

# Overlays | Non-Delegated

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.

AGENCY CONFORMING LOANS July 20, 2022 X Indicates Overlay		Desktop Underwriter	Loan Product Advisor
Topic	Overlay/Modification		
Cash-Out	Borrowers may not have multiple cash-out transactions in a 12 month period. See product profiles for exceptions	X	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
	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	
Condo Specific Requirements	New construction and gut rehabilitation condos are not allowed.	X	X
Disaster Policy	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	X	X
Documentation	<ul style="list-style-type: none"> <li>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.</li> <li>When required, handwritten VOM and VOR are not eligible</li> <li>VODs are not acceptable for asset documentation</li> </ul>	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
Employment and Income	Borrowers qualifying with income commencing after the note date must meet option 1 requirements, per Freddie Mac 5303.2.		X

FICO: Minimum	AUS approval with 620 FICO minimum.		X
	A 620 minimum representative FICO Score is required for each borrower on RefiNow Option loans.	X	
Ineligible Mortgages and Attributes	<ul style="list-style-type: none"> <li>Energy Efficient Mortgages are not allowed, including HomeStyle Energy</li> <li>Single-Close Construction are not eligible</li> </ul>	X	X
	<ul style="list-style-type: none"> <li>HomeStyle Renovation is not allowed</li> </ul>	X	
	<ul style="list-style-type: none"> <li>CHOICERenovation Mortgages are not allowed</li> </ul>		X
	<p>Escrow holdbacks:</p> <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
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	
Large Deposits	<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>	X	X

<p>Manufactured Home</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 ineligible</li> <li>• Photos of HUD data plate and certification label required</li> <li>• Newly built manufactured homes are not eligible</li> <li>• Two close construction to perm 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>	<p>X</p>	<p>X</p>
<p>Mortgage Insurance</p>	<p>Lender paid monthly/annual, borrower paid annual are not allowed. Standard MI, or reduced MI is required.</p>	<p>X</p>	<p>X</p>
<p>Power of Attorney (POA)</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>X</p>	<p>X</p>
<p>Property Condition and Quality Ratings</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>X</p>	<p>X</p>

Property Eligibility	Cooperatives not allowed.	X	X
	Land Trusts, including Illinois and Community Land Trust Mortgages are not allowed.	X	X
Property Flips	Property Flips--Non-arm's length transactions for properties that involve a re-sale that occurred within the last 180 days are prohibited.	X	X
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 Repayment Plans	No more than 2 years of taxes may be on tax repayment plan.	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	No temporary buydowns allowed.	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

**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.**