



**PennyMac Correspondent Group**  
**FHA Streamline Refinance Product Profile** 01.23.19

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



Occupancy	Min FICO
Owner-occupied	
Second Home	<u>620</u>
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	Not required
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	<ul style="list-style-type: none"> <li>• U.S. citizens</li> <li>• Permanent resident aliens, with proof of lawful permanent residence</li> <li>• Nonpermanent resident alien immigrants</li> <li>• All borrowers must have a valid social security number</li> <li>• A Borrower on the subject mortgage may be removed from title and new mortgage in cases of divorce, legal separation or death when: <ul style="list-style-type: none"> <li>○ the divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and</li> <li>○ 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.</li> </ul> </li> <li>• Borrower on the mortgage to be paid may be removed from title and new mortgage in cases other than death or divorce when: <ul style="list-style-type: none"> <li>○ at least one borrower from the existing mortgage remains as a borrower on the new mortgage, and</li> <li>○ mortgage is credit qualified and meets manual FHA requirements, with the exception of LTV and appraisal requirements.</li> </ul> </li> <li>• 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.</li> <li>• 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.</li> </ul>
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-T 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>○ Salaried borrowers require a Verbal VOE</li> <li>○ Self employed borrowers require verification of the business through a 3rd party source</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> <li>• <u>Interest / Dividend income requires the first page of the most recent tax returns and a copy of the statements reflecting the current balance of the income source</u></li> <li>• <u>Rental Income requires the 1st page and Sch. E of the most recent tax return or a current lease agreement</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>

<p>Maximum Loan Amount</p>	<ul style="list-style-type: none"> <li>• 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: <ul style="list-style-type: none"> <li>○ the lesser of: <ul style="list-style-type: none"> <li>▪ the outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement; plus: <ul style="list-style-type: none"> <li>• interest due on the existing mortgage and MIP due on existing Mortgage; or</li> </ul> </li> <li>▪ the original principal balance of the existing mortgage (including financed UFMIP);</li> </ul> </li> <li>○ less any refund of UFMIP (if financed in original mortgage).</li> </ul> </li> <li>• For Investment Properties, the maximum Base Loan Amount for Streamline Refinances is: <ul style="list-style-type: none"> <li>○ the lesser of: <ul style="list-style-type: none"> <li>▪ the outstanding principal balance of the existing mortgage as of the month prior to mortgage Disbursement; or</li> <li>▪ the original principal balance of the existing mortgage (including financed UFMIP);</li> </ul> </li> <li>○ less any refund of UFMIP (if financed in original mortgage).</li> </ul> </li> </ul>			
<p>Net Tangible Benefit</p>	<p>From</p>	<p>To</p>		<p>In addition to the left, Net Tangible Benefit may be met when:</p> <ul style="list-style-type: none"> <li>• Term is reduced, and <ul style="list-style-type: none"> <li>○ <u>Non del: Remaining unpaid mortgage term is reduced by a minimum of 1 year</u></li> </ul> </li> <li>• New interest Rate does not exceed the current rate, and</li> <li>• Combined PI+MIP payment of the new mortgage does not exceed the combined PI+MIP of the refinanced mortgage by more than \$50</li> </ul>
		<p>Fixed Rate New Combined Rate*</p>	<p>Hybrid ARM New Combined Rate*</p>	
	<p>Fixed Rate</p>	<p>At least 0.5 percentage points below the prior Combined Rate*</p>	<p>At least 2 percentage points below the prior Combined Rate.</p>	
	<p>ARM</p>	<p>No more than 2 percentage points above the prior Combined Rate*</p>	<p>At least 1 percentage point below the prior Combined Rate.</p>	
<p>Occupancy</p>	<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> </ul> </li> <li>• Non-Owner Occupied</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> </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>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</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>2-4 Unit properties in New Jersey</u></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.</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>• Funds to close in excess of the total mortgage payment of the new mortgage must be documented in accordance with FHA Guidelines, Source of Funds (Manual) 4000.1 II.A.5.c.iii. <ul style="list-style-type: none"> <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> </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> <li>• <u>2-4 Unit properties in New Jersey</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, marital status, race, color, religion, national origin, age, income derived from public assistance, or the good faith exercise of rights under the Consumer Credit Protection Act.</i></p>	