

Agency	Freddie Mac - LPA Accept			Freddie Mac - LPA Accept		
Finance Type	Purchase and Rate/Term Refinances			Cash Out Refinances		
Occupancy	Owner Occupied			Owner Occupied		
Term	Fixed Rate and Fixed Period ARMs			Fixed Rate and Fixed Period ARMs		
*LTVs 95.01% and above: All borrowers must occupy and standard balance only	Property Type	LTV/CLTV	Min Credit Score	Property Type	LTV/CLTV	Min Credit Score
	1 Unit	FRM 97* ARM 95	<u>AUS Cert with Min 620</u>	1 Unit	80	<u>AUS Cert with Min 620</u>
	2 Unit	85		2-4 Unit	75	
	3-4 Unit	80				
	Second Home			Second Home		
	Fixed Rate and Fixed Period ARMs			Fixed Rate and Fixed Period ARMs		
	Property Type	LTV/CLTV	Min Credit Score	Property Type	LTV/CLTV	Min Credit Score
	1 Unit	90	<u>AUS Cert with Min 620</u>	1 Unit	75	<u>AUS Cert with Min 620</u>
	Investment Property			Investment Property		
	Fixed Rate and Fixed Period ARMs			Fixed Rate and Fixed Period ARMs		
	Property Type	LTV/CLTV	Min Credit Score	Property Type	LTV/CLTV	Min Credit Score
	1 Unit	85	<u>AUS Cert with Min 620</u>	1 Unit	75	<u>AUS Cert with Min 620</u>
	2-4 Unit	75		2-4 Unit	70	
	Agency	Freddie Mac				
COVID-19	<ul style="list-style-type: none"> Please refer to the following for all updates related to COVID-19: <ul style="list-style-type: none"> Freddie Mac's COVID-19 resource website including FAQs located at https://sf.freddiemac.com/about/covid19 PennyMac announcements located at https://www.goPennyMac.com/announcements Updates to S/E VVOE: Effective for loan apps on or after April 14, 2020, the self-employed business must be verified as open and operational within 20 business days of the note. For borrowers using self-employed income to qualify: refer to Freddie Mac Bulletin 2022-3 for documentation requirements. PennyMac will continue to accept POAs in accordance with standard Freddie Mac guidelines. Please see Seller Guide Section 6301.4 for complete information. Remote Online Notarization: <u>PennyMac is not accepting remote online notarization (RON) at this time.</u> Non-Del only: Borrowers who have experienced forbearance may be subject to additional review. Documentation confirming the change in circumstances may be required to support qualification 					

Ability To Repay and
Qualified Mortgage Rule

- For loans subject to the ATR/QM rule, Pennymac will only purchase loans that comply with the ATR/QM requirements.
 - Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold.
- Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.
- Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans.
- See Seller Guide section "Ability to Repay and Qualified Mortgage Rule" under "Delivery Procedures" for more details.

Age of Documents

- Must be dated within 120 days old on the note date, including credit reports and employment, income and asset documents.
- Preliminary Title Policies must be no more than 180 days old on the date the note is signed.

Appraisals

- Determined by LPA Findings. Appraisal waivers, through Loan Product Advisor, are acceptable. Appraisal Waivers are not eligible for:
 - Subject property is a leasehold
 - Subject property is subject to resale restrictions
 - The lender is required by law or regulation to obtain an appraisal (such as Texas (a)(6) transactions)
- Desktop Appraisal allowed only with an Accept recommendation and feedback message in LPA indicating the loan is eligible for delivery with a desktop appraisal. All agency required desktop requirements must also be met. Eligibility requirements include:
 - Purchase transactions of one-unit principal residence only
 - LTV ratios \leq 90%
- Properties with unpermitted secondary kitchens may be eligible if:
 - it is common for the area,
 - no negative impact on marketability, and
 - Appraiser comments on quality of construction, any health/safety issues, any soundness issues, which must meet Freddie Mac requirements.
- Properties with accessory units may be acceptable when meeting Freddie Mac requirements:
 - Allowed on 1-to 3 unit property
 - Property must be appraised based on current use
 - At least one comparable sale with an accessory unit, when available, to demonstrate the property's conformity and marketability to its market area. If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales.
 - If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an accessory unit if the appraiser can develop an accurate opinion of market value for the property.
 - Manufactured homes as an accessory unit are acceptable if they meet all the requirements in the Seller Guide Section 5601.2 and are given no value by the appraiser.
 - If the subject property accessory unit does not comply with the zoning and land use requirements, property is eligible if:
 - The "Site" section of the appraisal report indicates that the accessory unit does not comply with zoning and land use requirements (illegal zoning compliance)
 - At least two comparable sales with each having only one accessory unit must be included in the appraisal report. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area; and
 - Pennymac confirms that the existence of the accessory unit will not jeopardize future hazard insurance claims
- Appraisal Updates in accordance with Freddie Mac guidelines are acceptable.
 - See Freddie Mac Seller Guide section 5604.3 for complete details.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.

Assets	<ul style="list-style-type: none"> • Follow Freddie Mac guidelines relative to funds to close. • Gift funds are allowed in accordance with Freddie Mac guidelines • The following requirements apply when evaluating deposits on the Borrower's account statements: <ul style="list-style-type: none"> ○ Except as stated below, the Lender is not required to document the sources of unverified deposits for purchase or refinance transactions. However, when qualifying the Borrower, the Lender must consider any liabilities resulting from all borrowed funds. ○ For purchase transactions, the Lender must document the source of funds for any single deposit exceeding 50% of the total monthly qualifying income for the Mortgage if the deposit is needed to meet the requirements for Borrower Funds and/or reserves. ○ When a large deposit is not documented and is not needed for Borrower Funds and/or required reserves, the Lender must reduce the funds used for qualifying purposes by the amount of the unverified deposit. For Loan Prospector Mortgages, the Seller must enter the reduced amount of the asset into Loan Prospector ○ When a single deposit consists of both verified and unverified portions, the Lender may use just the unverified portion when determining whether the deposit exceeds the 50% requirement. ○ When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file (e.g. tax refund amounts appearing on the tax returns in the file), the Lender is not required to obtain additional documentation. ○ The Seller must document the source of a deposit of any amount regardless of the transaction type if the Seller has any indication that the funds are borrowed or are not from an eligible source. • When using a direct account verification (i.e., verification of deposit (VOD)), the Seller must include documentation of the source of funds when an account is opened within 90 days of verification and/or when the current balance in an account is significantly greater than the average balance.
Assignment of Mortgages	<p>All loans must be registered with MERS at time of delivery to Pennymac and a MERS transfer of beneficial rights and transfer of servicing right must be initiated by the Seller, to Pennymac Corp, LLC (#1009313), within 24-hours of purchase.</p>
AUS	<ul style="list-style-type: none"> • <u>Loan Product Advisor with "Accept" Recommendation is required. LPA A Minus Offering is not allowed.</u> • <u>Manual UW is not allowed.</u>
Borrower Eligibility	<ul style="list-style-type: none"> • U.S. Citizens • Permanent resident aliens, with proof of lawful residence • Nonpermanent resident alien immigrants, with proof of lawful residence • Properties vested in trusts are permitted for all occupancy types in accordance with Freddie Mac Trust guidelines <ul style="list-style-type: none"> ○ Pennymac allows investment properties to be vested in the name of the trust • LTV/CLTV above 95%: <ul style="list-style-type: none"> ○ All borrowers must occupy the property ○ At least one borrower must be a first time home buyer on purchase transactions
CEMA	<ul style="list-style-type: none"> • Refinance Only • 1-4-unit properties • eMortgages are ineligible • Lost Note Affidavits (LNAs) are not allowed for prior or current notes

Condominiums

- Must follow Freddie Mac published Condominium Eligibility Guidelines.
- Streamlined Condo review allowed in accordance with Freddie Mac Guidelines, including N/O/O up to 75%
- Condo Project Advisor waiver request allowed for the following;
 - Delinquent assessments
 - Excessive commercial space
 - Pending litigation
 - Owner occupancy (referred to as 'Project Unit Occupancy' in Condo Project Advisor)
 - Reserves for capital expenditures and deferred maintenance
 - Excessive single investor concentration (referred to as 'Single Entity Ownership' in Condo Project Advisor)
 - The Condo Project Advisor feedback certificate must be maintained in the Mortgage file
 - Condominium Unit Mortgages with approved Project Waiver Request, must be delivered to Freddie Mac within 120 days after the note date
- Freddie to Freddie rate and term refinances up to 80% LTV/CLTV may be eligible for a waiver of the project eligibility review.
 - Documentation confirming Freddie Mac is the current owner and the current Freddie Mac loan number is required.
 - See 5701.2 for complete details
- Pennymac will not allow a project in which: (i) the HOA is named as a party to pending litigation/mediation/arbitration, or (ii) the project sponsor or developer is named as a party to pending litigation/mediation/arbitration that relates to the safety, structural soundness, functional use or habitability of the project. If it is determined that the reason for the pending litigation only involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation/mediation/arbitration is limited to one of the following
 - The litigation amount is known, the insurance company has committed to providing defense and the litigation amount is covered by the insurance policy
 - The litigation amount is unknown, the complaint is documented in the file, an attorney opinion letter is provided confirming litigation is only a minor matter, insurance is providing defense, and any possible damages are covered by insurance. See 5701.3 for complete details.
 - The matters involve non-monetary neighbor disputes regarding rights of enjoyment, whether litigated or in an alternative dispute resolution (ADR) proceeding or
 - The HOA is the plaintiff seeking reimbursement for repair expenses and the issue did not significantly impact financial stability or future solvency of HOA.
 - The valid estimation of or known litigation amount is not expected to exceed 10% of the project's funded reserves, provided that use of the project's funded reserves to pay for project litigation or dispute resolution does not violate the applicable jurisdiction's laws and regulations.
- Florida Condos are allowed in accordance with Freddie Mac requirements with the exception of newly converted condo projects (see Section 5701.4):
- See Pennymac Announcement 19-62 for additional documentation details. Lenders must provide all documentation used to verify the condo warranty type. This may include, but is not limited to:
 - Loan documentation with warranty type
 - HOA questionnaire
 - Copies of applicable insurance policies
 - Any additional documentation as required by the warranty type

<p>Continuity of Obligation:</p>	<p>When an existing Mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:</p> <ul style="list-style-type: none"> • At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced; or • At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12 month period and the Mortgage file contains documentation evidencing that the Borrower has been making timely Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or • At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation or dissolution of a domestic partnership
<p>Credit</p>	<ul style="list-style-type: none"> • All borrowers may have no credit score. Freddie Mac and LPA requirements must be met. <ul style="list-style-type: none"> ○ For LTV/CLTV above 95%: at least one borrower must have a usable credit score as determined by LPA. • Must pay off any existing judgments or tax liens. • For borrowers with frozen credit, no more than one credit bureau can have frozen credit information. • Current Housing Payment, applicable when the payment for the primary residence for any borrower is not reported on credit (excluding renting primary and the subject is 2nd/NOO, or non-occupant co-borrower who rents): <ul style="list-style-type: none"> ○ When the payment is not reported on the credit report, provide third party verification of payment amount. ○ If living rent free, a rent free letter from landlord or person obligated on lease required. • Non-Del Only: <ul style="list-style-type: none"> ○ <u>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.</u> ○ <u>No more than two tax years may be on repayment plan</u>
<p>Derogatory Credit</p>	<ul style="list-style-type: none"> • No specific waiting times with an LPA Accept. All derogatory events must be reflected on the credit report in order for the LPA accept to be valid. To further clarify, an LPA Accept will remain valid unless a significant derogatory event “e.g. more than a 1 X30 mortgage late in last 12 months” occurs. • If derogatory event is not reflected on credit report, or is not accurate, the loan must be manually underwritten. <u>Pennymac does not purchase manually underwritten Freddie Mac loans.</u>
<p>Disaster Policy</p>	<ul style="list-style-type: none"> • <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> • <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>

Documentation

- Determined by LPA
- **Non-Del only:** VODs are not acceptable for asset documentation
- Non-Del: Handwritten Verification of Mortgages (VOM) or Verification of Rents (VOR) are not eligible
 - Private mortgages may be verified with cancelled checks or bank statements.
- One year of tax returns is acceptable if allowed by LPA and Freddie Mac guidelines
- Freddie Mac Automated Income and Asset Assessment
- Loans using FHLMC Automated Income and Asset assessment are acceptable
- Lenders must provide the third party vendor report used in the LPA validation process.
- Income or assets derived from the following sources are ineligible for qualifying:
 - The production or sale of marijuana
 - Bitcoin or other cryptocurrencies
 - See Large Deposits section for documentation requirements on funds used for closing/reserves that originated from a cryptocurrency account.
- Current housing payment for non-occupying borrowers. The borrower must document their current housing payment with one of the following when they do not own a primary residence.
 - Direct verification of rent from a management company, or
 - Direct verification of rent from an individual landlord (supported by two months of cancelled checks or other evidence of two months payments), or
 - Copy of the current fully executed lease agreement (supported by two months of cancelled checks or other evidence of two months payments), or
 - Six months of canceled checks or bank statements supporting consistent payment in the amount used in qualifying

Down Payment Assistance

- Down Payment Assistance is allowed as long as the assistance is provided by a government entity or a non-profit organization that is affiliated with a government entity. Evidence of the terms and provider must be included in the loan file and must meet Freddie Mac requirements.
- Employer assistance is acceptable in accordance with Freddie Mac guidelines.

Eligible Mortgage Products

- PennyMac will only purchase the following products:
 - Agency Fixed Rate: up to 30 years
 - Agency SOFR ARMs:
 - 5/6: 2/1/5 caps, qualifying rate: greater of fully indexed rate* or note rate + 2%**
 - 7/6: 5/1/5 caps, qualifying rate: note rate ***
 - 10/6: 5/1/5 caps, qualifying rate: or note rate ***
 - ***Exception: ARMs in IL, MA, MD (Purchase only), NM and PA require qualifying at the greater of the Note rate or the fully indexed rate. The LPA qualifying rate may need to be adjusted to comply with this requirement.
Please refer to selling guide section 4401.8 for additional information
 - * Fully indexed rate = index rate + margin
 - **An "Accept" recommendation by LPA may differ from the eligibility for the purpose of meeting QM requirements.
The APR calculation for 5/6 ARMs requires the use of the maximum interest rate that would apply during the first five years as the interest rate for the full term of the loan. As a result, all loans must also meet QM requirements regardless of the AUS eligible determination.
 - Margin of 2.75% to 3.0% are allowed
 - Non-Del: Margin of 2.75% only.
 - Agency 3/6 SOFR ARMs are not eligible
- Home Possible financing is eligible. See Home Possible Product Profile for complete details.
- HomeOne is eligible. HomeOne is defined as any loan with LTV/CLTV above 95% and is not a Home Possible loan. LPA and Freddie Mac requirements must be met.
- CHOICERenovation mortgages are ineligible
- Loans using the alternative LTV calculation, are eligible for purchase subject to meeting all Freddie Mac requirements. See Freddie Mac Chapter 4406.1 and 4406.2, Mortgages Secured by Properties Subject to Resale Restrictions.
- Escrow for taxes, insurance, and mortgage insurance are required above 80% LTV, (90% in CA), or as required by applicable state law.

Employment/Income Verification

Employment and income documentation must comply with the requirements of Loan Product Advisor or the Freddie Mac Seller Guide if not addressed by LPA:

- For salaried employees Pre-closing verification (PCV, previously known as verbal verification of employment) must be completed within 10 business days prior to the note date.
- For self-employed borrowers the PCV must be completed within 120 days prior to the note date.
- For borrowers in the military, a military Leave and Earnings Statement dated within 30 days prior to the note date is acceptable in lieu of a verbal verification of employment.
- Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers.
- Assets as a basis of qualification is acceptable in accordance with Freddie Mac.
- Mortgage Credit Certificates (MCCs) The amount of the MCC tax credit may be considered as qualifying income in accordance with the following requirements:
 - The amount used as qualifying income must be calculated as follows: (Mortgage amount) x (Note Rate) x (Mortgage Credit Certificate rate %) divided by 12
 - The amount used as qualifying income cannot exceed the maximum Mortgage interest credit permitted by the IRS
 - The Mortgage file must contain a copy of the:
 - MCC
 - Seller's calculation of the amount used as qualifying income history of receipt of MCC tax credit is not required.
- 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.

Employment and Income commencing after the note date

- Option one is acceptable, see Freddie Mac Seller Guide 5303.2 for complete details.
- Option two is not allowed
- Purchase, No cash out refinance only
- 1 unit primary residence only
- Employment or increase must start no later than 90 days after the note date
- Income must be from new primary employment or a future salary increase with the current primary employer
- Non-fluctuating base pay only, employer may not be a family member or interested party
- Verify additional funds that meet or exceed the amount of the monthly housing expense plus other liabilities due between Note Date and start date of new employment/future increase plus one month
 - Partial month is counted as one month
 - Required in addition to all other required funds
- Include the offer letter, or employment contract, or proof of salary increase from current employer in the file
 - Must be fully executed and accepted by the borrower
 - Must be non-contingent or provide evidence from the employer all contingencies have been cleared
 - Must include the terms of employment including start date, and annual income based on non-fluctuating earnings
 - Future salary increase only: Increase is fully approved and explicitly granted to the borrower
- Provide a 10-day pre-closing verification (PCV) verifying the terms of the employment offer letter, contract or future salary increase have not changed
- All other Freddie Mac and Pennymac requirements must be met

<p>Escrow Holdbacks</p>	<p>Escrow holdbacks are allowed in accordance with Freddie Mac guidelines including, but not limited to:</p> <ul style="list-style-type: none"> • A post funding stipulation for a copy of a 1004D confirming completion will be placed on loans where the appraisal is "subject to" improvements. • A post funding stipulation for a final title policy endorsement that ensures the priority of the first lien will be required on any loan where the appraisal is "subject to" improvements. • A copy of the escrow agreement will be required that states how the escrow account will be managed and how the funds will be disbursed. • <u>Non-Del Only:</u> <ul style="list-style-type: none"> ○ <u>New Construction only</u> ○ <u>Weather related repairs only</u> ○ <u>Settlement Agent must administer escrow account and disbursement of funds</u> ○ <u>150% of repair estimate to be escrowed</u>
<p>Financing Concessions</p>	<ul style="list-style-type: none"> • Financing concessions for primary residences and second homes must be within the following allowable percentages: <ul style="list-style-type: none"> ○ 9% of value with LTV/TLTV ratios less than or equal to 75% ○ 6% of value with LTV/TLTV ratios greater than 75% up to and including 90% ○ 3% of value with LTV/TLTV ratios greater than 90% ○ The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio <p>Note: Financing concessions paid by Freddie Mac, as the property seller for transactions involving the sale of Freddie Mac REO properties are not subject to the above maximum financing concession limits. In all cases, the requirements for use of financing concessions continue to apply i.e. the concessions must not exceed the borrower's actual closing costs. Selling Guide section 5501.5</p> • Property Seller can pay up to 12 months future HOA dues per Freddie Mac's guidelines. Amount of HOA dues must meet IPC limits. See Freddie Mac 4204.3 for additional information.
<p>Gifts and Funds to Close</p>	<ul style="list-style-type: none"> • Follow Freddie Mac's guidelines. See Ch. 5501 of Freddie Mac's guide for additional details. • Borrowers must make 5% minimum down payment contribution from his/her own funds on loans with LTVs greater than 80% when the subject is a Secondary Residence with a gift used as a source of funds.
<p>High Cost / High Priced</p>	<ul style="list-style-type: none"> • Pennymac will not purchase High Cost Loans • Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> ○ Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. ○ Must meet all applicable state and/or federal compliance requirements. • A prohibition on ARM loans with an initial fixed rate period of less than seven years (7/6 ARMs are eligible). HPML ARMs are qualified at the greater of the note rate or the fully indexed rate.
<p>Large Deposits</p>	<ul style="list-style-type: none"> • 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"> ○ <u>Documentation from Cryptocurrency exchange account verifying the borrower as the Legal Owner and not the nickname of the account, AND</u> ○ <u>Previous borrower bank statement showing funds going into the same Cryptocurrency exchange account that the large deposit came from, OR</u> ○ <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>

Loan Purpose: Purchase
and Rate Term

- Purchase
 - For LTV/CLTV above 95%: When all borrowers are first time home buyers, at least one borrower must participate in a homeownership education program acceptable to Freddie Mac. See 5103.6 for complete details.
- Limited Cash-Out/Rate & Term Refinance
 - When the LTV/CLTV is greater than 95%: the loan being refinanced must be owned in whole or in part or securitized by Freddie Mac
 - The refinance mortgage being paid off must have a note date no less than 30 days prior to the note date of the no cash-out refinance, and evidence must be documented in the loan file.
 - Proceeds can be used to pay off a first mortgage.
 - Proceeds can be used to pay off or pay down any junior liens related to the purchase of the subject property
 - Pay related Closing Costs and Prepaid items
 - Disburse cash out to the Borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or \$2,000

Loan Purpose: Cash Out

- Cash Out
 - 6 months seasoning required; measured from settlement date to the Note Date of the cash-out refinance Mortgage, unless at least one borrower on the refinance mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership) or delayed financing is met. In cases when the property title has been held by a limited liability company (LLC) or limited partnership (LP), the six-month requirement may be satisfied by including the time the property was titled in the name of the LLC or LP, provided:
 - At least one borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and
 - Title must be transferred from the LLC or LP into the borrower's name prior to the note date.
 - **Non-Del only:** Borrowers may not have multiple cash-out transactions within the prior 12 months on the same property. Closing Disclosures (CDs), or other supporting documentation, from all subject property refinances in the prior 12 months are required to confirm the previous transactions were no cash-out. The subject cash-out transaction is excluded if the borrower is receiving no cash in hand, or is receiving less than the incidental limit allowed by the Agency. Loans with LTV/CLTVs of 75% or less are excluded from this requirement.
 - Notes:
 - Removing or adding borrowers will not make the transaction eligible.
 - When a HELOC that is less than 12 months old is paid through closing, the current transaction is only considered cash out for this requirement if the HELOC originated with funds drawn and the current balance is greater than the original balance. Loan may be defined as cash-out by the Agency and be excluded from this requirement.
 - Refinance to buy out owner's interest: Written agreement must be legible and signed/dated prior to or at application. All other Freddie Mac requirements must be met
 - Freddie Mac's **delayed financing provision** is acceptable if all of the following requirements are met:
 - The executed HUD-1 Settlement/Closing Disclosure Statement from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property
 - The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property
 - The source of funds used to purchase the subject property must be fully documented
 - If funds were borrowed to purchase the subject property:
 - Cash-out proceeds must be used to pay off or pay down the borrowed funds, as reflected on the Settlement/Closing Disclosure Statement for the refinance transaction
 - Additional cash-out is permitted *only* when all borrowed funds are paid in full, and
 - The payment on any remaining outstanding balance of the borrowed funds must be included in the DTI ratio per Section 5401.2
 - The amount of the cash-out refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs, Financing Costs and Prepays/Escrows as documented by the HUD-1 Settlement/Closing Disclosure Statement for the purchase transaction, less any gift funds used to purchase the subject property.
 - There must have been no affiliation or relationship between the buyer and seller of the purchase transaction
 - The cash-out refinance Mortgage must comply with the applicable LTV/TLTV/HTLTV ratio limits and all other Freddie Mac requirements
 - All refinance transactions must meet Continuity of Obligation requirements

<p>Loan Purpose: Ineligible Transactions</p>	<p>Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bonafide purchase transactions and therefore not eligible for purchase by Pennymac. Unacceptable transactions of this type may have some or all of the following characteristics:</p> <ul style="list-style-type: none"> • Gift of equity from the seller • Large amount of seller credits • Family member remaining in the home and on title after the “purchase” • Seller unable to qualify for a cash-out transaction of their own
<p>Mortgage Insurance</p>	<p>Acceptable MI Types</p> <ul style="list-style-type: none"> • Borrower Paid Monthly • Borrower Paid Single Premium • Financed: Gross LTV cannot exceed Pennymac's program maximum <ul style="list-style-type: none"> ○ Not allowed for Super Conforming Loans ○ Not allowed with split premium • Split Premium • Lender Paid Single Premium • Reduced MI <p>Unacceptable MI Types:</p> <ul style="list-style-type: none"> • <u>Lender Paid Monthly</u> • <u>Lender Paid Annual</u> • <u>Borrower Paid Annual</u> • <u>Any MI type not listed as acceptable</u> <p>For properties in NY</p> <ul style="list-style-type: none"> • To determine if MI is required on a purchase transaction, base the LTV calculation on the Appraised Value only instead of the lower of Appraised Value or Sales price. • When MI is required based on the above calculation, determine the level of MI required by using the standard LTV calculation (lower of Appraised Value or Sales price).
<p>Occupancy</p>	<ul style="list-style-type: none"> • Primary Residence - 1-4 units • Second Homes - 1-unit only • Investment Properties 1-4 units <ul style="list-style-type: none"> ○ Borrowers financing with the 5/6 ARM loan product are limited to owning only one financed investment property (Selling Guide 4201.16)
<p>Open-End (30 Day) Accounts</p>	<p>For 30-day accounts (i.e. accounts that require the balance to be paid in full monthly):</p> <ul style="list-style-type: none"> • Verify sufficient funds¹ to cover balance, in addition to funds required for closing and reserves and exclude from DTI, or • Document payment amount and include in DTI. Acceptable documentation may include a monthly statement or credit supplement showing the payment amount. • 5% of balance may not be used as a default payment. <p>¹ The source of funds must be from an eligible source as described in Freddie Mac Guide section 5501.3</p>
<p>Power of Attorney (POA)</p>	<p><u>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</u></p>

<p>Property: Eligible Types</p>	<ul style="list-style-type: none"> • Single Family Detached Single Unit • Single Family Attached Single Unit • 2–4 Unit Attached/Detached <ul style="list-style-type: none"> ○ LTV/CLTV above 95%: Not eligible • PUDs • Low-rise and High-rise Condominiums (must be Freddie Mac eligible) • Rural Properties (in accordance with agency Guidelines, loans must be residential in nature) • <u>Manufactured Homes</u> – refer to the Freddie Mac Manufactured Home Product Profile for all requirements. The more restrictive of the loan program guidelines apply.
<p>Property; Ineligible Types</p>	<ul style="list-style-type: none"> • Mobile Homes • <u>Cooperatives</u> • Condotels • Hotel Condominiums • Timeshares • Working Farms and Ranches • Unimproved Land • Property currently in litigation • <u>Land Trust, including Community Land Trust Mortgages</u> • Condition Rating of C5/C6 or a Quality Rating of Q6 • <u>Turn-key investment properties. See Property Turn-key Investments section for additional details.</u> • <u>Non-Del Only: New construction and gut rehab condos are not allowed, unless final PERS approved from Fannie Mae, with no conditions.</u>
<p>Property; Maximum Number of Financed Properties</p>	<ul style="list-style-type: none"> • The loan must comply with Freddie Mac's limitations on the maximum number of financed properties: <ul style="list-style-type: none"> ○ owner-occupied: unlimited ○ second home and investment property: ten • When the borrower owns 7-10 financed properties: <ul style="list-style-type: none"> ○ LPA accept required ○ Minimum 720 credit score
<p>Property Flipping Policy (Properties resold within 180 days of purchase)</p>	<ul style="list-style-type: none"> • <u>Properties that involve a re-sale that occurred within the last 180 days that have a non-arm's length relationship between the buyer and seller and an increase in value are prohibited.</u> • Lenders must pay particular attention and institute extra due diligence for those loans in which the appraised value is believed to be excessive or where the value of the property has experienced significant appreciation in a short time period since the prior sale. Pennymac believes that one of the best ways lenders can reduce the risk associated with excessive values and/or rapid appreciation is by receiving accurate appraisals from knowledgeable, experienced appraisers. • Pennymac recommends an additional value product to support the subject appraised value in instances of greater than 20% appreciation.

<p>Property: Turn-key Investments</p>	<p><u>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:</u></p> <ul style="list-style-type: none"> • <u>The property seller is an LLC (or other entity) that purchases distressed properties and re-sells to borrowers at a non-distressed valuation.</u> • <u>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.</u> • <u>Buyer frequently lives out-of-the-area from the subject property.</u> • <u>See Pennymac Announcement 15-43 for additional details.</u>
<p>Ratios</p>	<ul style="list-style-type: none"> • <u>The maximum DTI is 50% with a LPA Accept</u> • <u>Loans with DTI exceeding 50% regardless of AUS decision are ineligible.</u> • Pennymac allows non-occupant co-borrower blended ratios in accordance with Freddie Mac guidelines
<p>Recently Listed Properties</p>	<ul style="list-style-type: none"> • <u>The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject property (for principal residence transactions).</u> • <u>If the property was listed in the prior 30 days to the application date, the Early Pay-off (EPO) provision will be extended to 1 year.</u>
<p>Rental Income Calculation</p>	<ul style="list-style-type: none"> • Follow Freddie Mac guidelines relative to rental income calculation. • Effective with loans delivered on or after February 5th, Lenders must follow Freddie Mac's rental income updates. See section 5306.1 for complete requirements. • Rent loss insurance is not required. • See Freddie Mac chapter 5306.2 or 5306.3 for information on Rental Income from an ADU on a 1-unit primary residence.
<p>Reserves</p>	<ul style="list-style-type: none"> • Follow LPA requirements for reserves • Reserves must be based upon the full monthly payment (PITIA) amount for the property.
<p>Seasoning</p>	<p>Please refer to the Pennymac Seasoned Loan Policy located in the Pennymac Seller Guide for requirements and loan-level price adjustments.</p>
<p>State Restrictions</p>	<ul style="list-style-type: none"> • Non-del only: Texas Non-Owner Occupied Cash-Out transactions – A borrower must own a homestead property in the State of Texas in order to complete a non-owner occupied cash-out (non-A6) transaction in TX. • <u>Illinois Land Trust vesting's are not eligible for loan sale to Pennymac</u> • Texas 50 (a)(6) refinance mortgages are eligible with Pennymac Seller Approval: <ul style="list-style-type: none"> ○ Owner-Occupied, 1 unit only – Non occupant co-borrowers may not be eligible on TX A6 loans. Correspondents are responsible for determining acceptability. ○ Maximum 80% LTV/CLTV ○ 2% fee restriction in accordance with Texas Constitution ○ Full appraisal required ○ No new secondary financing ○ Loans must comply with Freddie Mac and Texas Constitution requirements ○ Power of Attorney allowed in accordance with Texas requirements.

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.
- When tax transcripts are provided, they must support the income used to qualify
- A properly executed 4506-C is required for all transactions except when the loan file contains tax transcripts
- If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.

Temporary Interest Buydowns

Allowed subject to the following:

- Delegated transactions only
- Max total interest rate reduction of 2%, max increase per year of 1% (only 2/1, 1/1 and 1/0 buydowns allowed)
- 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 meet all other applicable Freddie Mac requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.

Seller shall deliver loans that were originated in accordance with the Freddie Mac Single Family Selling Guide unless otherwise noted in the PNMAC Seller's Guide.

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.