

This document is a summary of most of Pennymac guideline overlays to FHA and VA 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 203(B)	VA	FHA Streamline	VA IRRRL
X Indicates Overlay					
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. <ul style="list-style-type: none"> Pennymac portfolio loans may follow the estimate of value waterfall above. If an appraisal is obtained, the value from the appraisal must be used. <p>Base loan amount >\$2,000,000</p> 				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			
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	
Borrower Eligibility	(FHA) Borrower or properties with previous Mortgage Credit Rejects (MCR) are ineligible.	X		X	
	Joint Loans are not allowed (refer to borrower section in product profile for two exceptions.)		X		
Cash-Out	Borrowers may not have multiple cash-out transactions in a 12 month period. See product profiles for exceptions	X	X		
	Loan Term limited to 30 years on VA Cash-Out when LTV is > 90%		X		

Topic	Overlay/Modification	FHA 203(B)	VA	FHA Streamline	VA IRRRL
	All cash-out refinance transactions must present a tangible benefit to the borrower. At Pennymac's discretion, cash-out loans where effective interest of proceeds are clearly more costly than alternative financing may be deemed ineligible.	X	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 Pennymac portfolio loans are excluded from this requirement 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. 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 				X
	All borrowers must return at least 1 credit score.	X		X	X
	At least one borrower must have a minimum of one credit score to be eligible.		X		
	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		X		
Condo	FHA Single Unit Condo approval and DELRAP approval are not eligible.	X			
Derogatory Credit	<ul style="list-style-type: none"> Purchase or rate and term refinances with a payment history for ANY mortgage, including HELOCs, that reflect any of the following are ineligible: <ul style="list-style-type: none"> 3x30x12, or 1x60x12 plus 1x30x12, or 1x90x12 within the most recent 12 months prior to the case number assignment date; or The borrower has made less than three consecutive monthly housing payments since completion of a mortgage forbearance plan. Cash-out refinances with a payment history for ANY mortgage, including HELOCs, that reflect any of the following are ineligible: <ul style="list-style-type: none"> Current delinquency; or Any delinquency within 12 months of the case number assignment date; or The borrower has made less than 12 consecutive monthly mortgage payments since completion of a mortgage forbearance plan. Undisclosed mortgage debt with a pay history that reflect the following is ineligible: <ul style="list-style-type: none"> Current delinquency; or 	X			

Topic	Overlay/Modification	FHA 203(B)	VA	FHA Streamline	VA IRRRL
	<ul style="list-style-type: none"> Any mortgage delinquency within 12 months of the case number assignment date; or More than two 30-day late payments within 24 months of the case number assignment date. 				
	<ul style="list-style-type: none"> Chapter 7 or Chapter 13 bankruptcy discharged less than 2 years from the case number assignment date are ineligible. 	X			
	<ul style="list-style-type: none"> A foreclosure or a deed-in-lieu (DIL) of foreclosure within three years of the case number assignment date is ineligible The three-year period begins on the date of the DIL or the date that the borrower transferred ownership of the property to the foreclosing entity/designee. 	X			
	<ul style="list-style-type: none"> If the borrower relinquished property through a short sale within three years of the case number assignment date the transaction is ineligible. The three-year period begins on the date of transfer of title by short sale. 	X			
	<ul style="list-style-type: none"> The applicant may not have more than 2x30x12, 1x60x12, and 0x90x12 across all tradelines. 	X			
Documentation	<ul style="list-style-type: none"> (FHA and VA) For self-employed borrowers: the verbal verification of employment must be completed within 120 days prior to the note date. (VA) For wage earner borrowers: the verbal verification of employment must be completed within 10 business days prior to the note date. Handwritten Verifications of Mortgage (VOM) or Verifications of Rents (VOR) are not eligible. Verifications from private loans are acceptable however cannot be handwritten. VODs are not acceptable for asset documentation 	X	X		
	<ul style="list-style-type: none"> If business income shows a greater than 20 percent decline over the analysis period the borrower is not eligible for an FHA mortgage. 	X			
	<p>To use rental income received from boarders of the subject property for qualification purposes, rental income receipt and eligibility must be documented and verified subject to the following:</p> <ul style="list-style-type: none"> Minimum 680 FICO score is required for occupying borrowers (use the qualifying score of all occupying borrowers). The boarder income being used as effective income for qualification purposes must have an on-time payment history for the most recent 9 months. (Refer to product profile for complete validation requirements) <ul style="list-style-type: none"> Tax returns and deposit slips are ineligible for validation purposes. The amount of the rental income from boarders used as effective income must not exceed 15% of the total monthly effective income to qualify the borrower. Boarder income is not an eligible income type for manually underwritten loans. 	X			
Disaster Policy	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.	X	X	X	X
Eligible Properties	<ul style="list-style-type: none"> No Cooperatives. No Mobile Homes or properties located in a Mobile Home Park 	X	X	X	X
	<ul style="list-style-type: none"> No Geodesic domes 		X		X
	<ul style="list-style-type: none"> Pennymac does not allow working farms which are allowed by VA. 		X	X	X
	<ul style="list-style-type: none"> Properties located in lava zone 1 or 2 	X	X	X	X
Employment Verification	For self-employed borrowers the verbal verification of employment must be completed within 120 days prior to the note date.	X	X	X	

Topic	Overlay/Modification	FHA 203(B)	VA	FHA Streamline	VA IRRRL
Employment Verification, cont.	<ul style="list-style-type: none"> Retirement and/or social security income requires the most recent bank statement or award letter Interest/Dividend income requires the first page of the most recent tax returns and a copy of the statements reflecting the current balance Rental income requires the 1st page and Schedule E of the most recent tax return or a current lease agreement 			X	
	<ul style="list-style-type: none"> All Borrowers require a Verbal VOE or income source documentation 				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	X
Escrow/Impound Account	Escrow or impound accounts are required for collection of taxes, insurance, or any other required items.		X	X	X
Escrow Holdback	Escrow holdbacks: <ul style="list-style-type: none"> New Construction only Weather related repairs only Settlement Agent must administer escrow account and disbursement of funds 150% of repair estimate to be escrowed 	X	X		
Fee Recoupment	Remaining unpaid term must be reduced by a minimum of five years				X
FICO - Minimum	Minimum FICO Score of 580.	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 640 for FHA full doc and FHA Manufactured Homes that are manually underwritten .	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
	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	X
	VA Repair and Renovation or Construction to Perm loans are ineligible		X	X	
Loan Limits	Maximum base loan amount cannot exceed \$2,500,000		X		X
Manufactured Homes (MH)	<ul style="list-style-type: none"> Single-width not eligible 1 unit only ARMs are ineligible Fee Simple Land Ownership only MH Power of Attorney required unless an Affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval Owner Occupied only 	X	X	X	X
	<ul style="list-style-type: none"> Lender must be approved for Pennymac Sponsored UW Minimum 700 square feet 	X			

Topic	Overlay/Modification	FHA 203(B)	VA	FHA Streamline	VA IRRRL
	<ul style="list-style-type: none"> Escrow Holdbacks are not allowed 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 a 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	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			
	<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. 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		
Occupancy	Owner occupied only	X			
Payment Decrease/Increase Requirements	Payment may not increase by 20% or more				X
Reserves/Funds to Close	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				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
State Restrictions	Texas A (6) Refinances are ineligible.		X	X	X
	FHA Streamlines are not allowed in West Virginia			X	
Temporary Interest Rate Buydowns	Temporary Interest Rate buydowns are not allowed			X	
	Allowed subject to the following: <ul style="list-style-type: none"> Minimum 660 FICO Score 	X	X		X
	Must qualify at the standard note rate without benefit of the buydown		X		X
Title Insurance	Title insurance is required for all properties		X	X	X

Topic	Overlay/Modification	FHA 203(B)	VA	FHA Streamline	VA IRRRL
UW Method	<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 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% <p>Include a copy of the AUS Refer/Eligible in the loan file</p>		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 acceptable for HUD REOs only. 	X			