September 2022

PENNYMAC CORRESPONDENT

FNMA HomeStyle vs FHA 203(k) Standard vs Limited

	FNMA HomeStyle	FHA 203(k) Standard	FHA 203(k) Limited
Amortization/Term	Fixed: 10/15/20/25/30 Year	Fixed: 10/15/20/25/30 Year ARMs: 5/1 CMT	Fixed: 10/15/20/25/30 Year ARMs: 5/1 CMT
Loan Purpose	Purchase Rate & Term Refinance	Purchase Rate & Term Refinance	Purchase Rate & Term Refinance
Occupancy	1-4 unit Primary residence 1 unit Second home 1 unit Investment property	1-4 unit Primary residence	1-4 unit Primary residence
Property Type	SFR (Attached/Detached)/PUD/Condo	SFR (Attached/Detached)/PUD/Condo	SFR (Attached/Detached)/PUD/Condo
AUS	DU Approve/Eligible	FHA TOTAL Scorecard approval	FHA TOTAL Scorecard approval
Credit Score	680	580	580
DTI	50%	50% (for DTI > 50% either credit score >= 640 or LTV 5% below maximum is required)	50% (for DTI > 50% either credit score >= 640 or LTV 5% below maximum is required)
LTV/Loan Amount Calculation	Purchase LTV is determined by dividing the loan amount by the lesser of a) Purchase Price + Total Renovation Costs or b) "As completed" value Refinance LTV is determined by dividing the loan amount by the "as completed" value of the property	Maximum loan amount is the max LTV multiplied by the lesser of a) Adjusted As-Is Value + Total Rehabilitation Cost or b) 110% of the After Improved Value (100% for condos) Loan amount cannot exceed nationwide mortgage limits	Maximum loan amount is the max LTV multiplied by the lesser of a) Adjusted As-Is Value + Total Rehabilitation Cost or b) 110% of the After Improved Value (100% for condos) Loan amount cannot exceed nationwide mortgage limits
LTV Limits | Primary Residence	1 unit: 97% LTV FRM [1] 95% LTV ARM 2 unit: 85% LTV 3-4 unit: 75% LTV	Purchase 96.5% LTV [2] *AUS maximum is 106.15% Refinance 97.75% LTV [2] *AUS maximum is 107.52%	Purchase 96.5% LTV [2] *AUS maximum is 106.15% Refinance 97.75% LTV [2] *AUS maximum is 107.52%
LTV Limits | Second Home	1 unit: 90% LTV	Not allowed	Not allowed
LTV Limits | Investment Property	Purchase 1 unit: 85% LTV Refinance 1 unit: 75% LTV	Not allowed	Not allowed
Renovations, Draws, Reserves			
Minimum Renovation Amount	No minimum	$5,000	No minimum
Maximum Renovation Amount	75% of the "as completed" value of the property	No maximum FHA mortgage limits still apply	$35,000
Eligible Renovations	Renovations or repairs that are permanently affixed to the property	Remodeling and repairs including structural (e.g. structural damage repairs, exterior decks, patios, porches, etc)	Minor remodeling and non-structural repairs only (e.g. repairing/replacing plumbing, heating, electrical systems, roofing, installing new appliances, repairing an existing swimming pool, etc)
Ineligible Renovations	Please refer to Pennymac HomeStyle Product Profile, see Property: Ineligible Types	- Purchase or repair of luxury items (e.g. new swimming pool, hot tub, barbeque pit, gazebo, etc) - Additions or improvements that do not become a permanent part of the property or support commerical use of the property - Self-Help projects	- Major rehabilitation or major remodeling (e.g. structural damage repairs, room additions, landscaping, etc) - Self-Help projects
Time Frame for Renovations	9 months	6 months	6 months
203(k) Consultant	Required when a) repairs or renovations exceed $15,000 or b) any structural work is required	Required	Optional
Draw Requirements	Funds will be dispersed only when renovation work has been completed and inspected. All required documentation must be received by Pennymac prior to payment. Before any disbursements are made during the renovation period, a lien waiver or a clear title report that releases all contractor and supplier liens must be obtained. The lender may fund up to 50% of the planned materials cost at closing with an initial materials draw A 10% holdback is required on each release from the rehabilitation escrow account	Draw documents are required for any funds released prior to delivery to Pennymac. The lender must obtain an executed form HUD-9746-A Draw Request Section 203(k) from the 203(k) Consultant, requesting the release of escrow funds for completed Work Items. The lender may fund up to 50% of the planned materials cost at closing with an initial materials draw A 10% holdback is required on each release from the rehabilitation escrow account	Draw documents are required for any funds released prior to delivery to Pennymac. The lender must obtain an executed form HUD-9746-A Draw Request Section 203(k) from the 203(k) Consultant (or from the Borrower when there is no 203(k) Consultant) requesting the release of escrow funds for completed Work Items. The lender may fund up to 50% of the planned materials & labor costs at closing only when the contractor cannot defer payment or the payment is for material costs incurred prior to construction Holdback is not required
Maximum Draw Requests	No maximum number of draw requests	Maximum of 5 draw requests (4 intermediate and 1 final)	Maximum of 2 draw requests (per contractor)

Contingency Reserves	Contingency reserve equal to minimum of 10% of the total costs of the repairs and renovation work is required	Structures with actual age < 30 Years: - Discretionary: No minimum, max 20% - Required when evidence of termite damage: Min 10%, Max 20% Structures with actual age >= 30 years: - Required: Min 10%, Max 20% - When utilities are not operable as referenced in the Work Write-Up: Min 15%, Max 20%	Optional
Mortgage Payment Reserves	Mortgage payment reserves can be used for principal residence properties when the property cannot be occupied during the renovation period. Mortgage payments that come due during the renovation period may be escrowed - at the borrower's request - up to a maximum of 6 months payments of principal, interest, taxes, insurance, and any association dues.	Mortgage payment reserves can be used when the property cannot be occupied during the renovation period. Mortgage payments that come due during the period which the property cannot be occupied may be escrowed up to a maximum of 6 months of mortgage payments of principal, interest, taxes, insurance, and any association dues. The number of mortgage payments cannot exceed the completion time frame (as per the Rehabilitiation Loan Agreement).	Mortgage payment reserves are not allowed
Appraisals & Lender Approval			
Appraisal Requirement	Full appraisal required. "As completed" value required.	Purchase Full appraisal required. After improved value required. Refinance Full appraisal required. The appraiser must provide the as-is value in the body of the report. If the appraiser refuses to provide the as-is value within the as-repaired report, Pennymac will require both an as-is appraisal and as-repaired appraisal. The existing debt plus fees may not be used to determine the Adjusted As-Is Value.	Purchase Full appraisal required. After improved value required. Refinance Full appraisal required. The appraiser must provide the as-is value in the body of the report. If the appraiser refuses to provide the as-is value within the as-repaired report, Pennymac will require both an as-is appraisal and as-repaired appraisal. The existing debt plus fees may not be used to determine the Adjusted As-Is Value.
Project Completion	Form 1004D (Appraisal Completion Report) required	Fannie Mae Form 1004D or Freddie Mac Form 442 or HUD Consultant Final Inspection required	Fannie Mae Form 1004D or Freddie Mac Form 442 or HUD Consultant Final Inspection required
Lender Approval	Must be approved by Pennymac prior to delivering FNMA HomeStyle loans	Must be approved by Pennymac prior to delivering FHA 203(k) loans	Must be approved by Pennymac prior to delivering FHA 203(k) loans
Recourse	Loans retain recourse if delivered before the improvements are completed	None	None

Footnotes *Please note that this is for informational purposes only. For full product details, please refer to the Pennymac Product Profiles, Fannie Mae Selling Guide, and FHA Handbook.*

[1] If LTV > 95% and is a purchase, borrower must be a first time home buyer unless combined with HomeReady. If LTV > 95% and is a Rate & Term Refinance, existing loan must be owned or securitized by Fannie Mae
[2] The maximum CLTV when secondary financing is provided by private individuals and other organizations is 110% of the After Improved Value. No maximum CLTV when the secondary financing is provided by a government entity or family member

APPENDIX A. MAXIMUM LOAN AMOUNT CALCULATIONS

Example #1: 203(k) Standard, Purchase, SFR, High Cost Area

Assumptions

Purchase Price = $300,000
Inducements to Purchase = $0
As-Is Value = $305,000

Financeable Repair and Improvement Costs = $65,000
Financeable Mortgage Fees = $3,000
Financeable Contingency Reserves = $12,000 (Structural age >= 30 Yr, max 20%)
Financeable Mortgage Payment Reserves = $8,000 (4 months x $2,000 PITI)

After Improved Value = $350,000

Step 1. Find Adjusted As-Is Value (Purchase)

A) Purchase Price - Inducements to Purchase = $300,000 - $0 = $300,000
B) As-Is Value = $305,000

Adjusted As-Is Value (Purchase) = Lesser of A) or B) = **$300,000**

Step 2. Find Total Rehabilitation Cost

Total Rehabilitation Cost = Financeable Repair and Improvement Costs
+ Financeable Mortgage Fees
+ Financeable Contingency Reserves
+ Financeable Mortgage Payment Reserves (Standard 203k only)

Total Rehabilitation Cost = $65,000 + $3,000 + $12,000 + $8,000 = **$88,000**

Step 3. Find After Improved Value x 110% (100% for condos)

110% of the After-Improved Value = $350,000 x 110% = **$385,000**

Step 4. Find Maximum Loan Amount

A) Adjusted As-Is Value + Total Rehabilitation Cost = $300,000 + $88,000 = $388,000
B) 110% of the After Improved Value = $385,000

Maximum loan amount = [Lesser of A) or B)] x LTV
= [110% of the After Improved Value] x LTV
= $385,000 x 96.5%
= **$371,525**

Step 5. Verify that Loan Amount does not exceed Nationwide Mortgage Limits

Example #2: 203(k) Limited, Refinance, SFR, Low Cost Area

Assumptions

As-Is Value = $250,000
Existing Debt on Property Being Refinanced = $230,000
Fees Associated with New Loan = $4,000 (includes closing costs & prepaid items)

Financeable Repair and Improvement Costs = $25,000
Financeable Mortgage Fees = $1,500
Financeable Contingency Reserves = $0 (Optional)
Financeable Mortgage Payment Reserves = $0 (Standard 203k only)

After Improved Value = $270,000

Step 1. Find Adjusted As-Is Value (Refinance)

A) As-Is Value = $250,000
~~B) Existing Debt + Fees Associated with New Loan = $230,000 + $4,000 = $234,000~~

Adjusted As-Is Value (Refinance) = Use A) since an as-is value was obtained*= **$250,000**
**Pennymac always requires an as-is value. The existing debt plus fees may not be used to determine the Adjusted As-Is Value.*

Step 2. Find Total Rehabilitation Cost

Total Rehabilitation Cost = Financeable Repair and Improvement Costs
+ Financeable Mortgage Fees
+ Financeable Contingency Reserves
+ Financeable Mortgage Payment Reserves (Standard 203k only)

Total Rehabilitation Cost = $25,000 + $1,500 + $0 + $0 = **$26,500**

Step 3. Find After Improved Value x 110% (100% for condos)

110% of the After-Improved Value = $270,000 x 110% = **$297,000**

Step 4. Find Maximum Loan Amount

A) Adjusted As-Is Value + Total Rehabilitation Cost = $250,000 + $26,500 = $276,500
B) 110% of the After Improved Value = $297,000

Maximum loan amount = [Lesser of A) or B)] x LTV
= [Adjusted As-Is Value + Total Rehabilitation Cost] x LTV
= $276,500 x 97.75%
= **$270,278**

Step 5. Verify that Loan Amount does not exceed Nationwide Mortgage Limits

Example #3: HomeStyle, Purchase, 2nd Home

Assumptions

Purchase Price = $400,000

Financeable Repair and Improvement Costs = $50,000
Financeable Mortgage Fees = $2,000
Financeable Contingency Reserves = $5,000 (min 10%)
Financeable Mortgage Payment Reserves = $0

As Completed Value = $455,000

Step 1. Total Renovation Costs

Total Renovation Cost = Financeable Repair and Improvement Costs
+ Financeable Mortgage Fees
+ Financeable Contingency Reserves
+ Financeable Mortgage Payment Reserves

Total Renovation Cost = $50,000 + $2,000 + $5,000 = **$57,000**

Step 2. Find Maximum Loan Amount

A) Purchase Price + Total Renovation Cost = $400,000 + $57,000 = $457,000
B) As Completed Value = $455,000

Maximum Loan Amount = [Lesser of A) or B)] x LTV
= [As Completed Value] x LTV
= $455,000 x 90%
= **$409,500**