



*This document is a summary of most of PennyMac guideline overlays to Fannie Mae and Freddie Mac requirements. This document should be used as a reference tool in conjunction with the PennyMac Sellers Guide and the appropriate Agency guidelines.*

<b>PennyMac Correspondent Group Overlays July 20, 2022</b> <b>X Indicates Overlay</b>		Desktop Underwriter	Loan Product Advisor
Agency			
Topic	Overlay/Modification		
Credit	Each borrower's representative credit score must be a minimum of 620 regardless of the DU eligibility assessment. Refer to the product profile for any exceptions.	X	
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.	X	X
Documentation	Buy Out an Owner's Interest: A legible, written agreement that states the terms of the property transfer and the proposed disposition of the proceeds from the refinance transaction must be signed by all parties and be dated prior to or at application.	X	X
Down Payment Assistance	Down Payment Assistance is permitted as long as the assistance is provided by a government entity or a non-profit organization that is affiliated with a government entity. Other sources are not allowed. Employer assistance is allowed.	X	X
FICO - Minimum	AUS approval with 620 FICO minimum.	X	X
	A 620 minimum representative FICO Score is required for each borrower on RefiNow Option loans	X	
Ineligible Mortgages and Attributes	Energy Efficient Mortgages are not allowed	X	X
	Freddie Mac CHOICERenovation Mortgages are ineligible		X
Employment and Income	Borrowers qualifying with income commencing after the note date must meet option 1 requirements per Freddie Mac 5303.2, or option 2 per Fannie Mae B3-3.1-06	X	X
Home Possible	<ul style="list-style-type: none"> <li>• Gifts or grants from the Lender as originating lender are not an eligible source of funds. See Lender Letter 9/2016 for additional information.</li> <li>• Sweat Equity is not an eligible source of funds.</li> </ul>		X

HomeReady	Sweat Equity is not an eligible source of funds.	X	
HomeStyle Energy	HomeStyle Energy: <ul style="list-style-type: none"> <li>• May not be combined with other options (e.g. HomeReady). Only eligible as stand-alone.</li> <li>• May only be used to pay off PACE or non-PACE secured/unsecured debt used to finance energy efficient improvements.</li> </ul>	X	
HomeStyle Renovation <i>Specific PennyMac approval required</i>	<ul style="list-style-type: none"> <li>• Minimum Credit Score of 680</li> <li>• At least one borrower must have a minimum of one credit score to be eligible.</li> <li>• Non-arm's length transactions are prohibited• Borrower may not be employed by the contractor/company doing the renovation.</li> <li>• Gifts of Equity are not allowed</li> <li>• Repairs and construction must be completed within nine months. Extensions may be approved by PennyMac.</li> <li>• Early Payment Default is in effect until recourse is lifted</li> <li>• Must use a HUD approved Consultant to assist with draw requests when: <ul style="list-style-type: none"> <li>○ Repairs or renovations exceed \$15,000, or</li> <li>○ Any structural work is required.</li> <li>○ Must inform the HUD Consultant the work is for a Fannie Mae HomeStyle transaction, and not a 203(b) or 203(k) transaction.</li> </ul> </li> <li>• Contingency reserve equal to minimum of 10% of the total costs of the repairs and renovation work must be established and funded for all mortgages to cover required unforeseen repairs or deficiencies that are discovered during the renovation</li> <li>• Do-It-Yourself not allowed</li> <li>• Ineligible properties <ul style="list-style-type: none"> <li>○ Homes may not be moved from one location to another</li> <li>○ Tear downs are not allowed</li> <li>○ Construction of detached properties is not allowed.</li> <li>○ Historic Homes – homes designated by an official body as “historic” e.g. listed on the National Register of Historic Places are ineligible</li> </ul> </li> <li>• Temporary buydowns are not allowed</li> </ul>	X	

<p style="text-align: center;"><b>Large Deposits</b></p>	<ul style="list-style-type: none"> <li>• 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"> <li>○ <u>Documentation from Cryptocurrency exchange account verifying the borrower as the Legal Owner and not the nickname of the account, AND</u></li> <li>○ <u>Previous borrower bank statement showing funds going into the same Cryptocurrency exchange account that the large deposit came from, OR</u></li> <li>○ <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></li> </ul> </li> </ul>	<p style="font-size: 24px;">X</p>	<p style="font-size: 24px;">X</p>
<p style="text-align: center;"><b>Manufactured Homes</b></p>	<p>In addition to standard overlays, the following apply:</p> <ul style="list-style-type: none"> <li>• Max 97% LTV/CLTV regardless of secondary financing type</li> <li>• ARMs are not eligible</li> <li>• Property must be complete when the loan is sold to Pennymac</li> <li>• HomeStyle Renovation, HomeStyle Energy, One Time Close Construction and Choice Renovation are ineligible</li> <li>• Single Wide Manufactured Homes are ineligible</li> <li>• Photos of HUD data plate and certification label required.</li> </ul>	<p style="font-size: 24px;">X</p>	<p style="font-size: 24px;">X</p>
<p style="text-align: center;"><b>Mortgage Insurance</b></p>	<p>Lender paid monthly/annual, borrower paid annual are not allowed. Standard MI, or reduced MI is required</p>	<p style="font-size: 24px;">X</p>	<p style="font-size: 24px;">X</p>
<p style="text-align: center;"><b>Fannie Mae OTC Specific PennyMac approval required</b></p>	<ul style="list-style-type: none"> <li>• Max LTV/CLTV/HCLTV of 97%</li> <li>• Construction must be complete at time of delivery to PennyMac</li> <li>• Primary Residence Owner-Occupied only</li> <li>• Temporary buydowns ineligible</li> <li>• If updated credit documents are required to requalify the borrower, requalification must be completed prior to delivery to PennyMac.</li> <li>• ARMs are ineligible.</li> </ul>	<p style="font-size: 24px;">X</p>	
<p style="text-align: center;"><b>Power of Attorney (POA)</b></p>	<p>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.</p>	<p style="font-size: 24px;">X</p>	<p style="font-size: 24px;">X</p>
<p style="text-align: center;"><b>Property Condition and Quality Ratings</b></p>	<ul style="list-style-type: none"> <li>• PennyMac will not purchase a loan on a property with a Condition Rating of C5.</li> <li>• PennyMac will not purchase a loan on a property with a Quality Rating of Q6.</li> </ul>	<p style="font-size: 24px;">X</p>	<p style="font-size: 24px;">X</p>
<p style="text-align: center;"><b>Property Eligibility</b></p>	<p>Cooperatives not allowed.</p>	<p style="font-size: 24px;">X</p>	<p style="font-size: 24px;">X</p>
	<p>Land Trusts, including Illinois and Community Land Trust Mortgages are not allowed.</p>	<p style="font-size: 24px;">X</p>	<p style="font-size: 24px;">X</p>
<p style="text-align: center;"><b>Property Flips</b></p>	<p>Property Flips--Non-arm's length transactions for properties that involve a re-sale that occurred within the last 180 days and an increase in value are prohibited.</p>	<p style="font-size: 24px;">X</p>	<p style="font-size: 24px;">X</p>

Property: Turn-key Investments	<p>Purchase or refinance transactions involving turn-key investment, or other similar arrangements, are not eligible for purchase by PennyMac. Characteristics of a Turn-key property include but are not limited to:</p> <ul style="list-style-type: none"> <li>• The property seller is an LLC (or other entity) that purchases distressed properties and re-sells to borrowers at a non-distressed valuation.</li> <li>• Property seller or a related entity enters into an agreement to manage the property on behalf of the buyer including marketing, tenant screening, rent collection, maintenance, etc.</li> <li>• Buyer frequently lives out-of-the-area from the subject property.</li> <li>• See PennyMac Announcement 15-43 for additional details.</li> </ul>	X	X
Ratios	Maximum DTI is 50%.		X
Seasoning	All closed loans must be delivered on or before 45 days past the Note date (i.e., Note date to file delivered date). Loans aged greater than 45 days are eligible for purchase subject to PennyMac review, approval, and additional fees. Please note loans aged greater than 105 days, up to 9 months, if approved, are subject to additional loan price adjustments determined by PennyMac at review.	X	X
Tax Transcripts	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.	X	X
Temporary Buydowns	<p>Allowed subject to the following:</p> <ul style="list-style-type: none"> <li>• Delegated transactions only</li> <li>• Max total interest rate reduction of 2%, max increase per year of 1%</li> <li>• Maximum 2 year to reach standard note rate</li> <li>• Minimum 680 FICO</li> <li>• Owner Occupied only</li> <li>• Purchase only</li> <li>• Fixed rate only</li> <li>• Borrower funded buydown accounts are ineligible</li> <li>• Must qualify using the full note rate without the benefit of the buydown</li> <li>• Must meet all other applicable Agency requirements, including but not limited to qualification, documentation of buydown, and funding of buydown</li> </ul>	X	X
Title Insurance	Attorney Opinions of Title are not acceptable. All loans require title insurance		X
Underwriting Method	<ul style="list-style-type: none"> <li>• AUS required. Desktop Underwriter with "Approve/Eligible" findings only and LPA with "Accept" findings only. LPA A Minus is not allowed.</li> <li>• DU Refi Plus must receive an Approve / Eligible or Expanded/Approval (EA-1, EA-II or EA-III) recommendation.</li> </ul>	X	X
<b>Additional Overlays Specific to Non-Delegated Transactions Lender must have specific PennyMac approval to participate in the Non-Delegated Program</b>			
Cash-Out	Borrowers may not have multiple cash-out transactions in a 12 month period. See product profiles for exceptions.	X	X

<b>Condo Eligibility</b>	New construction and gut rehabilitation condos are not allowed.	<b>X</b>	<b>X</b>
<b>Credit</b>	Installment debt must be paid in full to be excluded. Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying.	<b>X</b>	<b>X</b>
<b>Disaster Inspections</b>	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.	<b>X</b>	<b>X</b>

Documentation	When required, handwritten VOM or VOR are not eligible	X	X
	VODs are not acceptable for asset documentation	X	X
Ineligible Mortgages and Attributes	<ul style="list-style-type: none"> <li>HomeStyle Renovation is not allowed</li> <li>HomeStyle Energy is not allowed</li> <li>Single-Close Construction Loans are not eligible</li> </ul>	X	X
	Escrow holdbacks: <ul style="list-style-type: none"> <li>New Construction only</li> <li>Weather related repairs only</li> <li>Settlement Agent must administer escrow account and disbursement of funds</li> <li>150% of repair estimate to be escrowed</li> </ul>	X	X
Manufactured Home	<ul style="list-style-type: none"> <li>Newly built manufactured homes are not eligible</li> <li>Two close construction to perm manufactured homes are not eligible</li> <li>Manufactured Home power of attorney required unless an affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval</li> </ul>	X	X
Tax Repayment Plan	No more than 2 years of taxes may be on tax repayment plan.	X	X
Temporary Buydown	Temporary Buydowns are not eligible	X	X

**These requirements apply to programs currently offered by PennyMac. If there are conflicts between the Overlay Matrix and the Product Profile, follow the Product Profile. Other programs offered by Fannie Mae or Freddie Mac are not eligible. Programs which require specific Fannie Mae or Freddie Mac approval are not eligible for purchase.**