

This document is a summary of most of Pennymac guideline overlays to FHA, VA, and USDA requirements. This document should be used as a reference tool in conjunction with the Pennymac Sellers Guide and the appropriate Government guidelines.

Topic	Overlay/Modification	FHA Full doc	FHA Streamline	VA Full Doc	VA IRRRL	Rural Housing
X Indicates Overlay						
203(k) Specific Pennymac approval required	<ul style="list-style-type: none"> Refinances: 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. Self Help is not allowed. Homes that have been demolished, or will be razed as part of the rehabilitation work are ineligible. Homes located on another site, that will be moved onto a new foundation are ineligible. Historic Homes – homes designated by an official body as “historic” e.g. listed on the National Register of Historic Places are ineligible. Temporary Interest Rate buydowns require a minimum 660 FICO Score Manufactured homes are ineligible Mixed-use properties 	X				
Appraisal	<ul style="list-style-type: none"> A current valuation product is required <p>Base loan amount <=\$2,000,000</p> <ul style="list-style-type: none"> Estimate of value using: <ul style="list-style-type: none"> Pennymac Home Value Estimator (HVE) or Clear Capital ClearAVM with a maximum FSD score of 15 <ul style="list-style-type: none"> If the Pennymac Home Value Estimator or Clear Capital ClearAVM does not return a value or meet the maximum FSD requirement, then one of the following two options are required: <ul style="list-style-type: none"> CoreLogic Total Home Valuer (THVx) with a maximum FSD score of 13; OR External appraisal or full appraisal report is required A Corelogic THVx AVM may only be used if the Pennymac HVE or Clear Capital AVM does not return a value or the FSD > 15%. An external only appraisal or full appraisal is required for manufactured homes regardless of loan amount. If an appraisal is obtained, the value from the appraisal must be used. <p>Base loan amount >\$2,000,000</p> <ul style="list-style-type: none"> External appraisal or full appraisal report is required 				X	

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Appraisal – Unpermitted Additions	<p>Pennymac will purchase loans secured by properties with “unpermitted” structural additions under the following conditions:</p> <ul style="list-style-type: none"> ○ The quality of the work is described in the appraisal and deemed acceptable (“workmanlike quality”) by the appraiser; ○ The addition does not result in a change in the number of units comprising the subject property (e.g. a 1 unit converted into a 2 unit). ○ If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal: <ul style="list-style-type: none"> ▪ Non-Permitted additions are typical for the market area and a typical buyer would consider the “unpermitted” additional square footage to be part of the overall square footage of the property. ▪ The appraiser has no reason to believe the addition would not pass inspection for a permit. 					X
Assets/Gift Funds/ Large Deposits	<ul style="list-style-type: none"> • Acceptable documentation to use cryptocurrency/ virtual currency includes the following: <ul style="list-style-type: none"> ○ Documentation from a cryptocurrency exchange account verifying the borrower as the legal owner and not the nickname of the account, AND ○ Previous borrower bank statement showing funds going into the same cryptocurrency exchange account that the large deposit came from, OR ○ 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 	X		X		X
Cash-Out	Loan Term limited to 30 years on VA Cash-Out when LTV is > 90%			X		
Credit	<ul style="list-style-type: none"> • All mortgages must have a mortgage history of 0x30x12 in the last 3 payments. • Gaps in history or less than 12 months will not be acceptable • Minimum credit report requirement is a single-bureau soft-pull that includes a complete mortgage payment history with trended data for all mortgages and a credit score. • Clients may utilize either a single-bureau credit report or a tri-merge credit report. <ul style="list-style-type: none"> ○ All loan transactions must use the credit report type selected by the Client (i.e., If a single-bureau is selected all transactions must utilize single bureau credit reports; if a tri-merge is selected, all transactions must utilize tri-merge credit reports). ○ If single-bureau credit reports are used: <ul style="list-style-type: none"> ▪ All transactions must utilize the same credit bureau (i.e., Experian, Trans Union, Equifax) ▪ Clients may change their preferred credit bureau at most once every 6 months ▪ And if a single-bureau credit report from the Client’s selected credit bureau returns no score or an un-scorable credit history, the Client must utilize a tri-merge credit report on such transaction, and such tri-merge must show that the Client’s preferred credit bureau shows no score. 				X	

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	<ul style="list-style-type: none"> All borrowers must return at least 1 credit score. Non-traditional credit is not allowed. Must have a subject mortgage history of 0 x 30 for the last 3 payments 					
	<ul style="list-style-type: none"> All borrowers must return at least 1 credit score. 	X		X	X	X
	<ul style="list-style-type: none"> At least one borrower must have a minimum of one credit score to be eligible. 		X			
Disaster Policy	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.	X	X	X	X	X
Eligible Properties	<ul style="list-style-type: none"> No Manufactured Housing. This includes on-frame modular homes built on a permanent chassis. 					X
	<ul style="list-style-type: none"> No Cooperatives. 	X	X	X	X	
	<ul style="list-style-type: none"> Pennymac does not allow working farms which are allowed by VA. 			X	X	
	<ul style="list-style-type: none"> Geodesic Domes are not allowed 			X	X	
	<ul style="list-style-type: none"> Mobile Homes or properties located in a mobile home park are not allowed 	X	X	X	X	X
Employment/Income	<ul style="list-style-type: none"> Provide a V-VOE or third party verification for income source. Not required for retired borrowers aged 60 or older. 		X			
	<ul style="list-style-type: none"> The following Income and Employment documentation are required at a minimum: <ul style="list-style-type: none"> Salaried borrowers require a Verbal VOE Self-employed borrowers require verification of the business through a 3rd party source 				X	
	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.	X		X		X
Entitlement	VA loans must conform to GNMA secondary market guidelines which include the minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment/equity.			X	X	
Escrow/Impound Account	<ul style="list-style-type: none"> Escrow or impound accounts are required for collection of taxes, insurance, or any other required items. 			X	X	
FICO - Minimum	Minimum FICO score of 580.	X	X			X
	Minimum FICO score requirement is dependent on base loan amount, transaction type, and property type. Refer to the applicable product profile for minimum FICO requirements.			X	X	
	Minimum FICO Score of 620 for Manufactured Home FHA Purchase/R&T/Streamline	X	X			
	Minimum FICO Score of 640 for Manufactured Home FHA Cash-Out	X				
	Minimum FICO Score of 620 for FHA full doc, 203K, and FHA Manufactured Homes that are manually underwritten . Exception: FHA MH Cash-Out requires 640 minimum.	X				
Funds to Close	Cash on hand is not allowed.					X
High-Cost Loans	<ul style="list-style-type: none"> Pennymac will not purchase High-Cost Loans 	X	X	X	X	
Ineligible Mortgages	Energy Efficient Mortgages, Weatherization, Solar and Wind Technologies.	X	X	X	X	X

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	203(k) only eligible with specific Pennymac approval. Additional construction overlays apply. See FHA 203(k) Product Profile for details.	X				
	Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the product profile eligible mortgage types are ineligible.	X				
	No Graduated Payment Mortgages.			X	X	
	Streamline Refinances.					X
	VA Repair and Renovation or Construction to Perm are eligible. Additional construction overlays apply. See VA Reno Product Profile for details.			X		
	USDA Single Close Construction to Perm are ineligible					X
Loan Limits	Maximum base loan amount cannot exceed \$2,500,000			X	X	
Manufactured Homes	<ul style="list-style-type: none"> Single-width not eligible 1 unit only ARMs are ineligible Fee Simple Land Ownership only Owner Occupied only 	X	X	X	X	
	<ul style="list-style-type: none"> Minimum 700 square feet 	X				
	<ul style="list-style-type: none"> New Construction must be complete and have Certificate of Occupancy by loan closing MH that has been moved or will move to another location are not eligible Appraisal condition rating must be C4 or better 	X		X		
	<ul style="list-style-type: none"> 2055 or BPO required and property condition must be average or better Max LTV based on current market value is 110% 		X			
	<ul style="list-style-type: none"> Property condition must be average or better 				X	
	<ul style="list-style-type: none"> The property condition rating should be C4 or better. The property must be complete with the Certificate of Occupancy (C of O) or other equivalent documentation by the time of close. 	X		X		
	<ul style="list-style-type: none"> Foundation Certification required 				X	
	<ul style="list-style-type: none"> Temporary Interest Rate Buydowns allowed with 660 minimum FICO Score <ul style="list-style-type: none"> For VA and VA IRRRL also must qualify at the standard note rate without benefit of the buydown 	X		X	X	
	<ul style="list-style-type: none"> Temporary Interest Rate Buydowns are not allowed 		X			
	<ul style="list-style-type: none"> ALTA Endorsement 7, or 7.1, or 7.2, or equivalent state form required. 			X	X	
	<ul style="list-style-type: none"> Manufactured home rider to the Security Instrument required. 				X	
Properties listed for sale	Properties that were listed for sale. On cash-out transaction, the listing must have expired or been withdrawn prior to the application date. Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.	X				
	No Cash Out Transactions require the listing to have expired or be withdrawn prior to the application date. Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.					X

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	<ul style="list-style-type: none"> The listing must have been expired or been withdrawn on or before the application date. If the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year. 				X	
	<ul style="list-style-type: none"> VA IRRRL / Cash-Out Type I (rate & term): The listing must have been expired or been withdrawn on or before the application date. <ul style="list-style-type: none"> If the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year. 			X	X	
	<ul style="list-style-type: none"> Cash-Out Type II (cash-out): The listing must have been expired or been withdrawn 180 days prior to the application date. 			X		
Renovation Specific Requirements for VA	<ul style="list-style-type: none"> All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed. 0x30x3 months payment history required. No exceptions. <ul style="list-style-type: none"> Payment history may be from renovation period. Loans with no payments during renovation are ineligible Refinances are ineligible Renovation must be complete at time of delivery to Pennymac <ul style="list-style-type: none"> Reduced guaranty option is not eligible for purchase Loans will be purchased after completion of the final inspection required for guaranty. Temporary Interest Rate buydowns require minimum 660 FICO Score and must qualify at the standard note rate without benefit of the buydown. Manufactured homes are ineligible 			X		
Seasoning	All closed loans must be delivered on or before 45 days past the Note date (i.e., Note date to file delivered date). Loans aged greater than 45 days are eligible for purchase subject to Pennymac review, approval, and additional fees. Please note loans aged greater than 105 days, up to 9 months, if approved, are subject to additional loan price adjustments determined by Pennymac at review.	X	X	X	X	X
State Restrictions	Texas 50(a)(6) loans are not allowed.		X	X	X	
	Texas 50(a)(4) loans are not allowed.			X	X	
Temporary Interest Rate Buydowns	Allowed subject to the following: <ul style="list-style-type: none"> Minimum 660 FICO Score (for Rural Housing applies to Streamlined-Assist program) 	X		X	X	X
	Must qualify at the standard note rate without benefit of the buydown			X	X	
	Temporary Interest Rate buydowns are not eligible		X			
Title Insurance/Policy	Title insurance is required for all properties			X	X	
UW Method	On Rural Housing transactions, manual underwrite allowed; must provide copy of the GUS findings in file to determine location and annual income compliance with Rural Housing requirements.					X
	<ul style="list-style-type: none"> All loans must be submitted through FHA TOTAL Mortgage Scorecard utilizing DU or LPA. Loans receiving a Refer recommendation or loans that require a downgrade must be manually underwritten in accordance with Pennymac overlays and FHA manual underwriting requirements. Approve/ineligible due to LTV are acceptable for HUD REOs only. 	X				
	<ul style="list-style-type: none"> Loans must be submitted and approved through DU or LP. Loan amounts >\$1.5M <ul style="list-style-type: none"> AUS approval required Maximum DTI 45.00% regardless of AUS approval 			X		

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	<ul style="list-style-type: none"> ○ Borrowers must have a primary mortgage or primary housing history of 0x30x12 for the most recent consecutive 12month period, ending with the application date. <ul style="list-style-type: none"> ▪ Gaps in history or less than 12 months will not be acceptable. • Manual underwriting on non-IRRRL, non-manufactured home transactions is permitted under the following conditions: <ul style="list-style-type: none"> ○ Loan amounts <= \$1.5M ○ The greater of 660 FICO or the FICO floor referenced on the Maximum LTV/CLTV and FICO Requirements grid for purchase and Cash-out Type I refinance transactions ○ 700 FICO for cash-out Type II transactions ○ 0 x 30 in the most recent 12 months for all prior mortgages ○ Maximum DTI of 45%, refer to the Residual Income Section for DTIs over 41% ○ Include a copy of the AUS Refer/Eligible in the loan file 					
<p>These requirements apply to programs currently offered by Pennymac. Programs including, but not limited to, Hawaiian Homelands, Section 184 Indian Housing, Graduated Payment Plan Mortgage, or any other program that requires government specific approval, are not eligible for purchase. If there is a conflict between the overlay matrices and the product profile, follow the product profile.</p>						