



PennyMac Correspondent Group Overlays, February 25, 2019 X Indicates Overlay		FHA Full doc	FHA Streamline	VA Full Doc	VA IRRRL	Rural Housing
GOVERNMENT						
Topic	Overlay/Modification					
203(k) Specific PennyMac approval required	<ul style="list-style-type: none"> Refinances: The appraiser must provide the as-is value in the body of the report. If the appraiser refuses to provide the as-is value within the as-repaired report, PennyMac will require both an as-is appraisal and as-repaired appraisal. The existing debt plus fees may not be used to determine the Adjusted As-Is Value. Self Help is not allowed. Homes that have been demolished, or will be razed as part of the rehabilitation work are ineligible. Homes located on another site, that will be moved onto a new foundation are ineligible. Temporary buydowns are ineligible 	X				
Appraisal	<p>Base loan amount limited to 110% of current value. Current value determined by one of the following options:</p> <ul style="list-style-type: none"> CoreLogic GeoAVM Core with an FSD not exceeding 15, or Freddie Mac HVE with a confidence level of "H", or A 2055/1075 drive by appraisal report, or full appraisal. Note: The lender must obtain a minimum 2055/1075 if the CoreLogic GeoAVM/Freddie Mac HVE cannot be obtained or if the confidence score (or level) do not meet the minimum requirements above. 				X	
Credit	All mortgages must have a mortgage history of 0 x 30 in the last 3 payments.				X	
	To meet Ginnie Mae seasoning requirements when paying off a government loan: the borrower must have made at least six consecutive payments on the loan being paid off and the first payment due date of the new loan must be at least 210 days after the first payment due date of the refinanced loan.	X	X			X
	To meet Ginnie Mae seasoning requirements, the new note date must be on or after the later of: <ul style="list-style-type: none"> the date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced, and the date on which 6 full monthly payments have been made on the mortgage being refinanced. 			X	X	
	All borrowers must return at least 1 credit score.			X	X	X
	At least one borrower must have a minimum of one credit score to be eligible.		X			
	Tri-merge credit report or mortgage account(s) rating is required.		X		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	X	X	X
Down Payment Assistance	Down Payment Assistance programs are permitted as long as the source is a Government Agency or Government Entity (e.g. Non Profits and Trade Unions are not permitted).	X		X		X
Eligible Properties	No Manufactured Housing. This includes on-frame modular homes built on a permanent chassis.	X	X	X	X	X
	No Cooperatives.	X	X	X	X	
	PennyMac does not allow working farms which are allowed by VA.			X	X	
Employment/Income	Provide a V-VOE or third party verification for income source. Not required for retired borrowers aged 60 or older.		X		X	
	Transactions involving HAPs paid directly to the Servicer are ineligible for purchase by PennyMac. Transactions with HAPs paid directly to the borrower continue to remain eligible for purchase.	X		X		X
Entitlement	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.			X	X	
Escrow/Impound Account	Escrow or impound accounts are required for collection of taxes, insurance, or any other required items.			X	X	
FICO - Minimum	Minimum FICO score of 620.	X	X	X	X	X
Funds to Close	Cash on hand is not allowed.					X
High Cost/High Priced	PennyMac will not purchase High Cost Loans	X	X	X	X	X
Ineligible Mortgages	Energy Efficient Mortgages, Weatherization, Solar and Wind Technologies.	X	X	X	X	X
	203(k) only eligible with specific PennyMac approval. Additional construction overlays apply. See FHA 203(k) Product Profile for details.	X				
	No Graduated Payment Mortgages.			X	X	
	Streamline Refinances.					X
	VA Repair and Renovation or Construction to Perm are eligible. Additional construction overlays apply. See VA Reno Product Profile for details.			X		
Loan Limits	Maximum base loan amount cannot exceed \$1,500,000. Base loan amounts exceeding \$1,000,000 require minimum FICO of 700.			X	X	
Properties listed for sale	Properties that were listed for sale. On cash-out transaction, the listing must have expired or been withdrawn prior to the application date. Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.	X				
	No Cash Out Transactions require the listing to have expired or be withdrawn prior to the application date. Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.					X

<p>Properties listed for sale, contd.</p>	<ul style="list-style-type: none"> • VA IRRRL / Rate & Term - the listing must have been expired or been withdrawn on or before the application date. • Cash-Out Transaction - the listing must have been expired or been withdrawn 180 days prior to the application date. <p>Note for all transactions: If the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.</p>			<p>X</p>	<p>X</p>	
<p>Ratios - Maximum</p>	<ul style="list-style-type: none"> • DTI ≤ 50%: follow program credit score and LTV maximum • DTI > 50%: <ul style="list-style-type: none"> ○ Credit score ≥ 640, or ○ LTV is 5% below the maximum 	<p>X</p>				
<p>Renovation Specific Requirements for VA</p>	<ul style="list-style-type: none"> • All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed. • 0x30x3 months payment history required. No exceptions. <ul style="list-style-type: none"> ○ Payment history may be from renovation period. Loans with no payments during renovation are ineligible • Refinances are ineligible • Renovation must be complete at time of delivery to PennyMac <ul style="list-style-type: none"> ○ Reduced guaranty option is not eligible for purchase ○ Loans will be purchased after completion of the final inspection required for guaranty. • Temp buydowns are ineligible 			<p>X</p>		
<p>Seasoning</p>	<p>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.</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<p>Tax Transcripts</p>	<p>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.</p>	<p>X</p>		<p>X</p>		
<p>Temporary Buydowns</p>	<p>Allowed subject to the following:</p> <ul style="list-style-type: none"> • Delegated transactions only • Max total interest rate reduction of 2%, max increase per year of 1% • Maximum 2 year to reach standard note rate • Minimum 680 FICO • Owner Occupied only • Purchase only • Fixed rate only • Borrower funded buydown accounts are ineligible • Must qualify using the full note rate without the benefit of the buydown • Must meet all other applicable Agency requirements, including but not limited to qualification, documentation of buydown, and funding of buydown. 	<p>X</p>		<p>X</p>		<p>X</p>

	Temporary buydowns are not eligible		X		X	
Title Insurance/Policy	Title insurance is required for all properties			X	X	
UW Method	On Rural Housing transactions, manual underwrite allowed; must provide copy of the GUS findings in file to determine location and annual income compliance with Rural Housing requirements.					X
	PennyMac requires a DU or LPA approval on FHA loans. Approve/ineligible due to LTV acceptable for HUD REO only. Manual underwrites are not allowed.	X				
	For VA loans, PennyMac generally requires a DU or LP Approve (Accept)/Eligible. However, manual underwrites are acceptable with: <ul style="list-style-type: none"> • 660 FICO on purchase/rate & term transactions; 700 FICO on cash-outs • 0x30x12 mortgage history, and • Maximum 45% DTI. 			X		
Additional Overlays Specific to Non-Delegated Transactions <i>Lender must have specific PennyMac approval to participate in the Non-Delegated Program</i>						
Borrower Eligibility	Occupant borrower and non-occupant co-borrower must share a relationship that meets the requirements for an eligible gift donor under FHA guidelines	X	X	X	X	
	Borrower or properties with previous Mortgage Credit Rejects (MCR) are ineligible.	X				
	Joint loans are not allowed			X		
Credit	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	X		X		
Disaster Inspections	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.	X	X	X	X	
Documentation	<ul style="list-style-type: none"> • (FHA and VA) For self-employed borrowers: the verbal verification of employment must be completed within 120 days prior to the note date. • (VA) For wage earner borrowers: the verbal verification of employment must be completed within 10 business days prior to the note date. 	X		X		
Employment/Income	<ul style="list-style-type: none"> • Retirement and/or social security income requires the most recent bank statement or award letter • Interest/Dividend income requires the first page of the most recent tax returns and a copy of the statements reflecting the current balance • Rental income requires the 1st page and Schedule E of the most recent tax return or a current lease agreement 				X	
	All borrower require a Verbal VOE or income source documentation				X	

Escrow Holdbacks	Escrow holdbacks are not allowed.	X		X		
Ineligible Mortgages	Single-Close Construction and VA Reno Loans Not Eligible	X	X	X	X	
Net Tangible Benefit	Remaining unpaid term must be reduced by a minimum of one year		X			
Occupancy	Owner occupied only	X				
Payment Decrease/Increase Requirements	Payment may not increase by 20% or more				X	
Property Eligibility	Properties located in lava zone 1 or 2	X	X	X	X	
Reserves/Funds to Close	When funds must be sourced, then deposits that are greater than 2 times the new PITIA + MIP, plus any secondary financing, must be sourced if needed for funds to close		X			
State Restrictions	New York, Massachusetts, and Connecticut are ineligible for purchase	X	X	X	X	
Tax Transcripts	Tax transcripts for the most recent one year are required for all borrowers whose income is used to qualify. If only W2/1099 income is used to qualify, W2/1099 transcripts are acceptable.	X		X		
Temporary Buydown	Temporary Buydown are not allowed	X		X		
Underwriting	PennyMac requires a DU or LPA approval. Manual underwriting is not allowed.	X		X		
<p>These requirements apply to programs currently offered by PennyMac. Programs including, but not limited to, Hawaiian Homelands, Section 184 Indian Housing, Graduated Payment Plan Mortgage, or any other program that requires government specific approval, are not eligible for purchase. If there is a conflict between the overlay matrices and the product profile, follow the product profile.</p>						