



# Pennymac Correspondent FHA Streamline Refinance Product Profile 8.23.22

Overlays to FHA are underlined  
Overlays indicated as Non-Del are specific to Non-Delegated loans only

Occupancy	Min FICO
Owner-occupied	<b>580</b> <u>620 for Manufactured Homes</u>
Second Home	
Investment	
Ability To Repay and Qualified Mortgage Rule	<ul style="list-style-type: none"> <li>• For loans subject to the ATR/QM rule, Pennymac will only purchase loans that comply with the ATR/QM requirements.</li> <li>• Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.</li> <li>• Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans</li> <li>• See Seller Guide section "Ability to Repay and Qualified Mortgage Rule" under "Delivery Procedures" for more details.</li> </ul>
Appraisal/AVM	<ul style="list-style-type: none"> <li>• Not required for stick-built properties</li> <li>• Manufactured homes, see Manufactured Home section</li> </ul>
ARM Initial Interest Rate Adjustment Dates	The Adjustable Rate Mortgage Initial Interest Rate Adjustment Dates Document can also be found on <a href="http://www.goPennymac.com">www.goPennymac.com</a> , click on Tools & Resources, then, Guides, then choose Government ARM Initial Interest Rate Adjustment Dates.
Assignment of Mortgages	<u>All loans must be registered with MERS at time of delivery to Pennymac and a MERS transfer of beneficial rights and transfer of servicing rights must be initiated by the Seller, to Pennymac Corp, LLC (#1009313), within 24-hours of purchase.</u>

Borrowers

- U.S. citizens
- Permanent resident aliens, with proof of lawful permanent residence
- Nonpermanent resident alien immigrants
- DACA recipients are eligible per FHA guidelines
- All borrowers must have a valid social security number
- A Borrower on the subject mortgage may be removed from title and new mortgage in cases of divorce, legal separation or death when:
  - the divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and
  - the remaining Borrower can demonstrate that they have made the mortgage Payments for a minimum of six months prior to case number assignment. In cases of divorce, the payment must be from the remaining borrower's sole account.
- Borrower on the mortgage to be paid may be removed from title and new mortgage in cases other than death or divorce when:
  - at least one borrower from the existing mortgage remains as a borrower on the new mortgage, and
  - mortgage is credit qualified and meets manual FHA requirements, with the exception of LTV and appraisal requirements.
- Borrower(s) can be added as long as the existing borrowers remain on the note and deed. Credit qualifying is not required to add a borrower.
- 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. However due to operational constraints, 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.

CEMA

- 1-4-unit properties
- eMortgages are ineligible
- Lost Note Affidavits (LNAs) are not allowed for prior or current notes

Condominiums	Condominiums allowed in accordance with FHA Streamline Refinance guidelines
Credit	<ul style="list-style-type: none"> <li>• <u>At least one borrower must have a minimum of one credit score to be eligible.</u></li> <li>• To be refinanced FHA loan mortgage history: <ul style="list-style-type: none"> <li>○ The borrower must have made all mortgage payments within the month due for the 6 months prior to case number assignment</li> <li>○ The borrower may not have more than 1x30 for months 7-12 prior to case number assignment</li> <li>○ The Borrower must have made the payments for all mortgages secured by the subject property within the month due for the month prior to mortgage disbursement.</li> </ul> </li> </ul>
Disaster Policy	<ul style="list-style-type: none"> <li>• <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></li> <li>• <u>Non-Del Only: 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.</u></li> </ul>
Documentation	<ul style="list-style-type: none"> <li>• <u>Tri-merge credit report or mortgage account(s) rating report (includes credit score) is required.</u></li> <li>• Tax Transcripts and the 4506-C are not required under the FHA Streamline Refinance no credit qualifying option.</li> </ul>
Employment Verification	<ul style="list-style-type: none"> <li>• The following Income and Employment documentation are required at a minimum: <ul style="list-style-type: none"> <li>○ <u>Salaried borrowers require a Verbal VOE</u></li> <li>○ <u>Self-employed borrowers require verification of the business through a 3rd party source</u></li> <li>○ Delegated Only: Retired borrowers aged 60 and older do not require a VVOE</li> <li>○ <u>Non-Delegated only:</u> <ul style="list-style-type: none"> <li>• <u>Retirement and/or social security income requires the most recent bank statement or award letter</u></li> </ul> </li> </ul> </li> </ul>
Eligible Mortgage Products	<ul style="list-style-type: none"> <li>• FHA to FHA refinance</li> <li>• Fixed Rate: 10, 15, 20, 25 &amp; 30-year terms (FHA High Balance allowed on all terms)</li> <li>• CMT ARM: 5/1 (1/1/5 caps) and 7/1 (2/2/6 caps) (FHA High Balance ARMs are allowed) Investment properties and Second Homes are ineligible for ARMs.</li> <li>• The maximum term is the lesser of <ul style="list-style-type: none"> <li>○ 30 years, or</li> <li>○ 12 years beyond the remaining term of the existing loan.</li> </ul> </li> <li>• <u>Temporary buydowns are ineligible.</u></li> </ul>
Escrow Accounts	Escrow Impounds Accounts must be established for taxes and insurance premiums in accordance with FHA Guidelines
Exclusionary Lists	<ul style="list-style-type: none"> <li>• HUD's CAIVRS does not need to be checked</li> <li>• The HUD Limited Denial of Partnership (LDP) list and the General Services Administration (GSA) lists must be reviewed for all loans, if any party to the transaction, including the borrower(s), is reflected on these lists, the loan is not eligible</li> </ul>

High Cost / High Priced	<ul style="list-style-type: none"> <li>• <u>Pennymac will not purchase High Cost Loans</u></li> <li>• Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> <li>○ Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence.</li> <li>○ Must meet all applicable state and/or federal compliance requirements.</li> </ul> </li> </ul>
Loan Limits	<ul style="list-style-type: none"> <li>• FHA mortgage limits for all areas are available at: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a>.</li> <li>• FHA Streamline Refinances are exempt from FHA loan limits.</li> </ul>
Loan Purpose	<ul style="list-style-type: none"> <li>• Credit Qualifying is allowed at the discretion of the DE. All existing FHA overlays are still in effect, including but not limited to credit history, credit score, and tax transcripts for income validation.</li> <li>• Disbursed cash out to the Borrower cannot exceed \$500</li> </ul>
Manufactured Home	<p>Manufactured Homes require:</p> <ul style="list-style-type: none"> <li>• <u>Pennymac approval required prior to delivery of a manufactured home.</u></li> <li>• <u>1 unit only</u></li> <li>• <u>2055 or BPO required. The property condition must be average or better.</u></li> <li>• <u>Max LTV of 110% based on current value</u></li> <li>• Foundation certificate <ul style="list-style-type: none"> <li>○ Any alterations or additions permanently attached to the subject must be addressed in the foundation certificate.</li> <li>○ May provide the certification from original loan subject to the above.</li> </ul> </li> <li>• Prelim to confirm the subject is a permanently affixed manufactured home.</li> <li>• Tax Sheet to confirm subject is taxed as land plus improvements.</li> <li>• Subject must be permanently affixed to the foundation for a minimum of 12 months prior to case number assignment</li> <li>• ALTA Endorsement 7, or 7.1, or 7.2, or equivalent state form required.</li> <li>• <u>Affidavit of affixation, or state equivalent document, required</u></li> <li>• <u><b>Non-Del:</b> Manufactured Home Power of Attorney required unless an affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval.</u></li> <li>• <u>Leasehold ownership is ineligible</u></li> <li>• Transactions in mobile home parks are ineligible</li> <li>• <u>Ineligible for ARMs</u></li> <li>• <u>Owner Occupied only</u></li> </ul>

Maximum Loan Amount

- For owner-occupied Principal Residences and HUD-approved Secondary Residences (see definition in Occupancy Section below), the maximum Base Loan Amount for Streamline Refinances is:
  - the lesser of:
    - the outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement; plus:
      - interest due on the existing mortgage and MIP due on existing Mortgage;
      - late charges;
      - escrow shortages and
      - MIP due on existing Mortgage; or
    - the original principal balance of the existing mortgage (including financed UFMIP);
  - less any refund of UFMIP (if financed in original mortgage).
- For Investment Properties, the maximum Base Loan Amount for Streamline Refinances is:
  - the lesser of:
    - the outstanding principal balance of the existing mortgage as of the month prior to mortgage Disbursement; or
    - the original principal balance of the existing mortgage (including financed UFMIP);
  - less any refund of UFMIP (if financed in original mortgage).

Net Tangible Benefit – For case assignments **on or before 1/23/2022**

From	To	
	Fixed Rate New Combined Rate*	Hybrid ARM New Combined Rate*
Fixed Rate	At least 0.5 percentage points below the prior Combined Rate*	At least 2 percentage points below the prior Combined Rate.
ARM	No more than 2 percentage points above the prior Combined Rate*	At least 1 percentage point below the prior Combined Rate.

NTB may also be met when all of the following are met:

- Term is reduced
- Non-Del: Remaining unpaid mortgage term is reduced by a minimum of 1 year
- **On a Fixed Rate to Fixed Rate:** the new combined interest rate\* is below the prior combined interest rate, or **On an ARM to a Fixed Rate:** the new combined interest rate is no more than two percentage points above the prior combined rate, and
- The combined PI+MIP **payment** of the new mortgage does not exceed the

combined PI+MIP of the refinanced mortgage by more than \$50.00

**Notes applicable to all transactions**

- Combined Rate\* refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium (MIP) rate
- When the existing loan has been modified, the net tangible benefit will be based on the modified payment/interest rate

Net Tangible Benefit – For case assignments on or after 1/24/2022	From	To		<p>NTB may also be met when all of the following are met:</p> <ul style="list-style-type: none"> <li>The remaining unpaid mortgage term is reduced by a <b>minimum of three years</b>, and</li> <li><b>On a Fixed Rate to Fixed Rate:</b> the new combined interest rate* is below the prior combined interest rate, or <b>On an ARM to a Fixed Rate:</b> the new combined interest rate is no more than two percentage points above the prior combined rate, and</li> <li>The combined PI+MIP <b>payment</b> of the new mortgage does not exceed the</li> </ul>
		Fixed Rate New Combined Rate*	Hybrid ARM New Combined Rate*	
	Fixed Rate	At least 0.5 percentage points below the prior Combined Rate*	At least 2 percentage points below the prior Combined Rate.	
ARM	No more than 2 percentage points above the prior Combined Rate*	At least 1 percentage point below the prior Combined Rate.		
<p>combined PI+MIP of the refinanced mortgage by more than \$50.00</p> <p><b>Notes applicable to all transactions</b></p> <ul style="list-style-type: none"> <li>Combined Rate* refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium (MIP) rate</li> <li>When the existing loan has been modified, the net tangible benefit will be based on the modified payment/interest rate.</li> </ul>				
Occupancy	<ul style="list-style-type: none"> <li>Occupancy is determined by the <b>current use</b> of the subject property, not the use at origination of the existing loan.</li> <li>Owner-occupied <ul style="list-style-type: none"> <li>Occupancy must be documented per FHA requirements.</li> </ul> </li> <li>Secondary Residences <ul style="list-style-type: none"> <li>Secondary Residence refers to a dwelling that a Borrower occupies in addition to their Principal Residence, but less than a majority of the calendar year. A Secondary Residence does not include a Vacation Home.</li> <li>Secondary Residences are only permitted with written approval from the Jurisdictional HOC. See 4000.1 II.A.1.b.iii (B) for additional information on Secondary Residences</li> <li><u>Manufactured home not eligible</u></li> </ul> </li> <li>Non-Owner Occupied <ul style="list-style-type: none"> <li><u>Manufactured home not eligible</u></li> </ul> </li> </ul>			
Property: Eligible Types	<ul style="list-style-type: none"> <li>Single Family Residence</li> <li>2-4 unit</li> <li>PUDs</li> <li>Low-rise and High-rise Condominiums</li> <li>Multiple width manufactured homes <u>with a minimum 700 square feet</u> – see Manufactured Home section for additional requirements.</li> </ul>			

Property: Ineligible Types	<p>In addition to the ineligible property types identified in FHA Handbook, the following property types are ineligible:</p> <ul style="list-style-type: none"> <li>• <u>Single width manufactured homes</u></li> <li>• <u>Mobile Homes</u></li> <li>• Cooperatives</li> <li>• Condotels</li> <li>• Hotel Condominiums</li> <li>• Timeshares</li> <li>• Geodesic Domes</li> <li>• Working Farms and Ranches</li> <li>• Unimproved Land and property currently in litigation</li> <li>• Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel)</li> <li>• <u>Non-Del: Lava zones 1 and 2</u></li> </ul>
Qualifying	<p>For Credit Qualifying:</p> <ul style="list-style-type: none"> <li>• Fixed rate qualify at the Note rate.</li> <li>• 5/1 and 7/1 ARMs qualify at the Note rate. Exception: ARMs in IL, MA and NM require qualifying at the greater of the Note rate or the fully indexed rate (margin + index).</li> </ul>
Ratios	DTI ratios are not calculated, unless the transaction is credit qualified.
Reserves / Funds to Close	<ul style="list-style-type: none"> <li>• Reserves are not required.</li> <li>• FHA requires that if funds needed to close (if applicable) exceed the new mortgage payment that <b>all</b> funds required to close must be verified and documented in accordance with FHA source of funds guidelines (HUD 4000.1 Handbook II.A.8.d.vi (C) (4) (h)).</li> <li>• <u>Non-Del: 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.</u></li> </ul>
Seasoned Loans	Please refer to the Pennymac Seasoned Loan Policy located in the Pennymac Seller Guide for requirements and loan-level price adjustments.
(FHA) Seasoning Requirements	<p>On the date of the FHA case number assignment:</p> <ul style="list-style-type: none"> <li>• the Borrower must have made at least six payments on the Mortgage that is being refinanced;</li> <li>• at least six full months must have passed since the first payment due date of the Mortgage that is being refinanced;</li> <li>• at least 210 Days must have passed from the closing date of the Mortgage that is being refinanced; and</li> <li>• If the Borrower assumed the Mortgage that is being refinanced, they must have made six payments since the time of assumption.</li> </ul> <p>Note: FHA Streamlines must also meet Ginnie Mae seasoning, see APM 17-06. By meeting FHA seasoning requirements as of the case number assignment date, Ginnie Mae seasoning requirements are also met.</p>

State Restrictions	<ul style="list-style-type: none"> <li>• <u>Texas A (6) Refinances are not eligible</u></li> </ul>
Underwriting Method	<ul style="list-style-type: none"> <li>• There <b>must</b> be a net tangible benefit to the borrower that meets the requirements of the Net Tangible Benefit, see section above or FHA handbook section 4000.1 II.A.8.d.vi (C)(4)(c)</li> <li>• Manual UW only</li> </ul>
<p><b>Seller shall deliver loans that were originated in accordance with the Federal Housing Administration Handbook, unless otherwise noted in the Pennymac Seller's Guide.</b></p> <p><i>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.</i></p>	