



# PennyMac Non-Conforming Non-QM

01.02.19

	Purchase and Rate and Term				Cash Out		
Occupancy	Loan Amount	LTV/CLTV	FICO	DTI	LTV/CLTV	FICO	DTI
1 Unit	\$1,000,000	90	660	50%  DTI not to exceed 43% when: <ul style="list-style-type: none"> <li>FICO &lt; 700 or</li> <li>LTV/CLTV &gt;80%</li> </ul>	80	680	50%  DTI not to exceed 43% when: <ul style="list-style-type: none"> <li>FICO &lt; 700 or</li> <li>LTV/CLTV &gt;80%</li> </ul>
	\$1,500,000	80			70		
2 Unit	\$1,000,000	80	680		70	680	
	\$1,500,000	70			60		
Second Home	\$1,500,000	80	700		70	720	
Non Owner Occupied 1 Unit	\$1,000,000	80	700		70	720	
Ability to Repay	<ul style="list-style-type: none"> <li>For loans subject to the ATR rule, PennyMac will only purchase loans that comply with the ATR requirements.</li> <li>All loans must meet the QM points and Fees test.</li> <li>Correspondents are responsible for providing evidence of compliance with the ATR rules.</li> <li>Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans.</li> </ul>						
Age of Documents	<ul style="list-style-type: none"> <li>Credit, employment, income, and asset documentation must meet the applicable Agency's age of documentation requirements</li> <li>Title commitment dated within 90 days of the note date, measured from the effective or issue date of the commitment.</li> </ul>						

<p style="text-align: center;"><b>Appraisal</b></p>	<p>The lender is responsible for ensuring that the subject property provides adequate collateral for the mortgage. PennyMac requires that the lender obtain a signed and complete appraisal report that accurately reflects the market value, condition, and marketability of the property. All transactions require a full interior appraisal on a 1004 or 1073 form as appropriate. In addition, the appraisal must be well supported by an independent third party appraisal review. Any issues detected by the appraisal review will need to be addressed and reconciled.</p> <ul style="list-style-type: none"> <li>• <i>Appraisal waiver is not allowed. A full 1004 appraisal with all pictures is required.</i></li> <li>• Appraisals must be dated within 120 days of the note date. A new appraisal is required after 120 days.</li> <li>• PennyMac will review all appraisals provided.</li> <li>• <i>Appraisals must be upload to UCDP and satisfactory submission reports (SSR) must be provided.</i> <ul style="list-style-type: none"> <li>○ <i>Required for both Fannie Mae and Freddie Mac</i></li> </ul> </li> <li>• PennyMac requires lenders order an independent appraisal review product on the appraisal used for qualifying.</li> <li>• PennyMac requires using one of the following options: <ul style="list-style-type: none"> <li>○ Property Desktop Analysis (PDA) from Old Republic, <ul style="list-style-type: none"> <li>▪ <a href="mailto:PDAClientsetup@oldrepublictitle.com">PDAClientsetup@oldrepublictitle.com</a></li> <li>▪ <a href="mailto:ORSSaccountmanagement@Oldrepublictitle.com">ORSSaccountmanagement@Oldrepublictitle.com</a></li> </ul> </li> <li>○ Collateral Desktop Analysis (CDA) from Clear Capital, or <ul style="list-style-type: none"> <li>▪ <a href="mailto:customer@clearcapital.com">customer@clearcapital.com</a></li> </ul> </li> </ul> </li> <li>• Appraised value variance between the appraisal and appraisal review product may not exceed 10%.</li> </ul> <p><b>Soft Market</b></p> <ul style="list-style-type: none"> <li>• LTV/CLTV reduced by 5% when the appraisal indicates in either the Neighborhood Section Housing Trends or 1004MC Median Comparable Sale Price that property values are declining.</li> </ul>
<p style="text-align: center;"><b>Assets and Funds to Close</b></p>	<ul style="list-style-type: none"> <li>• Full asset documentation is required</li> <li>• <i>Asset reports from third party vendors approved for Day 1 Certainty, or Freddie Mac's AIM, (e.g. FormFree) are acceptable</i></li> <li>• <i>Verification of Deposits are not acceptable.</i></li> <li>• Large Deposits: <ul style="list-style-type: none"> <li>○ Follow applicable Agency/AUS requirements</li> </ul> </li> <li>• Ineligible Funds to Close and Reserves. PennyMac does not allow the following sources of funds: <ul style="list-style-type: none"> <li>○ <i>1031 exchange funds</i></li> <li>○ <i>529 plans</i></li> <li>○ Cash-on-hand</li> <li>○ Cash-out proceeds from concurrent transactions</li> <li>○ Credit card financing</li> <li>○ <i>Donations, or crowd sourced funds</i></li> <li>○ <i>Personal unsecured loans</i></li> <li>○ <i>Real estate commissions earned from the subject transactions</i></li> <li>○ <i>Rent credit from Rent-to-Own transactions</i></li> <li>○ <i>Sweat Equity</i></li> </ul> </li> </ul>
<p style="text-align: center;"><b>AUS</b></p>	<ul style="list-style-type: none"> <li>• All loans must be run through DU or LPA</li> <li>• <i>Decision must reflect Approve/Ineligible (DU) or Risk Class Accept with Purchase Eligibility as Ineligible (LPA) due only to loan amount</i></li> </ul>

<p><b>Borrower Eligibility</b></p>	<ul style="list-style-type: none"> <li>● <b>Eligible Borrowers</b> <ul style="list-style-type: none"> <li>○ U.S. Citizens</li> <li>○ Permanent resident alien</li> <li>○ Non-permanent resident aliens</li> <li>○ All borrower must have a valid Social Security Number. ITINs are not acceptable.</li> <li>○ Inter-Vivos Revocable Trusts (revocable at any time by the Trustor)</li> <li>○ Power of Attorney (POA) allowed per Fannie Mae’s requirements, regardless of which AUS is used. <b>Note:</b> <i>POA’s are ineligible on cash-out transactions.</i></li> </ul> </li> <li>● <b>Ineligible Borrowers</b> <ul style="list-style-type: none"> <li>○ Irrevocable Trusts or Blind Trusts</li> <li>○ Limited/General Partnerships and Corporations</li> <li>○ <i>Foreign nationals: A non-U.S. citizen who is not a permanent or non-permanent resident alien. This person does not have the right to live and/or work in the U.S. for a specific period of time.</i></li> <li>○ <i>Borrowers with diplomatic immunity: A form of legal immunity that ensures diplomats are not susceptible to lawsuit or prosecution under U.S. laws</i></li> <li>○ <i>Land Trusts, including Illinois</i></li> </ul> </li> </ul>
<p><b>Credit</b></p>	<ul style="list-style-type: none"> <li>● Follow Fannie Mae Fannie Mae or Freddie Mac, as applicable to the AUS run, requirements for determining the minimum credit score, amount of trade lines, and required trade line depth.</li> <li>● <i>All borrowers must return a minimum of one credit score to be eligible.</i></li> <li>● As a precautionary measure, borrowers can “freeze” their credit profile with the different credit reporting agencies. A freeze prevents the reporting agencies from releasing any credit information. <i>PennyMac requires all three credit reporting agencies to be unfrozen in order to proceed with the transaction.</i></li> </ul>
<p><b>Disaster Policy</b></p>	<p>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 or see the complete Non-Conforming Non-QM Guidelines.</p>
<p><b>Eligible and Ineligible Mortgage Products</b></p>	<ul style="list-style-type: none"> <li>● <b>Eligible Mortgage Products</b> <ul style="list-style-type: none"> <li>○ 30 year fixed rate</li> </ul> </li> <li>● <b>Ineligible Mortgage Products</b> <ul style="list-style-type: none"> <li>○ Interest Only</li> <li>○ <i>Loans using Day 1 Certainty or Freddie Mac’s equivalent service, Reps and Warrants.</i></li> <li>○ Temporary buydowns</li> <li>○ Negative amortization</li> <li>○ Loans with prepayment penalties</li> <li>○ Construction financing during building phase. Permanent financing is acceptable</li> <li>○ Assumable loans: <ul style="list-style-type: none"> <li>▪ PennyMac will not purchase assumable loans</li> <li>▪ ARM loans must be originated using PennyMac’s Non-Assumability ARM Rider and Non-Assumability Note Addendum</li> </ul> </li> </ul> </li> </ul>

<p><b>Employment and Income Verification</b></p>	<p>Loans must comply with applicable Agency/AUS income calculation and documentation requirements unless otherwise specified. If the item is not addressed below, follow the applicable Agency/AUS requirements. <i>Using Day 1 Certainty, or the Freddie Mac equivalent service, does not provide reps and warrants relief.</i></p> <ul style="list-style-type: none"> <li>• Unless the lender has knowledge to the contrary, if the income does not have a defined expiration date and the applicable history of receipt of the income is documented the lender may conclude that the income is stable, predictable, and likely to continue.</li> <li>• If the income source does have a defined expiration date or is dependent on the depletion of an asset account or other limited benefit, the lender must document the likelihood of continued receipt of the income for at least three years.</li> <li>• Base Income <ul style="list-style-type: none"> <li>○ Follow applicable Agency/AUS requirements for documenting and calculating income</li> <li>○ PennyMac will accept an employment contract and one pay stub in lieu of a pay stub with 30 days YTD income.</li> <li>○ <i>Employment contracts alone are not acceptable.</i></li> </ul> </li> <li>• Overtime Income <ul style="list-style-type: none"> <li>○ Follow applicable Agency/AUS requirements for documenting and calculating income.</li> <li>○ In general a two year history is required, however a history of 12 to 24 months may be acceptable as long as the borrower’s employment profile demonstrates that there are positive factors to reasonably offset the shorter history.</li> </ul> </li> <li>• Retirement and Social Security Retirement <ul style="list-style-type: none"> <li>○ Follow applicable Agency/AUS requirements for documenting and calculating income.</li> <li>○ In general, regular and continued receipt of the income may be documented with letters from the organization, award letters, tax returns, W2 or 1099s, or proof of current receipt.</li> <li>○ If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three years after the date of the mortgage application. <ul style="list-style-type: none"> <li>▪ Borrower must have unrestricted access without penalty to the accounts; and</li> <li>▪ If the assets are in the form of stocks, bonds, or mutual funds, 70% of the value (remaining after any applicable costs for the subject transaction) must be used to determine the number of distributions remaining to account for the volatile nature of these assets.</li> </ul> </li> </ul> </li> <li>• Housing, Parsonage, or Employer Differential Payments. <ul style="list-style-type: none"> <li>○ This is also known as housing allowance.</li> <li>○ <i>PennyMac does not allow housing allowance as qualifying income.</i></li> </ul> </li> <li>• Alimony, Child Support, and Maintenance Income <ul style="list-style-type: none"> <li>○ A copy of a divorce decree or separation agreement (if the divorce is not final) that indicates payment of alimony or child support and states the amount of the award and the period of time over which it will be received. <ul style="list-style-type: none"> <li>▪ Note: If a borrower who is separated does not have a separation agreement that specifies alimony or child support payments, the lender should not consider any proposed or voluntary payments as income.</li> </ul> </li> <li>○ Any other type of written legal agreement or court decree describing the payment terms for the alimony or child support</li> </ul> </li> </ul>
<p><b>Employment/Self-Employed Borrowers</b></p>	<ul style="list-style-type: none"> <li>• Follow applicable Agency/AUS requirements to calculate self-employed income, including any requirements regarding distributions or liquidity.</li> <li>• Analyzing the Business's Financial Strength: Lender must consider the business's financial strength by examining annual earnings. Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable.</li> <li>• Generally, businesses which show a decline of greater than 25% in the most recent year, compared to the average of the documented income are considered to have a significant decline and are not acceptable as qualifying income. <ul style="list-style-type: none"> <li>○ However, on a case-by-case basis, businesses which show a decline of greater than 25% can be acceptable when Lender thoroughly documents the income has stabilized.</li> <li>○ Documentation may include audited P&amp;L, quarterly tax returns or other appropriate documentation.</li> </ul> </li> </ul>
<p><b>Escrow Holdbacks</b></p>	<p>Allowed per applicable Agency’s requirements.</p>

<b>Financing Concessions</b>	Follow Fannie Mae or Freddie Mac requirements as applicable to the AUS run
<b>High Cost/High Priced</b>	PennyMac will not purchase High Cost loans or Higher Priced Mortgage Loans (HPML).
<b>Loan Amount</b>	The minimum loan amount for all areas is \$1 above the conforming high balance limit, or the standard balance if high balance is not available.
<b>Loan Purpose</b>	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Limited Cash-Out / Rate &amp; Term Refinance <ul style="list-style-type: none"> <li>○ Follow Fannie Mae or Freddie Mac requirements as applicable to the AUS run for eligible use of funds</li> <li>○ <i>Incidental cash back may not be used to pay off debt on the Closing Disclosure.</i></li> <li>○ <i>Incidental cash to the borrower in an amount not to exceed the lesser of 2% of the loan amount \$2,000.</i></li> </ul> </li> <li>• Cash-Out <ul style="list-style-type: none"> <li>○ Borrower must have owned the property for at least six months</li> </ul> </li> <li>• Delayed Financing <ul style="list-style-type: none"> <li>○ Defined as the refinance of a property purchased by the borrower for cash within six months of purchase</li> <li>○ Follow Fannie Mae or Freddie Mac requirements as applicable to the AUS run</li> </ul> </li> </ul>
<b>Mortgage Insurance</b>	Mortgage Insurance (MI) is not required for LTVs above 80%. Any AUS message regarding MI may be disregarded.
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Primary Residence: One to two units (1-2) units</li> <li>• Second Homes</li> <li>• Non-Owner Occupied one (1) units</li> </ul>
<b>Property: Eligible Types</b>	<ul style="list-style-type: none"> <li>• Single Family Detached One Unit</li> <li>• Single Family Attached One Unit</li> <li>• 2 Unit (Must be Owner-Occupied)</li> <li>• PUDs</li> <li>• Condominiums—Fannie Mae or Freddie Mac Warrantable only. <ul style="list-style-type: none"> <li>○ Any Fannie Mae or Freddie Mac warranty option is acceptable, including Full/Established or Limited/Streamlined Review</li> </ul> </li> <li>• Multiple parcels must follow applicable Agency/AUS requirements</li> </ul>
<b>Property: Ineligible Types</b>	<ul style="list-style-type: none"> <li>• <i>3-4 unit properties</i></li> <li>• Manufactured homes, including modular homes built on a permanent chassis.</li> <li>• Mobile Homes</li> <li>• Properties with Private Transfer Fee Covenants</li> <li>• <i>Properties located in Lava Zones 1 or 2</i></li> </ul>
<b>Property Flipping</b>	<ul style="list-style-type: none"> <li>• 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. Time frame is established by seller's date of acquisition as the date of settlement on the seller's purchase of that property and the execution of a sales contract to another party</li> <li>• Properties that involve a re-sale that occurred within the last 180 days with a price increase will have the appraisal fully-reviewed PennyMac.</li> </ul>
<b>Property: Max Number of Financed Properties</b>	<p>The financed property limit applies to the borrower's ownership of one-to-four unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers.</p> <ul style="list-style-type: none"> <li>• <i>Borrower may have up to four financed properties</i></li> <li>• The subject property is included in the total number of financed properties</li> <li>• Follow Fannie Mae or Freddie Mac, as applicable to the AUS run, requirements for determining the minimum credit score, amount of trade lines, and required trade line depth.</li> </ul>

<b>Ratios</b>	<ul style="list-style-type: none"> <li>• <i>Per DU approval, not to exceed 50%</i></li> <li>• <i>DTI limited to 43% for:</i> <ul style="list-style-type: none"> <li>○ <i>FICO &lt; 700, or</i></li> <li>○ <i>LTV/CLTV &gt; 80%</i></li> </ul> </li> </ul>
<b>Recently Listed Properties</b>	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).
<b>Rental Income</b>	<ul style="list-style-type: none"> <li>• Rental Income calculation must follow applicable Agency/AUS requirements</li> <li>• Income from Roommates or Boarders in a Single Family Property <ul style="list-style-type: none"> <li>○ <i>PennyMac does not allow boarder income</i></li> </ul> </li> </ul>
<b>Reserves</b>	Follow applicable Agency/AUS requirements for amount of reserves required. Ineligible sources of reserves are per the applicable Agency as indicated in Assets and Funds to Close section.
<b>Seasoning</b>	Please refer to the PennyMac Seasoned Loan Policy located in the PennyMac Seller Guide for requirements and loan-level price adjustments.
<b>State Restrictions</b>	Texas 50 (a)(6) transactions are ineligible
<b>Transcripts</b>	<ul style="list-style-type: none"> <li>• Tax transcripts are required for the number of years used to calculate income. <ul style="list-style-type: none"> <li>○ If the AUS allows for one year, then one year of tax transcripts must be provided.</li> <li>○ Tax transcripts must support income used to qualify.</li> </ul> </li> <li>• Transcripts are eligible in lieu of the tax returns.</li> <li>• When only W2 or 1099 income is used to qualify, W2 or 1099 transcripts may be provided.</li> <li>• If tax transcripts are not available (due to a recent filing) 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 the previous one year’s tax transcripts.</li> <li>• Business transcripts are not required.</li> <li>• 4506-T Requirements <ul style="list-style-type: none"> <li>○ A fully executed 4506-T for each of the borrower’s businesses is required.</li> <li>○ All borrowers must sign a 4506-T at application and closing.</li> </ul> </li> <li>• Borrowers that are a victim of identity theft, where transcripts cannot be obtained, will be reviewed on a case-by-case basis, but will not require an exception. In general, some, but not necessarily all of the following documentation can be included in the file to support the validity of the income: <ul style="list-style-type: none"> <li>○ Police Report</li> <li>○ IRS confirmation of identity theft</li> <li>○ Prior year’s tax transcripts</li> <li>○ An institutional written VOE</li> <li>○ Bank statements supporting payroll deposits</li> <li>○ Evidence of tax payment made or refund received for that year</li> <li>○ Other documentation deemed supportive, based upon the specific situation</li> </ul> </li> </ul>
<p><b>Refer to the Non-Conforming Non-QM Underwriting Guidelines and Fannie Mae Handbook for any item not addressed by these Matrices.</b>  <i>PennyMac does not discriminate in any aspect of a credit transaction on the basis of sex, marital status, race, religion, national origin, age, income derived from public assistance, or the good faith exercise of rights under the Consumer Credit Protection Act.</i></p>	