be investigated to determine if the allotment has an affiliated debt. • In community property states, the spouse's debts and obligations must be considered even if the veteran wishes to obtain the loan in his or her name only. • Maximum DTI per AUS approval. For manually underwritten loans, see Underwriting Method section below.
Eligible Mortgage Products	<ul style="list-style-type: none"> • Fixed Rate: 10, 15, 20, 25 and 30 year terms. High Balance allowed on all terms. • CMT ARM: 5/1 (1/1/5 caps). High Balance allowed on ARMs. 7/1 ARMs are not eligible
Eligible Renovation	Eligible alterations and repairs must be those ordinarily found on similar properties of comparable value in the community.
eMortgages and eNotarization	<ul style="list-style-type: none"> • eMortgages and eNotarization are eligible for Delegated correspondents only • Lenders must be approved by Pennymac prior to delivering eMortgages, transactions closed using eNotarization or Remote Online Notarization (RON) • Lenders are responsible for ensuring eMortgage loans are delivered in accordance with all requirements in the Pennymac Correspondent Group eMortgage Guide, including but not limited to the following: <ul style="list-style-type: none"> ○ State eligibility; and ○ Product eligibility; and ○ Transaction eligibility; and ○ eNotarization eligibility; and ○ RON eligibility
Employment/Income	<ul style="list-style-type: none"> • Documented per AUS and Pennymac guidelines • Active military income must be documented with an LES. • Provide an acceptable VVOE for all borrowers that are a source of repayment. • Mortgage Credit Certificates (MCCs) issued by state and local governments may qualify a borrower for a federal tax credit and are eligible of income use per VA's requirements. 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. • Income or assets derived from the following sources are ineligible for qualifying: <ul style="list-style-type: none"> ○ The production or sale of marijuana ○ Cryptocurrency income <p><i>Note: Regardless of the AUS documentation requirements, the loan file will be underwritten based on all the documentation provided in the file.</i></p>

<p style="text-align: center;">Entitlement</p>	<ul style="list-style-type: none"> • Entitlement is the amount of VA guaranty available to a veteran for use on a loan. The amount of entitlement will be displayed near the center of the COE. • <u>VA loans must conform to GNMA secondary market guidelines which include the minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment/equity.</u> • The COE will never reflect any additional specific entitlement amount over \$36,000 for loans greater than \$144,000, but will reflect "Available*" • For loans closed after January 1, 2020, Freddie Mac CLLs are no longer a factor for veterans with full entitlement. For veterans with full entitlement, the maximum amount of guaranty for a loan above \$144,000 is 25 percent of the loan amount, regardless of the Freddie Mac CLL. • For veterans who have previously used entitlement and such entitlement has not been restored, the maximum amount of guaranty is the lesser of 25 percent of the loan amount OR the maximum amount of guaranty entitlement available. The maximum amount of guaranty entitlement is 25 percent of the Freddie Mac CLL, reduced by the amount of entitlement previously used (not restored) by the veteran.
<p style="text-align: center;">Escrow / Impounds</p>	<p><u>An impound account for collection of taxes and insurance (or additional escrow items) is required.</u></p>
<p style="text-align: center;">Exclusionary Lists</p>	<p>All borrowers must be screened by CAIVRS to determine there have been no late payments on federal debt obligations</p>
<p style="text-align: center;">Funding Fee</p>	<ul style="list-style-type: none"> • Funding fee may be financed in the loan. • Funding fee must be paid within 15 days of loan close. • The following veterans are exempt from paying the funding fee: <ul style="list-style-type: none"> ○ Veterans receiving VA compensation for service connected disabilities ○ Veterans who would be entitled to receive compensation for service connected disabilities if they did not receive retirement pay ○ Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability exam and rating ○ Veterans entitled to receive compensation, but who are not presently in receipt of the compensation because they are on active duty ○ Surviving spouse of a veteran who died in service or from a service-connected disability <ul style="list-style-type: none"> ▪ The surviving spouse must be in receipt of Dependency and Indemnity Compensation (DIC) before the loan closing takes place. ○ Members of the armed forces who are serving on active duty and provide, on or before the date of loan closing, certificate or military orders of having been awarded the Purple Heart.
<p style="text-align: center;">High-Cost / Higher-Priced Mortgage</p>	<ul style="list-style-type: none"> • <u>Pennymac will not purchase High-Cost Loans</u> • Higher-Priced Mortgage Loans (HPML) transactions are eligible subject to: <ul style="list-style-type: none"> ○ Establishing and maintaining an escrow account ○ Meeting all applicable state and/or federal compliance requirements.

<p>Loan Amount Calculation</p>	<ul style="list-style-type: none"> • Loans for alteration and repair must use the lessor of the acquisition cost or the as-completed value determined by the VA fee panel appraiser. • To determine the acquisition costs for a purchase, add the following: <ul style="list-style-type: none"> ○ Contract sales price, ○ total cost of alterations and repairs, ○ contingency reserve (if any up to 15 percent of the repair cost), ○ inspection fees, ○ title update fees, ○ and permits.
<p>Loan Limits</p>	<ul style="list-style-type: none"> • Freddie Mac Conforming Loan Limits (CLL) can be found at: http://www.fhfa.gov/datatools/downloads/pages/conforming-loanlimits.aspx • <u>Maximum base loan amount cannot exceed \$2,000,000.</u> • <u>Base loan amounts greater than \$1,000,000 to \$1,500,000 must have a minimum FICO of 700.</u> • <u>Base loan amounts greater than \$1,500,000 to \$2,000,000 must have a minimum FICO of 720 and</u> <ul style="list-style-type: none"> ○ <u>The 25% guarantee must be composed entirely of the veteran’s entitlement. The use of cash down payment or equity may not be used to meet the 25% guarantee requirement.</u> ○ <u>Borrowers must have a primary mortgage or primary housing history of 0x30x12 for the most recent consecutive 12-month period, ending with the application date. Gaps in history or less than 12 months will not be acceptable.</u> ○ <u>AUS approval required.</u> ○ <u>Maximum 45% DTI regardless of AUS approval.</u> <ul style="list-style-type: none"> ▪ <u>DTIs above 41% must meet VA’s additional requirements.</u> ○ <u>Purchase specific Requirements</u> <ul style="list-style-type: none"> ▪ <u>Maximum 90% LTV/CLTV, calculated from the base loan amount</u>
<p>Loan Purpose</p>	<ul style="list-style-type: none"> • Purchase • <u>Refinances are ineligible</u>
<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>Occupancy</p>	<ul style="list-style-type: none"> • Owner-occupied only • Second Homes not allowed • Investment Properties not allowed
<p>Power of Attorney</p>	<ul style="list-style-type: none"> • Can be general or specific. To complete the loan transaction using an attorney-in-fact, VA also requires the veteran's written consent to the specifics of the transaction. This requirement can be satisfied by either: <ul style="list-style-type: none"> ○ the veteran's signature on both the sales contract and the Uniform Residential Loan Application, as long as the veteran's intention to obtain a VA loan on the particular property is expressed somewhere in those documents, or ○ a specific power of attorney or other document(s) signed by the veteran, which encompasses the following elements: <ul style="list-style-type: none"> ▪ Entitlement—A clear intention to use all or a specified amount of entitlement. ▪ Purpose—A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinancing. ▪ Property Identification—Identification of the specific property. ▪ Price and Terms—the sales price, if applicable, and other relevant terms of the transaction. ▪ Occupancy—the veteran's intention to use the property as a home to be occupied by the veteran (or other applicable VA occupancy requirement). • In addition, at the time of loan closing, the lender must: <ul style="list-style-type: none"> ○ verify that the veteran is alive, and, if on active military duty, not missing in action (MIA), and ○ make the following certification: "The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran's behalf by the attorney-in- fact." • Verification that the veteran is alive and not MIA is required whether or not the veteran is still in the military.
<p>Property; Eligible Types</p>	<ul style="list-style-type: none"> • Single Family Attached/Detached • 2–4 Units • PUDs • Condominiums • Leaseholds with proof of prior VA approval

Property: Ineligible Types	<p>In addition to the ineligible property types identified in VA Lender's Handbook, the following property types are ineligible:</p> <ul style="list-style-type: none"> • <u>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</u> • <u>Mobile Homes</u> • <u>Cooperatives</u> • Condotels • Hotel Condominiums • Timeshares • <u>Geodesic Domes</u> • <u>Working Farms and Ranches</u> • Unimproved Land and property currently in litigation • Commercial Enterprises (e.g., Bed and Breakfast, Boarding House, Hotel)
Property: Maximum Number of Financed	<p>No limit</p>
Qualifying	<ul style="list-style-type: none"> • Fixed rate, qualify at the note rate. • 5/1 ARMs qualify at the note rate Exceptions: ARMs in IL, MA and NM require qualifying at the greater of the note rate or the fully indexed rate (margin + index).
Renovation Requirements Specific To Program	<ul style="list-style-type: none"> • See Circular 26-18-6 for additional details. • <u>Renovation must be complete at time of delivery to Pennymac</u> <ul style="list-style-type: none"> ○ <u>Reduced guaranty option is not eligible for purchase</u> ○ <u>Loans will be purchased after completion of the final inspection required for guaranty.</u> • VA issues guaranty after a clear final inspection has been completed, not at close of escrow • <u>Pennymac will not administer the draw process. The Correspondent will be responsible for managing the project, as well as the draw administration, according to VA requirements.</u> • Builder/contractor must be registered with the VA per VA requirements • Construction fee charged to the veteran is permitted per VA requirements. <ul style="list-style-type: none"> ○ Up to 2% of the loan amount if 51% or more of the loan proceeds are paid out by the lender during the actual progress of the construction ○ Up to 1% of the loan amount if less than 51% of the loan proceeds are paid out by the lender during the actual progress of the construction • Fees charged on the loan must comply with the VA Lender's Handbook • VA funding fee to be paid within 15 days of closing, not when the rehab has been completed
Reserves	<p>Required per VA</p>

Residual Income	<ul style="list-style-type: none"> Residual Income is the borrower's net effective income minus monthly shelter expenses Residual Income must be in accordance with regional table and is a required calculation in addition to DTI Net Effective Income is taken from Line 41 of VA Form 26-6393 Monthly Shelter Expense is taken from Line 21 of VA Form 26-6393
Sales Concessions	<ul style="list-style-type: none"> Sales concessions cannot exceed 4% of the established reasonable value of the property (NOV). Does not include normal discount points and payment of the buyer's closing costs.
Seasoning	Ginnie Mae seasoning is not applicable on purchase transactions
State Restrictions	<ul style="list-style-type: none"> <u>Texas 50 (a)(6) and Texas 50(a)(4) loans are not allowed.</u> West Virginia purchases are limited to 100% LTV/CLTV
Title Insurance	<u>Required</u>
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> <u>A properly executed 4506-C is required for all transactions except when the loan file contains tax transcripts</u> <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>
Temporary Interest Rate Buydowns	<p>Temporary buydowns are eligible subject to</p> <ul style="list-style-type: none"> Max total interest rate reduction of 3%, max increase per year of 1% (only 1/0, 1/1, 2/1, and 3/2/1 buydowns allowed) Maximum 3 years to reach standard note rate Fixed rate only <u>Minimum 660 credit score</u> <u>Must qualify at the standard note rate without benefit of the buydown</u> Must meet all other applicable VA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.

Underwriting Method

- Loans can be submitted and approved through DU or LPA.
- Manual underwriting permitted under the following conditions:
 - 660 FICO on purchase.
 - 0 x 30 in the most recent 12 months for all prior mortgages
 - Maximum DTI of 45%
 - loan must comply with all VA requirements for manual underwriting
- Include a copy of the AUS Refer/Eligible in the loan file

For guidance not addressed in this Product Profile, refer to the VA Selling Guide posted in AllRegs or direct at: http://www.benefits.va.gov/warms/pam26_7.asp
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.