Pennymac Correspondent
Non-QM DSCR Product Profile
06.01.26

Fixed Rate and Hybrid ARM			
Investment Property with DSCR >= 1.00			
Purpose	Maximum Loan Amount	Max LTV/CLTV	Minimum Credit Score
Purchase / Rate & Term	1,000,000	80%	720
	1,000,000	75%	680
	1,000,000	70%	660
	1,500,000	75%	700
	1,500,000	70%	680
	1,500,000	65%	660
	2,000,000	75%	720
	2,000,000	70%	700
	2,000,000	65%	680
	2,000,000	60%	660
Cash-Out	1,000,000	75%	720
	1,000,000	65%	660
	1,500,000	70%	700
	1,500,000	60%	660
	2,000,000	60%	700

Fixed Rate and Hybrid ARM			
Investment Property with DSCR >= 0.75			
Purpose	**Maximum Loan Amount**	**Max LTV/CLTV**	**Minimum Credit Score**
Purchase / Rate & Term	1,000,000	75%	700
	1,000,000	70%	680
	1,000,000	60%	660
	1,500,000	70%	700
	2,000,000	65%	700
Cash-Out	1,000,000	70%	720
	1,000,000	60%	660
	1,500,000	65%	700
	2,000,000	60%	740

Fixed Rate and Hybrid ARM			
Investment Property with No DSCR Ratio			
Purpose	**Maximum Loan Amount**	**Max LTV/CLTV**	**Minimum Credit Score**
Purchase / Rate & Term	1,000,000	75%	740
	1,000,000	70%	720
	1,000,000	65% (Purch) 60% (Refi)	680
	1,000,000	60%	660
	1,500,000	70%	740
	1,500,000	65%	700
	2,000,000	65%	740
Cash-Out	1,000,000	65%	740
	1,000,000	60%	660
	1,500,000	60%	700
	2,000,000	60%	740

Additional Criteria

Additional Criteria

Loan Scenario / Feature Eligibility	
Min DSCR Ratio	>=0.75 OR No Ratio
Short Term Rental Income Used	Max 70% LTV/CLTV and DSCR>=1.0
Interest Only	Min 700 FICO, Max 75% LTV/CLTV for Ratios >=1.0, Min 700 FICO, Max 70% LTV/CLTV for Ratios >=0.75, Not Eligible For No Ratio Option
Temporary Interest Rate Buydowns	Not Eligible
Escrow Impound Waivers	Eligible (see Escrow/Impounds section)
Any scenario in which an employee of the lender, broker, correspondent, or originator is a party to the subject loan	Not Eligible

Borrower Eligibility	
First Time Investors	Min 700 FICO, DSCR > 1.0, No Exceptions
First Time Homebuyer	Not Eligible
Non-Permanent Resident Alien	Max 75% LTV/ CLTV, No Cash Out
Maximum Financed Residential 1-4 Unit Properties and UPB	No borrower or guarantor may have more than 20 financed properties No borrower or guarantor may have more than 10 properties or $7.5M UPB serviced by Pennymac
Also see Borrower Eligibility Section below	

Property Type	
2-4 Units	Max 75% LTV/CLTV
Warrantable Condos	Max 75% LTV/CLTV

Non-Warrantable Condos	Max 75% LTV/CLTV
Declining Markets	Reduced Max LTV/CLTV by 5%
Also see Property - Eligible Types and Property - Ineligible Types below	

Cash-Out Requirements	
LTV > 60%	Max Cash Out $500K
LTV <= 60%	No Limit
Cash out proceeds must not be used for personal use.	

Reserves	
Loan Amount	Minimum Reserve Requirements for the Subject Property
<= $500,000	3 months
$500,001 to $2,000,000	6 months
See Reserves section for additional reserve requirements	

Occupancy	
Principal Residence or Second Homes	Not Eligible
Investment Property	Gift funds not permitted for LTV/CLTV > 80%

Ability To Repay

- All loans are not subject to the general ATR underwriting standards (12 C.F.R. 1026.43(c)).
- All loans within the DSCR program must be non-owner occupied and for a business purpose.
- All borrowers must execute the Occupancy Certification indicating they will not occupy the subject property as a principal residence or second home, and will not occupy the property for more than 14 days in any calendar year.
- All individuals signing the note or providing a personal guaranty must execute a Business Purpose & Occupancy Affidavit.
- For cash out transactions, cash out proceeds must not be utilized for personal use, and the borrower must provide an LOE detailing the purpose and use of the proceeds.

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<td>Age of Documents</td>
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For new and existing construction, credit documents must be no more than 120 days on the date the note is signed, including credit reports and employment, income and asset documents.
Appraisal reports must be dated no more than 120 days from the note date.

Any appraisal dated greater than 120 days from the note date will require a recertification of value completed by the original licensed appraiser, is good for an additional 120 days and must be completed prior to the note date.
If the loan does not close within the initial recertification, then another update may be obtained but the original appraisal must be dated within 12 months of the note date.

Preliminary Title Policies must be no more than 120 days old on the date the note is signed.

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<td>Appraisals</td>
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Property inspection waivers are not eligible
All appraisals must comply with applicable regulations and standards, including but not limited to USPAP, FIRREA, AIR, HVCC, and HPML compliance.

If two appraisals are required they must be obtained from a different appraiser and appraisal company.

One full appraisal for loan amounts up to $2,000,000
Two full appraisals for loan amounts > $2,000,000 or HPML flip transactions.

If two appraisals are obtained, the lower value must be used for the LTV/CLTV.

All single appraisal transactions must have a secondary valuation assessment completed prior to the delivery date with one of the following conditions satisfied. For TPO Non-Del the secondary valuation meeting one of the following conditions must be completed prior to the note date:

A Fannie Mae Collateral Underwriter® (CU) score <= 2.5 or Freddie Mac Loan Collateral Advisor® (LCA) score <= 2.5

If a CU or LCA score is used as the secondary valuation, the Submission Summary Report (SSR) must be included in the file.
If both are run, they must be done at the same time; Only one needs to have a passing score

If neither the CU score nor the LCA score is <=2.5, a Clear Capital Collateral Desktop Analysis (CDA) or Stewart Valuation Appraisal Risk Review (ARR) with a value that is:

> 90% of the appraisal value if LTV <= 85% or
> 95% of the appraisal value if the LTV > 85%
Correspondent must deliver a Submission Summary Report (SSR) regardless of CU or LCA score

If the CDA or ARR supports the appraised value the report must be retained in the loan file
Field Review with a value that is not less than 90% of the original appraised value
If the field review supports the original appraised value, the report must be retained in the loan file
If none of the secondary valuations conditions above can be met, a second full appraisal is required

The lower of the first (original) and second appraisal values must be used as the appraised value in the LTV/CLTV calculation

A secondary valuation, other than a second full appraisal, is never used to determine the value of the subject property. Secondary valuation products are provided only to support the value of the appraisal and are not meant to be used as a substitute value for the property.

Unpermitted additions/alterations and deferred maintenance must meet Fannie Mae requirements
All 1-unit investment property transactions require Form 1007
For 2-4 unit properties, Fannie Mae form 1025 Small Residential Income Property Appraisal report is required

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	• Accessory units are acceptable
	  ○ Must follow all Fannie Mae requirements and restrictions for ADUs
	• Appraisal must reflect zoning compliance is legal
	  ○ Legal non-conforming zoned properties must indicate that the subject property can be 100% rebuilt if it is severely damaged or destroyed.
	• Declining Markets
	  ○ A declining market is defined as one in which the appraiser has indicated the market is declining in the housing trends of the appraisal report
	    ■ In the event there are two appraisals, this condition is satisfied if either of the two appraisers indicates the market is declining
	  ○ If a property is in a declining market, the following applies:
	    ■ The Max LTV is reduced by 5% (points) from the max LTV for the specific scenario (i.e. 5 points lower than the most restrictive max LTV given the loan scenario).
	• Rural Properties
	  ○ Defined by the appraiser in Neighborhood Characteristic Location
	    ■ In the event there are two appraisals, any conflict with the Neighborhood Characteristic Location must be reconciled.

Assets	General Asset Requirements
	• Full asset documentation is required for **both** funds to close and reserves.
	  ○ For most asset types, this would include all pages of the most recent one-month's statement, the most recent quarterly statement, or FNMA approved third party direct pull services, dated within 90 days of the note date.
	• Follow Fannie Mae Selling Guide requirements if funds require liquidation when used for the down payment or closing costs, and if the funds are being used for reserves.
	• Large deposits should be in line and consistent with the borrower's overall credit and may require a signed LOE.
	
	Business Assets
	• Business assets are an acceptable source of funds for **down payment, closing costs, and reserves** for self-employed borrowers; **all** of the following must be met:
	  ○ The borrowers on the loan must have a minimum of 25% ownership of the business and must be owners on the business account
	  ○ Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
	  ○ All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to funds in the account
	  ○ The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction
	Gift Funds
	• Gift funds are eligible for **down payment and closing costs** with the following requirements:
	  ○ Gift funds from family members, as defined by Fannie Mae, are eligible
	  ○ Purchase transactions only

- Ineligible for investor properties >80% LTV/CLTV
- Acceptable as 100% downpayment for loans <75% LTV/CLTV
- Acceptable for loans >= 75% LTV/CLTV, however the underlying borrowers must contribute a minimum of 5% of the transaction from their own funds (lower of purchase price or appraised value).
- See Additional Criteria section for LTV/CLTV limitations

- Gifts must be evidenced by a gift letter signed by the donor. The gift letter must:
  - Specify the dollar amount of the gift;
  - Include the donor's statement that no repayment is expected; and
  - Indicate the donor's name, address, telephone number, and relationship to the borrower.

Other Asset Sources

- Life insurance policy current cash value or loan against the cash value may be used for **down payment, closing costs, or reserves.**
- Non-borrowing spousal accounts are allowed for **downpayment, closing costs, and reserves:**
  - Fully executed relationship letter required.
- Assets held in foreign accounts are acceptable for **down payment, closing costs, and reserves** subject to the following:
  - Must be 60 days seasoned with 2 most recent bank statements (all pages); and
  - When the source of funds originates from assets located outside the U.S., those assets require:
    - Documented evidence of the foreign assets translated into English and exchanged into U.S. dollars and held in a U.S. or state regulated financial institutions; and
    - Verification of the funds in U.S. dollars prior to closing the loan.
  - Assets from countries under OFAC sanctions are not permitted
- Funds held by a 1031 exchange administrator or permitted for downpayment and closing costs
- Proceeds from the sale of personal assets are an acceptable source of funds for the **down payment, closing costs, and reserves p**rovided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction.
  - Documentation required supporting borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and borrower's receipt of sale proceeds
- Employer assistance in the form of a grant, direct fully repayable second mortgage, forgivable second mortgage or deferred payment second mortgage or unsecured loan, and shared appreciation down payment assistance are permitted.
  - Funds must come directly from the employer, may be used for **down payment / closing costs** subject to minimum Borrower contributions.
  - May be used for **reserves except for unsecured loans and are only eligible for primary residence**.
  - Any obligation for the borrower that arises from receipt of this assistance must be included in qualifying the borrower.
- Bitcoin and other forms of cryptocurrency are eligible for **downpayment, closing costs, and reserves,** subject to the following:
  - It has been exchanged into U.S. dollars

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There must be sufficient documentation to verify that the funds originated from the borrower's cryptocurrency/virtual currency account.
Seasoning requirements not applicable given liquidation

Ineligible Asset Types:

Assets derived from the production or sale of marijuana
Gift of equity
Builder profits
Rent credits
Cash-on-hand.
Sweat equity.
Unsecured loans (except employer assistance funds as defined above) or cash advances.

Reserves

Refer to the Reserves sections of the product profile for calculation and minimum reserve requirements
Net proceeds from a cash-out refinance transaction may be used as reserves. Refer to the Reserves section of the product profile for additional requirements.
Publicly traded stocks, bonds, mutual funds, 100% of the account(s) value may be used for reserves.
Vested retirement accounts (e.g., IRA, 401k, Keogh, 403b), 100% of the vested balance may be used for reserves.
Ineligible assets for reserves

Gift funds.
Restricted stock
Retirement accounts <100% vested
Assets being used for dividend and interest income
1031 Exchange assets
Employer assistance received in the form of an unsecured loan.
Employer assistance received for second homes and investment properties

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<tr><td>Assignment of Mortgages</td><td>
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 Loan Services, LLC (#1007159), within 24-hours of purchase.
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<tr><td>AUS / Underwriting Method</td><td>

AUS not utilized, manual underwriting only.
All loan files should contain underwriter worksheets which detail the qualifying income calculations and debt obligations considered or not considered (and reason for exclusion)

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<tr><td>Borrower Eligibility</td><td>

The DSCR program is eligible for professional investors only

Professional investors must have at least 12 months experience owning and/or managing income producing real estate within the most recent 36 months from the note date of the subject transaction

A signed LOE by the borrower/guarantor is required to detail relevant real estate experience
Pennymac reserves the right to request specific documentation to validate the LOE
First time investors allowed, refer to Additional Criteria section above (if any borrower or guarantor doesn't meet the 12 month experience requirement follow the first-time investor rules, including the prohibition on first-time homebuyers).

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- All borrowers must execute a personal guaranty agreement if the Note is not being signed individually. See Entity Signature Requirements section below
- Maximum number of borrowers is four
- U.S. citizens
- Permanent Resident Aliens, with proof of one of the following:
  - I-151 Permanent Resident Card (Green Card) that does not have an expiration date on the back (also known as a green card)
  - I-551 Permanent Resident Card (Green Card) that is issued for 10 years that has not expired.
  - I-551 Conditional Permanent Resident Card (Green Card) issued for two years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of conditions
  - Un-expired Foreign Passport that contains an un-expired stamp reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
- Non-Permanent Resident Aliens:
  - If any borrower is a Non-Permanent Resident Alien, then all of the following requirements apply.
  - Borrower Eligibility:
    - All borrowers must have a valid Social Security Number and established US credit history
    - No Asylum
  - Employment Status Documentation:
    - The following VISA types are acceptable: E-1, E-2, E-3, EB-5, G-1 thru G-5, H-1B, L-1, NATO, O-1, R-1, TN(NAFTA)R-1
    - Copies of the Borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival / Departure Record).
    - A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the Borrower's current employer. If the visa will expire within six (6) months of note date, it is acceptable to obtain a letter from the employer documenting the Borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa)
    - If a non-U.S. citizen is borrowing with a U.S. citizen, the visa or residency requirements still must be met. Individuals in possession of spouse or family member visas are to qualify as co-Borrowers only. A valid EAD must be provided to use income for qualification
  - See Additional Criteria Section for other requirements

- Limited Partnerships (LP), General Partnership (GP), Corporations (CORP), and Limited Liability Companies(LLC)
  - Business purpose loans only
  - Entities must be formed for the purpose of ownership and management of real estate
  - Maximum of 4 entity owners allowed
  - All eligible Guarantors (noted below) must be disclosed and credit qualified
    - All Borrower(s) must execute the Occupancy Certification

        - Guarantor(s) must be a managing member or majority owner as confirmed by the Operating Agreement (or equivalent) and have at least 25% ownership of the business entity (as confirmed by the operating agreement or equivalent). Said guarantor is subject to the same underwriting requirements as the individual borrower.
        - Personal Guaranty is required when Note is not being signed individually
        - All Guarantors must sign all closing documents and disclosures
        - All borrowers will be required to provide personal recourse
        - Consent of Spouse Form is required in community property states when loan is signed with a Personal Guaranty and spouse is not included on the loan
            - Form must be executed at loan closing and dated the same date as the Note
    - No additional individuals may be included on title or be obligated on the subject loan.
    - The following entity documents are required:
        - Articles of Incorporation
        - Operating Agreement (or equivalent)
        - Tax Identification Number
        - Certificate of Good Standing, must be dated within 30 days of closing
    - Layered entities are permitted up to two layers as long as the ownership structure is consistent from top to bottom with no discrepancies. For example, if the borrower is ABC LLC which is 100% owned by XYZ LLC, and John and Mary Smith are the sole owners of XYZ LLC, then John and Mary Smith must be the borrowers/guarantors. The ownership chain must be clear and aligned.
        - Entities layered with a trust are not eligible
        - Guideline requirements must be met for each entity
    - Entity Signature Requirements
        - The note must be signed by the guarantor in their individual capacity and/or as a member, and/or as a managing member as follows: Guarantor(s) sign the note as (a) member(s) or managing member(s) of the entity. In this case, each Guarantor must also sign the Personal Guaranty Agreement as an individual.
            - Borrower(s) may sign the note as (an) individual(s). In this case, the borrower(s) do not need to sign a Personal Guaranty Agreement.
            - Borrower(s) may sign the note both as (an) individual(s) and as (a) member(s) or managing member(s) of the entity (two signatures per person) In this case, the borrower(s) do not need to sign a Personal Guaranty Agreement.
        - The Mortgage / Deed of Trust / security instrument should be signed by the borrower(s)/guarantor(s) of the entity in their capacity as member(s) and/or managing member of the entity.
        - Note:
            - Ms Penny Mac (individual signature if person is not signing a Personal guaranty)
            - Ms Penny Mac, as member of ABC Property, LLC
        - Mortgage / Deed of Trust
            - Ms Penny Mac, as member of ABC Property, LLC

	■ Personal Guaranty Agreement ● Ms Penny Mac (Personal Guaranty Agreement must always be signed as an individual) The following borrower and vesting types are ineligible: ● Borrowers with diplomatic immunity ● Borrowers with asylum status ● Illinois land trust ● Blind trusts ● Land trusts ● Irrevocable trust ● Layered Entities with a Trust ● Non-profit Organizations ● Borrowers in any country not permitted to do business in the United States ● Persons from OFAC sanctioned countries or persons sanctioned by OFAC ● Individuals on OFAC's SDN list ● Tenants in Common, unless all parties vested match the actual borrowers on the loan ● Foreign Nationals
CEMA	● Refinance only ● Lost Note Affidavits (LNAs) are not allowed for prior or current notes

Condominiums	● Condominiums can be either approved as Warrantable or under the Non-Warrantable guidelines in this section
	● Warrantable Condo Project reviews must follow the Fannie Mae Selling Guide and any additional criteria specified in this section, and Non-Warrantable reviews must follow the Full Condo Project Review except for flexibilities allowed under the "Restrictions for Non-Warrantable Condominium Projects" section below
	● A Condominium Project Certification form along with the Condo Project Questionnaire, and all supporting documentation required to determine eligibility must be included and retained in the file.
	    ○ A new questionnaire is required for each loan transaction.
	Full Condo Project Review:
	● See Additional Criteria section for LTV/CLTV limitations
	● Warrantable Condo projects must meet all condo warrantability requirements in the Fannie Mae Selling Guide and any additional requirements in this section
	● The following must have a Full Project Review
	    o Attached Condo Unit in a New or Newly Converted Project must meet Fannie Mae eligibility requirements
	    o Projects that are deemed ineligible for Limited Review must complete a Full Project Review
	    o Non-Warrantable Projects
	● Condominium Project Manager (CPM) Approval
	    o The project must have a valid, unexpired CPM Certification as of the date of the Note, and such certification must be retained in the Mortgage loan file. The CPM status must reflect a designation that is eligible for sale to Fannie Mae
	    o In addition, there must not be any change of circumstances since the project information was submitted to CPM that would result in the project not satisfying Fannie Mae's or Pennymac's eligibility criteria.
	    o Evidence that the project continues to meet Fannie Mae's insurance requirements is required

Limited Project Review:

- To be eligible for a Limited Review, the unit securing the mortgage must be an attached unit in an Established Condo Project
- Attached units in Established Projects located in Florida may be subject to more restrictive LTV ratio requirements under the Limited Review process, per the Fannie Mae guidelines
- The project and the unit must meet the following eligibility requirements:
    - The project meets the general requirements for condos or PUDs
    - The project does not include manufactured homes
    - No more than 15% of the units have special assessments that are 60 or more days past due
    - The project does not exhibit any characteristics that would classify it as an ineligible condominium project under Fannie Mae's guidelines.
    - If the LTV, CLTV, or HCLTV ratios exceed the limits, or if any of the factors making the project ineligible under the Limited Review are present, another review method must be used and the project must meet all the eligibility requirements for that method.

Fannie Mae Project Eligibility Review Service (PERS) Approval:

- New and Existing Condominium Project approvals are acceptable
- Evidence of the PERS final project approval must be current through the Note Date and be included in the Mortgage loan file

Project Review Waiver

- Project review is waived for the following project types but must still follow all Fannie Mae guidelines for acceptability
    - Detached unit in a New or Established Condo Project
    - Unit located in a New or Established two-to-four unit (2-4) condo project
        - The borrower/guarantor may not own more than two units in any 2-4 unit project
    - Unit in a PUD project, except PUD projects consisting of single-width or multi-width manufactured homes subject to a community land trust, deed restriction, ground lease, or shared equity arrangement

Project Review Process Employed	Expiration of Project Review
• Limited Review	Must have been completed within one year prior to the note date
• Full Review for Established Projects	CPM/PERS must have been completed within one year prior to the note date
• Full Review for New Projects	CPM/PERS must have been completed within 180 days prior to the note date
• Approved by Fannie Mae as Reflected in CPM	CPM/PERS must be valid (unexpired) as of the note date

- PCG Del Only: Loans secured by units in projects that did not meet Fannie Mae's eligibility requirements as of the Note Date may still be delivered after the project becomes compliant, provided all of the following are met:
    - The project meets applicable Fannie Mae eligibility requirements at the time of delivery
    - All Pennymac mortgage seasoning and other loan-specific requirements are satisfied
    - Example: If a loan closes in a new project that does not yet meet Fannie Mae's pre-sale requirement, the loan may be delivered once the pre-sale threshold is met and all other criteria are fulfilled.

Restrictions to Non-Warrantable Condominium Projects:

- See Additional Criteria section for LTV/CLTV limitations
- Risk stacking of non-warrantable features are not permitted
- Single entity ownership is limited to 30% of a project
- Commercial space must be typical to the market, have no negative impact, and comprise 49% or less of a project space
- Investor concentration is limited to 70% of a project
- No more than 25% of the total units in the project can be 60 days or more past due on condo/HOA dues. This figure includes delinquencies for special assessments.
- Properties with significant deferred maintenance or critical repairs must adhere to FNMA criteria
- Common areas must be 100% complete
- HOA should be in control of the association. Projects under builder, developer control may be considered on a case-by-case basis and will require an exception approval
- HOA reserves must demonstrate a minimum of 10%.
- The project documents do not give a unit owner or any other party priority over the rights of the first mortgagee, such as right of first refusal.
- Mandatory dues are not allowed
- Projects involved in litigation are acceptable provided the lawsuit(s):
    - are not structural in nature
    - do not affect the marketability of the project units and
    - potential damages do not exceed 25% of HOA reserves or with documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense

Florida Condominiums:

- Condo projects subject to Florida's SB-4D requirements will be considered on a case-by-case basis and require Pennymac approval.
- The following applies to Florida condos that are three (3) or more stories high and thirty (30) years or older (25 years or older if the building is within 3 miles of the coastline):
    - Evidence is required that the building has completed the required inspections outlined in FL SB-4D
        - If the required inspections have not been completed, the property is ineligible
    - If the inspection revealed substantial structural deterioration or any unsafe or dangerous conditions, evidence that the required repairs have been completed is required. If the required repairs have not been completed, the property is ineligible.

- Evidence is required that the Association has completed the required structural integrity reserve study and the budget contains adequate reserves
    - The monthly HOA fee should be consistent with the budget
- Within Forty-eight (48) hours of closing, the most current SIRS must be reviewed to confirm the project's approved status

Condo Project Documentation

- The following must be obtained and retained in the file:
    - Condo Project Certification Form (all projects)
    - Condo Project Questionnaire, Limited or Full as applicable
    - Copy of Fannie Mae Condo Project Manager (CPM) project status (regardless of approval type)
    - Project's current annual budget (Full Review)
    - Current balance sheet, dated within 60 days the note date (Full Review)
    - Evidence of master policy and, if required, HO6 insurance coverage, or individual property insurance policy, as applicable for all projects. See Property Insurance section.
    - Evidence new condo projects meet Fannie Mae presale ratios
    - All project inspections completed within the last 36 months
    - Project legal documents as required by Project Type
    - All other documents required to determine condo project eligibility. Refer to the Fannie Mae Selling Guide for documentation examples.

Critical Repairs / Significant Deferred Maintenance

- Projects in need of critical repairs, or that have significant deferred maintenance, or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible for purchase.
    - Projects in need of critical repairs are those needing repairs or replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s), or the financial viability or marketability of the project. Critical repairs include conditions such as, but not limited to:
        - Material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year;
        - Any mold, water intrusions or potentially damaging leaks to the project's building(s);
        - Advanced physical deterioration;
        - Any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications specific to structural safety, soundness, and habitability; or
        - Any unfunded repairs costing more than $10,000 per unit that should be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment).
    - A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy.

Special Assessments

- Special assessments may be current or planned. Lenders must obtain and review the following information for each special assessment to determine if it addresses a critical repair:
    - What is the purpose of the special assessment,

	○ When was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or already being executed, ○ What was the original amount of the special assessment and the remaining amount to be collected, and ○ When the expected date the special assessment will be paid in full. ● If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible.
Credit	● A Tri-merge credit report from is required from all borrower's ● Credit rescores are allowed and must be completed prior to loan lock with Pennymac. ○ In the event of a disputed item or valid error, a rescore is allowed after the time of lock. ○ Documentation must be provided to support the reason that a credit rescore was performed. ● No credit bureaus may be frozen. Borrowers must unfreeze all bureaus, and a new tri-merge credit report obtained reflecting information from all three bureaus. ● The loan level Representative Credit Score is computed by: ○ Selecting a representative score for each borrower using: ■ the middle score for each borrower if 3 scores are available or the lower score when only 2 scores are available. ○ Selecting the representative score from the borrower with the highest percentage ownership. In the case where two borrowers or more borrowers have the same highest percentage ownership, the loan level Representative Credit Score will be the lowest borrower representative score amongst these borrowers. ● The borrower with the highest percentage ownership must have at least two credit scores. In the case that more than one borrower has the same highest percentage ownership , all such borrowers must have at least two credit scores. ● Borrowers currently enrolled in credit counseling or debt management plans are not permitted. ● Tradelines ○ Each borrower who is using income to qualify must have: ■ at least 2 tradelines reporting at least 12 months of history in the last 24 months, or a combined credit profile between Borrower and co-Borrower with a minimum of three tradelines showing at least 12 months of history in the last 24 months ■ Tradeline activity is not required, and the tradelines can be opened or closed. ○ The following are not acceptable to be counted as tradelines: ■ Tradeline in a deferment status ■ Accounts discharged through bankruptcy ■ Authorized user accounts ■ Charge-offs ■ Collection accounts ■ Foreclosures ■ DIL ■ Short sales ■ Pre-foreclosure sales ● Fraud Report (i.e. DataVerify, Fraudguard, Corelogic, TransUnion TLPxp, LexisNexis: SmartLinx, or Instant ID) is required on all transactions. ○ The following transaction participants must be included in the fraud report: borrowers, property sellers, and settlement agents ○ All High and Red Flag potential findings must be satisfactorily addressed/cleared prior to close. "High" alerts or "Red Flags" may be addressed through the vendor's solution or with a signed attestation. The attestation must address each "high" alert, or "red flag" noted in the fraud report. ● Housing Payment History

- The housing payment history must reflect 0x30x12 **for the subject property and each borrower's/guarantor's primary residence** for the most recent 12 months, regardless of whether the borrower/guarantor is on the note or vested on title.
    - Housing payment history for the subject and each borrower's/guarantor's primary residence must be evidenced by 12 months proof of payment via cancelled checks, bank debits, VOR/VOM, or the credit report may also be used if the housing payment history is reported.
        - When the housing payment history for the subject property or the borrower's/guarantor's primary residence involves a private party mortgage, or is evidenced by a non-institutional VOM or VOR, at least one of the following is **also** required to validate the payment history:
            - The most recent six months: Cancelled checks, or bank statements (all pages), or ACH payments, or bank transfer/wire, or electronic payment method.
        - A borrower's/guarantor's primary residence may be documented as free and clear.
- Housing Payment History Other REO (does not include the borrower's/guarantor's primary residence)
    - Mortgages appearing on the credit report or other documentation in the file must reflect 0x30x12
    - No validation is required for mortgages that do not appear on the credit report or other documentation in the file). **The mortgages must be reflected in the REO count and UPB limit for the maximum number of financed properties.**
- Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually.
- All mortgage and rental payments reflected on the credit report or other documentation in the file must be current at the time of closing (note date). This includes the subject property, the borrower's/guarantor's primary residence, and other REO. If the credit report or VOR / VOM reflects a past-due status, updated documentation is required to verify the account is current.
- Payments missed under forbearance agreements must be counted as late payments for the purposes of the housing payment history
- Passed due balloon payments are considered a 1x30 delinquency provided the delinquency was cured within 180 days of maturity.
- If the subject property has delinquent taxes that are more than 1 year delinquent as of the subject note date, an exception is required.
- If borrower is living rent free as a dependent with family and a 12 month housing history is not applicable, the following apply:
    - A rent-free letter is required

- Credit: Disputed Tradelines
    - Disputed accounts may require an LOE
- Credit: Liabilities
    - Housing and mortgage related obligations, including property taxes, insurance premiums, mortgage insurance and similar charges that are required by creditor, ground rents, and leasehold payments must be fully documented on the Scheduled of REO section of the 1003 for the subject property .
        - These obligations must be verified using reasonable reliable records such as taxing authority, or local government records, homeowner's association billing statements, or information obtained from a valid and legally executed contract.
    - Property taxes estimates for new construction
        - Utilized 1.25% for properties in California
        - For states other than California, use 1.5%
        - Use of other property tax rates are allowed provided the rates are documented in the file
- OFAC Search

- The following individuals involved in the transactions must be screened through OFAC's SDN list: all borrowers/guarantors, property sellers, and settlement agents.
    - If the borrower is an entity, guarantors and all members/managers of the entity must be included in the OFAC search.
- Solar Leases
    - Installment debt from financed or leased payments associated with solar panels must be included in the DSCR ratio.
    - Must conform to Fannie Mae guidelines
    - PACE, HERO, or any similar loans with payments included in the property tax payments or take lien priority are not eligible and require proof of payoff.
        - Using loan proceeds to pay off a PACE, HERO, or similar loan is considered cash-out.

Derogatory Credit

- Individual collections and charge offs in the last 3 years (as of the application date) exceeding $5,000 (individually or in aggregate) must be paid in full prior to or at closing. Exceptions to this are:
    - Medical collections less than $15,000 in aggregate
- All open judgements, garnishments, and all outstanding liens affecting title must be paid off prior to or at closing.
- All past due accounts must be brought current prior to closing.
- Income tax liens (federal, state, and local) must be paid off prior to or at closing unless **all** the requirements listed below are met:
    - The file must contain a copy of the approved IRS tax payment plan with the terms of repayment, including the monthly payment amount and total amount due
    - As of closing, the borrower is current on the payment plan
    - The tax payment plan does not carry a lien on **any** property
- The following derogatory credit events require a 36+ month seasoning
    - Derogatory credit events include all REOs

Derogatory Credit Event	Seasoning Period
Foreclosure, Short Sale, Pre-Foreclosure, Deed-in-Lieu	Property resolution date (completion date) to the subject note date
Chapter 7, 11, and 13 Bankruptcies	Discharge/dismissal date to the subject note date
Modifications (Due to Default)	Date modification was signed to subject note date
Notice of Default or Lis Pendens	The date of the notice to the subject note date
120+ Day Delinquency	Date the loan was brought current to the subject note date
Balloon payments that are more than 180 days past maturity	Date the balloon payment was made to the subject note date

- Bankruptcies require evidence of resolution.
- Multiple bankruptcies are not permitted.

	○ A second or junior lien that has been charged off is subject to this seasoning period based off the charge off date. ○ Timeshares are treated as a consumer installment loan not as a Derogatory Credit Event defined in the table above. ● Any revolving or installment account that was more than 60 days delinquent in the four years from the subject's note date must be fully explained and documented in the file. ● Derogatory credit belonging to an ex-spouse can be excluded if late payments occurred after the divorce /separation, and the divorce/separation agreement indicates the derogatory accounts belong solely to the ex-spouse
Disaster Policy	● If the appraisal was completed prior to the disaster, ○ An appraisal update for final inspection from the appraiser must be obtained. ■ If two appraisals had been obtained, the condition above must be met for the appraisal with the lowest value. ○ Any damage that impacts the safety or habitability of the property or damage in excess of $2,000 must be repaired and re-inspected. ● If the appraisal was completed after the disaster, the appraiser must comment on the adverse event and an effect on marketability or value. ○ Any damage that impacts the safety or habitability of the property or damage in excess of $2,000 must be repaired and re-inspected. ○ Requirement applies for 90 days following the incident period ending date or the date the adverse event occurred, whichever is later. ● Pennymac may require a post-disaster inspection when the disaster occurred after closing but prior to purchase. ○ If a post-disaster inspection is required, a Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report (DAR) from Pro Teck must be provided ○ Any indication of damage reflected on the report will require a re-inspection by the appraiser. ■ If two appraisals were used, the re-inspection must be performed by the appraiser from the lowest value appraisal. ○ Any damage that impacts the safety or habitability of the property or damage in excess of $2,000 must be repaired and re-inspected.
Eligible / Ineligible Mortgage Products and Features	Eligible ● Fully Amortizing Fixed: 15 Yr, 30 Yr ● Fixed Interest Only: 30 Yr or 40 Yr term, including 10 Year IO Term ● Hybrid ARMs ○ Fully Amortizing Hybrid ARM: 5/6 30 Yr 2-1-5, 7/6 30Yr 5-1-5, 10/6 30 Yr 5-1-5 ○ Interest Only ARMs: ■ 30 Yr (with 10 Yr IO and 20 Yr Amort Term): 5/6 2-1-5 ,7/6 5-1-5, 10/6 5-1-5 ○ Index: 30 Day Average SOFR Index as published by the New York Federal Reserve ○ Adjustment Reset Period: 6 months ○ ARM Floor = ARM Margin ○ Lookback Period: 45 days ○ ARM Margin: 5.00% ○ Fully Indexed Rate is the sum of the index plus margin, rounded to the nearest 0.125% ○ See Qualifying Payment section for further details

	Ineligible • Assignment of Contracts • Construction loans • Builder bailout • Conversion loans • Lease option • Daily Simple Interest loans
eMortgages & eNotarization	• eMortgages and eNotarization are ineligible
Employment/Income Verification	• Not required
Escrow Holdbacks	• Escrow holdbacks are ineligible.
Escrow/Impounds	• Escrow waivers are eligible subject to the following: ○ Escrow waiver is subject to an LLPA adjustment, see rate sheet for program specific adjustments
Financing Concessions	• If a borrower is participating in the transaction (i.e. borrower is acting as their own agent) is considered an interested party and their contributed funds must be counted against the IPC limits. • Maximum IPCs: 6%. • Follow all other Fannie Mae guidelines.
First-time Homebuyer	• First-time homebuyers (FTHB) are ineligible (no borrower/guarantor can be a FTHB).
High Cost / Higher Priced	• Any loan scenario meeting the definition of “high cost” “high risk”, “covered”, “subprime” or any similar designation under state or local laws are not eligible. • **Cured High Cost loans are not eligible** • **All loan files must contain documentation evidencing compliance with this section**
Interest Only	• See Additional Criteria for additional constraints • See Qualifying Payment section for details on how to compute the qualifying payment for Fixed and ARM IOs.

Loan Purpose: Purchase	• Proceeds from the transaction are used to finance the acquisition of the subject property.
	• LTV/CLTV is based upon the lesser of the sales price or appraised value, except for:
	  ○ Refinance of a land contract is considered a purchase and the LTV/CLTV should be calculated using the purchase price
	• The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
	  ○ The purchase contract cannot be expired.
	  ○ Borrower as the purchaser of the property.
	• Sellers must have owned the property more than 12 months, otherwise the transaction is subject to review as a Flip Transaction. See 1 Flips section.
	• Transactions that meet the definition of a Flip Transaction as defined in the Property Flips section of the product profile must meet the requirements provided in that section.
	• Non-arm’s length transactions are ineligible, refer to the Non-arms Length transaction section of the product profile for details.

Loan Purpose: Refinance - Cash-Out

Cash Out Requirements	
LTV > 60%	Max Cash-out $500K
LTV <- 60%	No limit

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- Cash-out must be for business purposes only, and the borrower must provide and LOE detailing the purpose and use of the proceeds.
- Cash-out amount includes funds received at closing as cash back, the payoff of any debt outside that which was used for the original purchase
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- Cash-out may be used to satisfy the reserve requirement
- Borrower must have owned the property for a minimum of 6 months measured from acquisition date to note date
- Refinance of a previous loan that provided cash out will be considered a cash out refinance if the loan being refinanced is seasoned for less than 12 months (measured from note date to note date)
- Refinance of a land contract is considered a purchase and ineligible as a cash-out refi.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- Refinances of inherited properties and properties legally awarded to the borrower are allowed. This includes divorce, separation and dissolution of a domestic partnership. Ownership seasoning requirements do not apply, and the following guides must be met:
  - Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained
  - Equity owners must be paid through subject loan's settlement
  - Subject property has cleared probate and property is vested in the borrower's name
  - Current appraised value is used to determine LTV/CLTV
- Loans with Power of Attorney are ineligible
- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the note date, subject to the following:
  - The transaction is considered a cash-out refinance for pricing and eligibility.
  - The original purchase transaction was an arms-length transaction.
  - The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
  - The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus fully documented improvements.
    - Invoices and/or receipts for work performed must be documented and confirmed by the appraiser.
    - The prior settlement statement will be required for proof of purchase price
  - The preliminary title search or report must confirm that there are no existing liens on the subject property
  - The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions.
- While maintaining the property is an acceptable use for cashout proceeds, major renovations, rehabilitations, etc. that would render the property uninhabitable are not permitted on the subject property
- See Recently Listed Properties section for additional constraints

Loan Purpose: Refinance - Rate & Term	• A Rate and Term refinance transaction is one in which the new loan amount is limited to the payoff of a present mortgage on the subject property for the purpose of changing the interest rate and/or term with no additional cash or advancing of new money in excess of the limited account amount (see below)
	• A rate and term may also pay off an existing subordinate lien on the subject property subject to the following:
	    ○ The subordinate lien was a closed-end mortgage and was used to acquire the property, or
	    ○ The subordinate lien is a HELOC and less than $5,000 has been drawn in the past 12 months (12 months measured in arrears from the subject's note date)
	        ■ Withdrawal activity must be documented with a transaction history from the HELOC
	• Cash back includes cash received at closing and funds to pay off debt other than the subject property's first and second lien (as allowed above), and must not exceed the lesser of 2% of the new loan amount or $5,000
	    ○ For any amount greater than this, the transaction is considered a cash-out
	• The appraised value will be used to determine LTV/CLTV.
	• Refinance of a previous loan that provided cash out will be considered a cash out refinance if the loan being refinanced is seasoned for less than 12 months (measured from note date to note date)
	• The rate / term refinance of a construction loan is eligible with the following conditions:
	    ○ If the lot was acquired twelve (12) or more months before applying for the subject loan (acquisition date to application date), the LTV / CLTV is based on the current appraised value of the property
	    ○ If the lot was acquired less than twelve (12) months before applying for the construction financing (acquisition date to application date), the LTV / CLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs
	• Refinance of a land contract is considered a purchase and ineligible for a rate & term refinance
	• See Recently Listed Properties section for additional constraints

Minimum Loan Amount	• $125,000
Mortgage Insurance	• Mortgage insurance is not required
Multiple Financed Properties	• The maximum number of financed residential 1-4 unit properties to any one borrower or guarantor is limited to 20 • The maximum number of financed residential 1-4 unit properties to any one borrower or guarantor that are serviced by Pennymac is limited to 10 and the maximum aggregate unpaid principal balance of such financed residential 1-4 units properties serviced by Pennymac is limited to $7.5M. • The financed property and UPB limits in this section include all residential 1-4 unit mortgages serviced by Pennymac, mortgages disclosed on the credit report, and mortgage disclosed on the URLA, bank statements, or elsewhere in the loan file.

Non-Arms Length Transactions	• Non-arm's length transactions are ineligible
	    ○ Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions include, but are not limited to, family sales, property in an estate, employer/employee sales, and flip transactions.
	    ○ When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.

<table>
<tr><td>Occupancy</td><td>

Investment property only

Borrower does not occupy the property
All borrower(s) must execute the Occupancy Certification form
For non-owner occupied properties with a Guarantor, the individual(s) providing the guaranty must execute the Personal Guaranty Agreement
The spouse of a guarantor must sign the Consent of Spouse form if the property is in a community property state (AK, AZ, CA, FL, ID, KY, LA, NV, NM, NY, SD, TN, TX, WA and WI)
See Additional Criteria section for additional requirements

</td></tr>
<tr><td>Power of Attorney (POA)</td><td>

A limited Power of Attorney (POA) is acceptable when all the following are met:

It is specific to the transaction;
It is recorded with the Mortgage/Deed of Trust;
It contains an expiration date;
It is used to execute only the final loan documents;
The Borrower who executed the POA signed the initial FNMA Form 1003;
An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.

POA’s are not eligible for cash-out transactions.
POA’s are not permitted for Entities: LLC, Corporations, Entity Borrowers, etc.

</td></tr>
</table>

Prepayment Penalty

- A prepayment penalty is acceptable on where permitted by applicable law and regulations
- Total points, fees, and APR may not exceed current state and federal high-cost threshold
- Not allowed on primary residence or second homes or investment property cash out transactions where the proceeds will be used for personal use
- Acceptable prepayment penalty structures are:

Prepayment Penalty Period (in Yrs)	Prepayment Penalty Percent	Prepayment Penalty Conditions
5	• 5%-5%-5%-5%-5% • 5%-4%-3%-2%-1%	A
	• 6 Months Interest	B
4	• 5%-5%-5%-5% • 5%-4%-3%-2%	A
	• 6 Months Interest	B
3	• 5%-5%-5% • 5%-4%-3%	A
	• 6 Months Interest	B
2	• 5%-5% • 5%-4%	A
	• 6 Months Interest	B
1	• 5%	A
	• 6 Months Interest	B

Penalty Terms Conditions	Definition
A	• Prepayment Penalty Period commences on the Note Date and ends on the N^{th} year anniversary of the Note Date, where N is the Prepayment Penalty Period in Years selected at closing, ranging from 1-5 years. • A prepayment penalty fee will apply in the event any unscheduled principal is received (a Curtailment) within the Prepayment Penalty Term, **including when the loan is paid off in full for any reason.** • The prepayment penalty fee is equal to the Prepayment Penalty Percent in effect at the time of the prepayment, which may change each year on anniversary of the Note Date, multiplied by the Curtailment amount
B	• Prepayment Penalty Period commences on the Note Date and on ends the N^{th} year anniversary of the Note Date, where N is the Prepayment Penalty Period in Years selected at closing, ranging from 1-5 years. • A prepayment penalty fee will apply when unscheduled principal is received (This Curtailment) within the Prepayment Penalty Term that, when added to all other prior unscheduled principal received within 12 months immediately preceding the date of This Curtailment, exceeds 20% of the original

	<table><tr><td></td><td>principal amount of the note (Twelve Months Excess Curtailments). This Curtailment includes scenarios where the **loan is paid off in full for any reason.** • The prepayment penalty fee is equal to the 6 months advanced interest (at the Note Rate) on the Twelve Months Excess Curtailments amount</td></tr></table> State Restrictions: • Prepayment penalties are not allowed in AK, KS, MD, MI, MN, NM, RI • MS: For 1-unit properties, prepayment penalties must be declining (e.g. 5%-4%-3%-2%-1%, or 5%-4%-3%) • IL: Prepayment penalties only allowed on loans made to LLCs, General Partnerships, Limited Partnerships, and Corporations ○ Cook County: Only allowed where Loan Amount > $250K (all state restrictions also apply) • NJ: Prepayment Penalties are only allowed on loans made to an S-Corp or C-Corp • OH: Prepayment penalties not allowed on 1 or 2 unit properties • PA: Penalties not allowed on 1-2 unit properties with loan amounts less than $319,777 (Adjusts annually) • VA: Penalties may not be incurred as a result of the sale of the property, including due on sale clause. No limit on prepay amount.
Property: Eligible Types	• Single Family Detached • Single Family Attached • PUDs • Low-rise and High-rise condominiums (see Condominium section) • Leasehold Properties • 2-4 Units (see Additional Criteria section above) • Agricultural zoned properties and properties with limited agricultural features may be considered on a case-by-case basis and will require exception approval by Pennymac, subject to LLPA. • Rural properties may be considered on a case-by-case basis and will require exception approval by Pennymac, subject to LLPA.
Property: Ineligible Types	• Manufactured or Mobile homes • Properties with fractional ownership • Units in a co-op development • Single Family properties < 700 sq. ft • Properties > 20.00 acres (no truncating allowed) • Properties with zoning violations or illegal use • Working farms • Properties zoned commercial, or industrial • Properties under construction • Properties with mandatory Country Club Memberships • Ineligible condo projects /features:

	○ Condotels ○ Units subject to timeshare arrangements ○ Any project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, habitability or functional use of the project. ○ Condos projects with registration services or restrictions on owner's ability to occupy ○ Live / Work Condos ○ Assisted Living / Continuing Care Facilities ○ Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association ● Properties used for the cultivation, distribution, manufacture, or sale of marijuana ● Condition rating of C6 on the appraisal ● Vacant land or land development properties ● Mixed-Use properties (including those with daycare, doctor's office, etc) ● Unique Properties ● Multi-family units where a single deed conveys ownership of more than one, or all of the units ● Properties used as boarding houses, bed/breakfast, or single room occupancy ● Properties used as healthcare facilities (e.g., assisted living, elder care, recovery/treatment) ● Properties used as group homes ● Properties with more than 4 units ● Dome or geodesic properties ● Earth berm homes ● Properties on Native American Land (Reservations) or Hawaiian Home Lands ● Log homes ● Hawaii properties located in lava zones 1 and/or 2 ● Houseboats ● Properties with solar panels and other energy efficient items financed with a PACE or HERO loan are not eligible unless the loan is paid off at or prior to closing. ● Builder model leaseback ● Multiple dwellings on a single lot (legal ADU acceptable, limited to one) ● Zoning Violations ● Theme Park Resort Properties ● Barndominiums
Property Insurance	Policies must provide for claims to be settled on a replacement cost basis. Insurance policies that provide for claims to be settled at actual cash value or limit, depreciate, reduce, or otherwise settle losses for less than a replacement cost basis are not eligible. **1-4 Unit Properties** ● The insurance limits must equal the lesser of: ○ 100% of the replacement cost of the improvements as of the current property insurance policy effective date, or ○ The unpaid principal balance of the mortgage, provided it equals no less than 80% of the replacement cost value (RCV) of the improvements as of the current property insurance policy effective date. ● The replacement cost value must be verified in order to complete the calculation above (refer to Validating Property Insurance Sufficiency requirements outlined below).

	Master Property Insurance for Condominium and PUD[1] Projects ● The master policy coverage limits for condominium and PUD projects must be at least equal to 100% of the replacement cost value of the project's improvements, including common elements and residential structures, as of the current insurance policy effective date. ● Verification the project insurance coverage is not less than the minimum required as described above is required (refer to Validating Property Insurance Sufficiency requirements outlined below). Note: An HO-6 policy cannot be utilized to satisfy insufficient master property insurance coverage. Building Ordinance or Law Coverage cannot be utilized to offset insufficient master property insurance coverage. **Validating Property Insurance Sufficiency** ● Replacement cost sufficiency may be determined using one of the following: ○ A replacement cost estimator provided by the insurer; or ○ A recent property risk appraisal; or ○ A statement from the insurer affiliated with the property confirming the cost of improvements, as of the current property insurance policy effective date, such that the insurance limits meet the limits specified above; or ○ The presence of a guaranteed replacement cost endorsement. ○ A statement from an insurer or insurance industry professional not affiliated with the property insurer, or the HOA if applicable, is not acceptable evidence. [1]Applies to PUD projects where the project's legal documents provide for a master property insurance policy that covers both the common elements and residential structures. **Flood Insurance** ● Flood insurance is required when a loan is secured by a property located in a: ○ Special Flood Hazard Area (SFHA); or ○ Coastal Barrier Resource System (CBRS) or Otherwise Protected Area (OPA) ○ Must meet all Fannie Mae requirements. **Rent Loss Insurance** ● Rent loss insurance for the subject property is required and must equal at least 6 months of local average monthly rents ○ Blanket policies covering the subject are permitted. **Vacant Properties** ● Properties that are vacant must have the appropriate hazard insurance policy for vacant properties
Property Flips	● When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than ten (10%), the transaction is considered a "flip". ○ To determine the three hundred sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used ● Flip transactions are subject to the following requirements: ○ All transactions must be arm's length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction. See Non-Arms Length Transactions section

	○ No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan ○ The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing ○ The property seller must be the owner of record ○ No assignments of the contract to another buyer ○ Increases in value should be documented with commentary from the appraiser and recent comparable sales. ■ Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable. ○ If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the Borrower must be obtained ○ A second appraisal is required, prior to closing, in the following circumstances: ■ Greater than ten (10%) increase in sales price if seller acquired the property in the past 90 days ■ Greater than twenty (20%) increase in sales price if seller acquired the property in the past 180 days ■ The second appraisal must be dated prior to the loan consummation/note date. ■ The Borrower may not pay for the 2nd appraisal ○ Flip transactions must comply with the HPML appraisal rules in Regulation Z. ● Bank owned REO and Corporate Relocations are eligible and not considered a flip transaction.
Qualifying Payment	● The qualifying rate is the note rate for fixed rate and ARM transactions. ○ For ARM transactions in MN, the qualifying rate is the higher of the fully indexed rate or the note rate ● The qualifying payment is based on the principal and interest payment along with 1/12th of the annual real estate taxes, property insurance, other insurance premiums, and any associated dues. ○ The Qualifying payment is based upon the amortization term ● For interest only loans, ○ The qualifying payment is the interest payment, calculated at the qualifying rate, along with 1/12th of the annual real estate taxes, property insurance, other insurance, and any associated dues.
DSCR Ratio	● The Debt Service Coverage Ratio (DSCR) ○ Gross Rental Income / Qualifying Payment ● Minimum DSCR Ratio >= 0.75. No Ratio is also permitted ● See Rental Income section for requirements to determine the Gross Rental Income
Recently Listed Properties	● Refinance Transactions ○ Properties that have been listed for sale by the borrower less than or equal to 6 months from the note date may not be currently listed at the time of loan application and will require a LOE signed by the borrower and evidence the listing is cancelled. ■ Multiple listings within 12 months of the note date are ineligible

Rental Income	Long-term Rental Income ● Gross Rental Income is calculated using the lower of: ○ Executed Lease Agreement or 1007/1025 Market rent from appraisal (both must be included in the loan file) ■ Note: The executed lease agreement is not required for purchase transactions where the lease is not being transferred or there is no lease in place. ○ If the executed lease agreement reflects a higher monthly rent than the appraisal, it may be used in the calculation provided that the most recent three consecutive months of receipt can be documented with cancelled checks or other electronic records Short-term Rental Income ● Short -Term Rental Income ○ Eligibility ■ Short-term rental income is permitted for both purchase and refinance transactions ■ Short-term rental income must be legally permitted and considered common for the area, as confirmed by the appraisal and/or property location ■ LTV/CLTV limits and DSCR floors specified in Additional Criteria are met ○ Documentation Requirements ■ Short-term rental income may be documented using a supplemental appraisal form completed by the licensed appraiser who performed the original appraisal. The form must accompany and be part of the original appraisal. ■ Income must be verified through a third-party property management provider ● Vendors such as Airbnb, VRBO, and HomeAway are acceptable ● Documentation must include the property address or a unique property ID specific to the subject property ○ Calculation ■ Purchase Transactions ● Gross rent is 100% of the estimated market rent from: o Form 1007/1025 OR o Supplemental appraisal form completed by the appraiser of record ■ Refinances ● Use the lower of: ○ 100% of the estimated market rent from: ■ Form 1007/1025 OR ■ Supplemental appraisal form completed by the appraiser of record ○ The actual 12-month short-term rental income history, supported with documentation from Airbnb, VRBO, HomeAway, or a third-party management provider. ■ 12 months of history is required for refinance transactions Vacant Properties For Refinance Transactions ● Vacant properties are not eligible for refinance transactions unless: ○ The subject property recently underwent renovations or rehab with the intention of being rented out soon AND

<table>
<tr><td></td><td><li style="list-style-type:circle">The appraiser confirms that renovations/rehab were recently completed and provides visual evidence.
If the foregoing conditions are met, utilize the market rent from the 1007/1025 or supplemental appraisal form completed by the appraiser of record
Assignment of Rents
The 1-4 Family Rider (Fannie Mae Form 3170) must be in the file</td></tr>
<tr><td>Reserves</td><td><table>
<tr><th>Loan Amount</th><th>Minimum Reserve Requirements For Subject Property</th></tr>
<tr><td><= $500,000</td><td>3 months</td></tr>
<tr><td>$500,001 to $2,000,000</td><td>6 months</td></tr>
</table>

Reserves are calculated off the actual P&I plus taxes, insurance, and HOA fees (if any) (PITIA)
Reserves for Interest Only loans are based upon the initial interest only payment (ITIA)
Reserves are only required for the subject property.
See Asset section for documentation requirements
Cash out proceeds may be used to satisfy the reserve requirement
</td></tr>
<tr><td>Solar Panels</td><td>
PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible
Follow all Fannie Mae guidelines
</td></tr>
<tr><td>State Restrictions</td><td>See Prepayment Penalty Section</td></tr>
<tr><td>Subordinate Financing</td><td>Not permitted (new and existing)</td></tr>
<tr><td>Tax Transcripts</td><td>4506-Cs not required/not applicable</td></tr>
<tr><td>Temporary Interest Rate Buydowns</td><td>Not Eligible</td></tr>
<tr><td>Title</td><td>
A title policy or attorney opinion letter meeting all of Fannie Mae’s requirements is required
UCC filings must be removed or subordinated
All judgements or liens affecting title must be paid, including but not limited to PACE liens or other liens on title tied to energy efficient improvements must be removed.
Subordination is not acceptable.
Loans with private transfer fee covenants are ineligible unless such covenants are “excepted transfer fee covenants”. Excepted transfer fee covenants are covenants that:
Require payment of a private transfer fee to a covered association (homeowner associations, condominiums, etc.) and limits the use of such transfer fees exclusively to purposes which provide a direct benefit to the real property encumbered by the private transfer fee covenants
</td></tr>
<tr><td colspan="2">Pennymac will originate in accordance with the applicable underlying Investor requirements unless otherwise noted in the Pennymac guidelines. 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.</td></tr>
</table>