



Pennymac Correspondent VA IRRRL Product Profile 01.17.25

Overlays to VA are underlined

Items indicated as Non-Del are specific to Non-Delegated loans

Maximum LTV/CLTV and FICO Requirements			
Maximum ^{1,2} Base Loan Amount	Maximum Base LTV/CLTV ¹	Minimum FICO ¹	
		Non-Manufactured Home	Manufactured Home
<u><= \$1,000,000</u>	110%	<u>580</u>	<u>640</u>
<u>\$1,500,000</u>	110%	<u>680</u>	<u>680</u>
<u>\$2,000,000</u>	<u>100%</u>	<u>700</u>	<u>700</u>
<u>\$2,500,000</u>	<u>100%</u>	<u>720</u>	<u>720</u>
¹ Non-Del Only: No maximum base loan amount, base LTV/CLTV or minimum FICO for Pennymac portfolio loans ² Refer to the Appraisal Section for valuation requirements			

Ability To Repay and Qualified Mortgage Rule	<ul style="list-style-type: none">For loans subject to the ATR/QM rule, Pennymac will only purchase loans that comply with the ATR/QM requirements.Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loansRefer to the Pennymac Seller Guide section "Ability to Repay and Qualified Mortgage Rule" under "Delivery Procedures" for more details.		
Appraisal	General Requirements	<ul style="list-style-type: none"><u>A current valuation product is required.</u>Delegated only: Pennymac will run an AVM on all bulk transactions. Therefore, the Correspondent is not required to include an AVM in the file when an AVM is utilized per the General Requirements in this section.Refer to Net Tangible Benefit section for appraisal requirements when:<ul style="list-style-type: none">Discount points used to reduce the interest rate are financed and;The loan is going from a FRM to an ARM.<ul style="list-style-type: none">Note: ARMs are not eligible for manufactured homes.	
	Valuation Requirements		
	Base Loan Amount	<div><= \$2M</div> <div>>\$2M</div>	<div><u>Estimate of value using:</u><ul style="list-style-type: none"><u>Pennymac Home Value Estimator (HVE) or Clear Capital ClearAVM with a maximum FSD score of 15</u><ul style="list-style-type: none"><u>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:</u><ul style="list-style-type: none"><u>CoreLogic Total Home Value^x (THV^x) with a maximum FSD score of 13; OR</u><u>External appraisal or full appraisal report is required</u><u>A Corelogic THV^x AVM may only be used if the Pennymac HVE or Clear Capital AVM does not return a value or the FSD > 15%.</u><u>An external only appraisal or full appraisal is required for manufactured homes regardless of loan amount.</u><ul style="list-style-type: none"><u>Non-Del only: Pennymac portfolio loans may follow the estimate of value waterfall above.</u><u>If an appraisal is obtained, the value from the appraisal must be used.</u></div> <div><ul style="list-style-type: none"><u>External appraisal or full appraisal report is required</u></div>

Borrowers	<ul style="list-style-type: none"> • Resident Alien permitted as long as primary borrower is a veteran. • COEs are not required on IRRRLs though evidence of funding fee exemption is required. Acceptable documentation includes a screen print of the funding fee status provided at the time the VA LIN is requested. • Joint loans are allowed in accordance with VA's requirements. • A loan involving a veteran and his or her spouse will not be treated as a "joint loan" if the spouse: <ul style="list-style-type: none"> ○ Is not a veteran, or ○ Is a veteran who will not be using his or her entitlement on the loan • Borrowers may be removed in accordance with VA guidelines.
CEMA	<ul style="list-style-type: none"> • 1-4-unit properties • eMortgages are ineligible • Lost Note Affidavits (LNAs) are not allowed for prior or current notes
Condominiums	<ul style="list-style-type: none"> • Condominium projects are not required to be approved.
Credit	<ul style="list-style-type: none"> • <u>Must have a subject mortgage history of 0 x 30 for the last 3 payments</u> • <u>For loan amounts greater than \$1.5M the following primary mortgage or housing payment history applies:</u> <ul style="list-style-type: none"> ○ <u>Borrowers must have a primary mortgage or primary housing history of 0x30x12 for the most recent 12-month period, ending with the application date.</u> ○ <u>Gaps in history or less than 12 months will not be acceptable.</u> ○ <u>Non-Del only: Pennymac portfolio loans are excluded from this requirement.</u> • <u>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.</u> • <u>Clients may utilize either a single-bureau credit report or a tri-merge credit report.</u> <ul style="list-style-type: none"> ○ <u>All credit report types require trended data.</u> ○ <u>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).</u> ○ <u>If single-bureau credit reports are used:</u> <ul style="list-style-type: none"> ▪ <u>All transactions must utilize the same credit bureau (i.e., Experian, Trans Union, Equifax)</u> ▪ <u>Clients may change their preferred credit bureau at most once every 6 months</u> ▪ <u>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.</u> • <u>All borrowers must return at least 1 credit score. Non-traditional credit is not allowed.</u> • <u>Borrowers in active Chapter 13 BK are eligible with documented permission from BK court/trustee.</u>
Disaster Policy	<ul style="list-style-type: none"> • <u>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.</u> • <u>Non-Delegated: Disaster inspections may not be completed by the Lender. Acceptable inspection providers include, but are not limited to, an appraiser or a post-disaster inspection company.</u>

Documentation	<ul style="list-style-type: none"> Tax transcripts and the 4506-C are not required for non-credit qualifying IRRRL transactions.
Eligible / Ineligible Mortgage Products	<p>Eligible</p> <ul style="list-style-type: none"> VA-to-VA refinance only Fixed Rate: 10, 15, 20, 25 and 30 year terms. <ul style="list-style-type: none"> High Balance allowed on all terms. CMT ARM: 5/1 only (1/1/5 caps). <ul style="list-style-type: none"> High Balance allowed on ARMs. <p>Ineligible</p> <ul style="list-style-type: none"> <u>All ARM terms not referenced above</u> <u>Energy Efficient Mortgages (EEM)</u>
eMortgages and eNotarization	<ul style="list-style-type: none"> eMortgages and eNotarization are eligible for Delegated correspondents only Lenders must be approved by Pennymac prior to delivering eMortgages, transactions closed using eNotarization or Remote Online Notarization (RON) Lenders are responsible for ensuring eMortgage loans are delivered in accordance with all requirements in the Pennymac Correspondent Group eMortgage Guide, including but not limited to the following: <ul style="list-style-type: none"> State, product, transaction, eNotarization, and RON eligibility requirements
Employment/Income Verification	<ul style="list-style-type: none"> <u>The following Income and Employment documentation are required at a minimum:</u> <ul style="list-style-type: none"> <u>Salaried borrowers require a Verbal VOE</u> <u>Self-employed borrowers require verification of the business through a 3rd party source</u> Retired borrowers aged 60 and older do not require a VVOE Non-Delegated Only: <u>All borrowers require a Verbal VVOE or income source documentation</u> Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) are an acceptable source of income.
Escrow Accounts	<ul style="list-style-type: none"> <u>An impound account for collection of taxes and insurance (or additional escrow items) is required</u>
Exclusionary Lists	<ul style="list-style-type: none"> All borrowers must be screened by CAIVRS to determine there have been no late payments on federal debt obligations

<p>Fee Recoupment</p>	<ul style="list-style-type: none"> • An IRRRL that results in a lower monthly P&I payment, the recoupment period of fees, closing costs, and expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37, incurred by the Veteran, does not exceed 36 months from the noted date of the new loan. • 36 months maximum recoupment period from note date (includes ARM to fixed rate and term reduction transactions). • Refer to VA circular 26-19-22 for recoupment calculation requirements. A comparison statement showing 36 months or less recoupment is acceptable. If the comparison shows more than 36 months, provide evidence the statutory recoupment calculation results in 36 months or less. <ul style="list-style-type: none"> ○ Comparison statement calculation: Include all fees, expenses, and closing costs, (including taxes, amounts held in escrow, and fees paid under chapter 37 such as the VA funding fee), whether included in the loan or paid outside of closing. ○ Statutory calculation: Exclude the VA funding fee, escrow, and prepaid expenses, such as, insurance, taxes, special assessments, and homeowners' association (HOA) fees, from the recoupment calculations • Transactions that do not meet recoupment requirements are ineligible. • IRRRLs where the P&I stays the same or increases are eligible if the borrower(s) incur no fees, closing costs, or expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37 (e.g., VA funding fee collected under 38 U.S.C. § 3729)). • The veteran must sign a comparison statement acknowledging the effect of the refinancing loan on the veteran's loan payment and interest rate. • The statement must show the interest rate and monthly payment for the new loan versus the old loan and must also indicate how long it would take to recoup ALL closing costs (costs included in the loan and paid outside of closing).
<p>Funding Fee</p>	<ul style="list-style-type: none"> • The funding fee may be financed in the loan. Maximum LTV based on base loan amount (loan amount prior to financed funding fee). • The following veterans are exempt from paying the funding fee: <ul style="list-style-type: none"> ○ Veterans receiving VA compensation for service connected disabilities ○ Veterans who would be entitled to receive compensation for service connected disabilities if they did not receive retirement pay ○ Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability exam and rating ○ Veterans entitled to receive compensation, but who are not presently in receipt of the compensation because they are on active duty ○ Surviving spouses of veterans who died in service or from service-connected disabilities, whether or not such surviving spouses are veterans with their own entitlement and whether or not they are using their own entitlement. <ul style="list-style-type: none"> ▪ The surviving spouse must be in receipt of Dependency and Indemnity Compensation (DIC) before the loan closing takes place. ○ Members of the armed forces who are serving on active duty and provide, on or before the date of loan closing, a certificate or military orders having been awarded the Purple Heart.
<p>High-Cost / Higher-Priced Mortgage</p>	<ul style="list-style-type: none"> • <u>Pennymac will not purchase High-Cost Loans</u> • Higher-Priced Mortgage Loans (HPML) transactions are eligible subject to: <ul style="list-style-type: none"> ○ Establishing and maintaining an escrow account ○ Meeting all applicable state and/or federal compliance requirements.

Loan Purpose	<ul style="list-style-type: none"> Interest Rate Reduction Refinance Loan (IRRRL) only. Borrower should receive no cash back at closing. However, cash back to the Borrower can never exceed \$500. Credit Qualifying is allowed. When credit qualifying, all existing Pennymac VA overlays are still in effect, including but not limited to credit history and tax transcripts for income validation.
Maximum Loan Term	<ul style="list-style-type: none"> The maximum loan term is the original term of the VA loan being refinanced plus 10 years, not to exceed 30 years and 32 days.
Net Tangible Benefit	<ul style="list-style-type: none"> Net tangible benefit based on borrower's current interest rate and payment. The interest rate must bear a lower interest rate than the loan it is refinancing: <ul style="list-style-type: none"> Fixed rate to fixed rate requires a minimum 0.50% reduction Fixed rate to ARM requires a minimum 2.0% reduction ARM to fixed rate and ARM to ARM are exempt from rate reduction requirements To ensure compliance, a copy of the note from the refinanced loan (non-port) or documentation from Pennymac's servicing systems (port) must be provided For fixed to ARM refinances, discount points may be added to the new loan amount only if one of the following exists: <ul style="list-style-type: none"> The lower interest rate is not produced solely from discount points (some portion of the lower interest rate on the refinancing loan is the result of favorable changes in the market as compared to the Veteran's current rate); or The lower interest rate is produced solely from discount points and discount points less than or equal to one are added to the loan amount, and; the resulting loan balance after any fees and expenses maintains an LTV of $\leq 100\%$; or The lower interest rate is produced solely from discount points and more than one discount point is added to the loan amount, and; the resulting loan balance after any fees and expenses maintains an LTV of $\leq 90\%$. As a reminder, the Veteran may pay any reasonable amount of discount points in cash, but no more than two discount points can be included in the loan amount of an IRRRL Note: this is not required when refinancing from ARM to fixed rate or fixed rate to fixed rate. LTV is calculated by dividing the base loan amount (loan amount prior to financed funding fee) by the value. Value may be determined by using one of the following appraisal report options: <ul style="list-style-type: none"> Exterior-only inspection residential appraisal report (Fannie Mae 2055) Uniform Residential Appraisal Report (URAR Fannie Mae 1004) Exterior-only inspection individual condominium unit appraisal report (Fannie Mae 1075) Individual condominium unit appraisal report (Fannie Mae 1073) <p>Note: When a 2055 or better is obtained, the AVM to determine market value is not required.</p>
Occupancy	<ul style="list-style-type: none"> Owner-occupied Second Home/Investment <ul style="list-style-type: none"> Veteran must certify that he or she previously occupied the property as his or her home. <u>Manufactured home: Not eligible</u>

Payment Decrease/Increase Requirements	<ul style="list-style-type: none"> The principal and interest payment on the IRRRL must be less than the loan being refinanced unless the IRRRL is refinancing an ARM or the term of the IRRRL is shorter than the term of the loan being refinanced. If either applies and the monthly payment (PITI) is increasing by 20% or more, a lender certification is required to support the veteran qualifies for the new monthly payment. See Fee Recoupment section for additional requirements.
Property: Eligible Types	<ul style="list-style-type: none"> Single Family Residence 2-4 unit PUDs Low-rise and High-rise Condominiums Multiple width manufactured homes with a minimum of 700 square feet <ul style="list-style-type: none"> <u>1-unit only</u> Must be permanently affixed, classified as real property Must be built after June 15, 1976 and meet HUD manufactured home construction and safety requirements The finished grade elevation beneath the home must be at or above the 100-year return frequency flood elevation The property condition must be average or better. Leasehold ownership is ineligible Manufactured homes are no eligible for ARMs
Property: Ineligible Types	<p>In addition to the ineligible property types identified in VA Lender's Handbook, the following property types are ineligible:</p> <ul style="list-style-type: none"> <u>Single width manufactured homes</u> <u>Mobile homes</u> Cooperatives Condotels Hotel condominiums Timeshares <u>Geodesic dome and berm homes</u> <u>Working farms and ranches</u> Unimproved land and property currently in litigation Commercial enterprises (e.g., bed and breakfast, boarding house, hotel) Non-Del only: <u>Properties located in lava zones 1 or 2</u>
Property: Max. Number of Financed	<ul style="list-style-type: none"> No restrictions
Qualifying	<p>For Credit Qualifying:</p> <ul style="list-style-type: none"> Fixed rate; qualify at the note rate. 5/1 ARMs; qualify at the note rate. Exceptions: <ul style="list-style-type: none"> CT HPML ARM loans <=\$417,000 ARM loans in IL, MA and NM require qualifying at the greater of the note rate or the fully indexed rate (margin + index)
Ratios	<ul style="list-style-type: none"> DTI ratios are not calculated, unless the transaction is credit qualified.

Recently Listed Properties	<ul style="list-style-type: none"> The listing must have been expired or been withdrawn on or before the application date. <ul style="list-style-type: none"> 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. 	
Reserves / Funds to Close	<ul style="list-style-type: none"> Reserves are not required. Source of funds to close are not required on an IRRRL. 	
Seasoning Requirements	Standard Mortgage (Not modified)	Modified Mortgage
	<p>Seasoning is met when:</p> <ul style="list-style-type: none"> The first monthly payment due date on the loan being refinanced is 210 days or more prior to the note date of the new loan; and As of the note date of the new loan, at least six full consecutive payments have been made in the month in which they were due on the loan being refinanced. <p>Note: No more than two monthly payments can be made in the same month (e.g., July 1 payment made on July 25 and the August 1 payment also made on July 25).</p>	<p>Seasoning is met when:</p> <ul style="list-style-type: none"> The first monthly payment due date on the modified note is 210 days or more prior to the note date of the new loan; and As of the note date of the new loan, at least six monthly payments have been made on the modified note (the payments do not need not be consecutive); and As of the note date of the new loan, at least six full consecutive payments have been made in the month in which they were due on the original or modified note. <p>Note: No more than two monthly payments can be made in the same month (e.g., July 1 payment made on July 25 and the August 1 payment also made on July 25).</p> <p>*VA guaranteed modified mortgages must satisfy the seasoning requirements of the original note and the modified note.</p>
State Restrictions	<ul style="list-style-type: none"> Texas 50(a)(6) refinances are prohibited. <u>Texas 50(a)(4) refinances are ineligible</u> 	

Temporary Interest Rate Buydowns	<p>Temporary buydowns are eligible subject to:</p> <ul style="list-style-type: none"> • Maximum total interest rate reduction of 3%, max increase per year of 1% (only 1/0, 1/1, 2/1, and 3/2/1 buydowns allowed) • Maximum 3 years to reach standard note rate • <u>The greater of 660 FICO or the FICO floor referenced on the Maximum LTV/CLTV and FICO Requirements grid.</u> • <u>Must qualify at the standard note rate without benefit of the buydown</u> • Fixed rate only • Must meet all other applicable VA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.
Title Insurance	<ul style="list-style-type: none"> • <u>A title policy is required for all transactions</u> • Manufactured Homes <ul style="list-style-type: none"> ○ <u>An ALTA 7 endorsement or equivalent is required</u> ○ Tax Sheet to confirm subject is taxed as land plus improvements. ○ <u>Manufactured home rider to the Security Instrument required.</u> ○ Non-Del only: <u>Manufactured home power of attorney required unless an affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval</u> • Loans with private transfer fee covenants are ineligible. Transfer fee covenants exempted from this requirement are fees paid to any homeowner associations, condominiums, cooperatives, and certain tax-exempt organizations that use such private transfer fee proceeds to benefit the property. Fees that do not directly benefit the property are subject to the above rule, and would disqualify mortgages on the property from being purchased by Pennymac. (FHFA Final Ruling 12 C.F.R. Part 1228)
Underwriting Method	<ul style="list-style-type: none"> • Manual underwriting only
<p>Seller shall deliver loans that were originated in accordance with the VA Lender's Handbook, unless otherwise noted in the Pennymac Seller's Guide. 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.</p>	