Pennymac Correspondent
VA Product Profile
01.17.25

Overlays to VA are underlined.

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

Maximum LTV / CLTV and FICO Requirements				
Maximum Base Loan Amount	Purchase[4]		Cash-Out Refinance[4]	
	Maximum LTV[1] / CLTV[1]	Minimum FICO	Maximum LTV[2] / CLTV[2]	Minimum FICO
</= $1,000,000	100.00%	580	100.00% [5]	680
			90.00%	620
$1,500,000	100.00%	680	100.00%, [5]	680
$2,000,000[3]	100.00%	700	100.00%[5]	700
$2,500,000[3]	90.00%	720	80.00%	720

[1] Excludes the financing of the VA Funding Fee
[2] Includes the financing of the VA Funding Fee
[3] Refer to the Underwriting section for additional requirements for loan amounts >$1.5M
[4] Refer to the Underwriting section for manual underwriting requirements when applicable
[5] Cash Out Refinances > 90% LTV are not available for bulk commitments

Ability To Repay and Qualified Mortgage Rule	• For loans subject to the ATR/QM rule, Pennymac will only purchase loans that comply with the ATR/QM requirements. ○ Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold. • 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 loans. • See Seller Guide section “Ability to Repay and Qualified Mortgage Rule” under “Delivery Procedures” for more details.
Age of Docs	• 120 days for existing construction from the date the note is signed. 180 days for new construction.

Appraisals	• All appraisals must be ordered through VA WebLGY, which will assign the order to a VA approved appraiser
	• All loan files must have a COE in “Active or Pending” status prior to ordering an appraisal through WebLGY
	• A notice of value (NOV) for property appraised as existing or new construction is valid for six months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period.
	• No new appraisal can be requested on a property which already has a valid VA value determination (No duplicate appraisals)
	• Properties with unpermitted secondary kitchens may be eligible if:
	  ○ it is common for the area,
	  ○ no negative impact on marketability, and
	  ○ Appraiser comments on quality of construction, any health/safety issues, any soundness issues, which must meet VA requirements.
	• Properties must meet HUD and VA Minimum Property Requirements (MPRs)
	• Room additions and enclosures of garages and carports into the living area should be included in the GLA if the added space is:
	  ○ accessible from the interior of the main dwelling in a functional manner,
	  ○ has a permanent and sufficient heat source, and
	  ○ is similar in design, quality of construction and appeal to the main dwelling.
	• Added space that does not meet the criteria listed above must be valued separately from the GLA on the market data grid. The appraiser must consider the effect on marketability of an inferior addition or conversion when arriving at the line-item adjustment for the added space. When selecting and analyzing comparable sales, the appraiser should consider the differences in quality and utility of room additions and converted spaces when compared with originally constructed space.
	• Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.

Assets/Gift Funds/Large Deposits	• Cryptocurrency/virtual currency may only be used as funds for closing and reserves if it has been exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution. There must be sufficient documentation to verify that the funds originated from the borrower’s cryptocurrency/virtual currency account. Acceptable documentation to use those funds includes the following:
	  ○ Documentation from a cryptocurrency exchange account verifying the borrower as the legal owner and not the nickname of the account, AND
	  ○ Previous borrower bank statement showing funds going into the same cryptocurrency exchange account that the large deposit came from, OR
	  ○ 1099-B/MISC from the same cryptocurrency exchange account that the large deposit came from, plus the borrower’s tax returns reflecting the 1099 gain/loss

Borrowers	• Must be a veteran or served as an Officer for the U.S. Public Health Service (PHS) or National Oceanic & Atmospheric Administration with eligibility documented with a Certificate of Eligibility (COE), which will also indicate the veteran's entitlement.
	• Resident Alien permitted as long as primary borrower is a veteran.
	• Veterans with DACA status are eligible
	Joint Loans
	• Non-Del: Joint loans are eligible *only* when made to:
	  ○ A veteran and the veteran's spouse who is also a veteran, and both entitlements will be used.
	  ○ A veteran and one or more other veterans (not spouse), all of who will use their entitlement.
	  ○ All other types of joint loans are ineligible
	• Delegated: All Joint loan types are eligible
	  ○ VA prior approval may be required in some instances.
	  ○ Refer to the VA Lenders Handbook for complete requirements.
	• VA considers a veteran and a non-spouse who is on title but not on the loan to be a joint loan.
	• A loan involving a veteran and his or her spouse will not be treated as a "joint loan" if the spouse:
	  ○ is not a veteran, or
	  ○ Is a veteran who will not be using his or her entitlement on the loan.
	• A loan to a Veteran and fiancé who intend to marry prior to loan closing and take title as Veteran and spouse will be treated as a loan to a Veteran and spouse (conditioned upon their marriage), and not a joint loan. Refer to the VA Lenders Handbook for complete requirements.
	• See the Entitlement section for information when multiple entitlements are being used.

CEMA	• Refinance Only • 1-4-unit properties • eMortgages are ineligible • Lost Note Affidavits (LNAs) are not allowed for prior or current notes
Condominiums	• Condos must be approved by VA. • Air condos that do not have a homeowners association are not eligible for VA approval • Condo-hotels properties are not eligible for VA approval

Credit	• All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed. If the subject property is located in a community property state and the borrower has a non-purchasing spouse, a credit report for the non-purchasing spouse must also be ordered
	• Frozen Credit: No credit Bureaus may be frozen. Borrowers must unfreeze all bureaus, and the AUS rerun with the updated credit
	• Cannot be delinquent on any Federal Debt unless the delinquent account has been brought current or a satisfactory arrangement has been made
	• The credit of a spouse who will not be contractually obligated on the loan does not need to be considered, except:
	  ○ if the applicant is relying on alimony, child support, or maintenance payments from the spouse (or former spouse), or
	  ○ In community property states, whether or not the spouse will be personally liable on the note.
	  ○ VA Lenders Handbook for complete requirements
	• Non-Del Only: Installment debt must be paid in full to be excluded. Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying

<table>
<tr>
<td>Derogatory Credit</td>
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Chapter 7 BK

2 years seasoning with no additional requirements
1-2 years seasoning requires

2 trade lines re-established with satisfactory credit history (0x30x12) and
BK must be due to a documented extenuating circumstance

Divorce is not an extenuating circumstance
Less than 12 months seasoning is not allowed

Chapter 13 BK

12 months under payment plan with BK judge approval OR plan is completed

Deed in lieu or Short Sale develop complete information on the facts and circumstances in which the borrowers) voluntarily surrendered the property. If the borrower's payment history on the property was not affected before the short sale or deed in lieu and was voluntarily communicating with the servicer or holder, then a waiting period from the date transfer of the property may not be necessary
Foreclosure

2 years seasoning with no additional requirements
1-2 years seasoning requires

2 trade lines re-established with satisfactory credit history (0x30x12) and
Foreclosure must be due to a documented extenuating circumstance. Divorce is not an extenuating circumstance

If a foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy, use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re-established credit. If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.
Medical collections and charged-off medical accounts do not need to be considered in the qualifying ratios or when determining residual income.
Non-medical collection accounts without a minimum payment amount listed on the credit report, use 5% of the outstanding balance for qualification purposes.
All judgments must be paid in full or subject to a repayment plan with a history of timely payments.

History of timely payments is generally considered as making 12 payments.

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<td>Disaster Policy</td>
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<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-Del Only: Disaster inspections may not be completed by the Lender. Acceptable inspections include, but are not limited to, the original appraisal or a post-disaster inspection company</u>

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<td>Documentation Type</td>
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Documentation requirements are determined by the AUS.
Active military income must be documented with an LES.
Provide an acceptable VVOE for all borrowers that are a source of repayment.

Non-Del Only: <u>The verbal VOE must be obtained within 10 business days prior to the note date for employment, and within 120 calendar days prior to the note date for self-employment.</u>

Non-Del only: <u>VODs are not acceptable for asset documentation</u>
Non-Del only: <u>Handwritten Verification of Mortgages (VOM) or Verification of Rents (VOR) are not eligible</u>

Private mortgages may be verified with cancelled checks or bank statements.

Income or assets derived from the following sources are ineligible for qualifying:

The production or sale of marijuana
Bitcoin or other cryptocurrencies

Mortgage Credit Certificates (MCCs) issued by state and local governments may qualify a borrower for a Federal tax credit. The Federal tax credit is based on a certain percentage of the borrower's mortgage interest payment. Lenders must provide a copy of the MCC to VA with the loan package which indicates:

the percentage to be used to calculate the tax credit, and
The amount of the certified indebtedness. The certified indebtedness can be comprised of a loan incurred by the veteran to acquire a principal residence or a qualified home improvement or rehabilitation loan.

If the percentage on the MCC is more than 20 percent, there is an annual limit on the tax credit equal to the lesser of $2,000 or the borrower's maximum tax liability. Calculate the tax credit by applying the specified percentage to the interest paid on the certified indebtedness. Then, apply the annual limit.
Example: The MCC shows a 30-percent rate and $100,000 certified indebtedness. The borrower will pay approximately $8,000 in annual mortgage interest. Borrower's estimated total federal income tax liability is $9,000. Calculate the tax credit as follows:

30 percent of $8,000 = $2,400
Apply the annual $2,000 limit
The tax credit will be $2,000
Use $167 (one-twelfth of $2,000) in the monthly analysis.
Note: If the mortgage on which the borrower pays interest is greater than the amount of certified indebtedness, limit the interest used in the tax credit calculation to that portion attributable to the certified indebtedness.
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.

Note: Regardless of the AUS documentation requirements, the loan file will be underwritten based on all the documentation provided in the file.
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<td>Down Payment Assistance and Secondary Financing</td>
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Down payment assistance is acceptable.
If in the form of secondary financing, the second must meet VA's requirements. Refer to VA Lenders Handbook for complete requirements, including but not limited to:

May not put the veteran in substantially worse position than if the entire amount borrowed had been guaranteed by VA,
May not be used to cover any portion of a down payment required by VA to cover the excess of the purchase price over VA's reasonable value.

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DTI	• Any allotments reflected on the LES (Leave and Earnings Statement) or paystubs must be investigated to determine if the allotment has an affiliated debt. • In community property states, the spouse's debts and obligations must be considered even if the veteran wishes to obtain the loan in his or her name only. • Maximum DTI per AUS approval. For manually underwritten loans, see Underwriting Method section below.

Eligible / Ineligible Mortgage Products	Eligible
	• Fixed Rate: 10, 15, 20, 25 and 30 year terms.
	    ○ High Balance allowed on all terms.
	    ○ Cash Out Refinances > 90% LTV are limited to a 30-year term.
	• Constant Maturity Treasury (CMT) ARM
	    ○ CMT ARM: 5/1 (1/1/5 caps)
	    ○ Margin is 1.75%
	    ○ Qualifies at the note rate
	        ▪ Exception: ARMs in IL, MA and NM require qualifying at the greater of the note rate or the fully indexed rate (index + margin). If AUS is used, the qualifying rate may need to be adjusted to comply with this requirement.
	• Two-time close construction to perm refinances are eligible up to 100% LTV
	Ineligible
	• All ARM terms not referenced above.
	• Alterations and Repairs or Single Close Construction-To-Perm are ineligible.
	• Construction Loans, used to finance the construction of the subject
	• Energy Efficient Mortgage Loans
	• Graduated Payment Mortgages

eMortgages and eNotarization	• 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:
	    ○ State eligibility; and
	    ○ Product eligibility; and
	    ○ Transaction eligibility; and
	    ○ eNotarization eligibility; and
	    ○ RON eligibility

Entitlement/Guaranty	• Entitlement is the amount of VA Guaranty available to a veteran for use on a loan. The amount of entitlement will be displayed near the center of the COE.
	• The COE will never reflect any additional specific entitlement amount over $36,000 for loans greater than $144,000, but will reflect "Available"
	• Loan amounts >$1.5M, full entitlement is required.
	• VA loans must conform to GNMA secondary market guidelines which include:
	    ○ Purchase: Cash down payment and/or equity, plus the amount of available VA entitlement guaranty must equal at least 25% of:
	        ▪ The purchase price of the property, or
	        ▪ The Certificate of Reasonable Value (CRV)/NOV, whichever is less.
	        ▪ Note: The funding fee charged by VA must not be included in this calculation.
	    ○ Refinance: VA entitlement guaranty plus cash or equity is equal to at least 25% of the CRV/NOV. Cash or equity is defined as the positive difference between the CRV/NOV and the new loan amount.
	• For veterans with full entitlement, the maximum amount of guaranty for a loan amount over $144,000 is 25 percent of the loan amount, regardless of the Freddie Mac CLL. For loan amounts equal to $144,000 or less, refer to the VA maximum guaranty requirements in the VA Lenders Handbook.
	• For veterans with partial or unrestored entitlement, the maximum amount of guaranty is reduced by the amount of unrestored entitlement.
	    ○ For loan amounts over $144,000: The maximum amount of guaranty entitlement available is 25% of the single-unit Freddie Mac Conforming Loan Limit (CLL) for the county where the subject property is located reduced by the amount of unrestored entitlement.
	    ○ For loan amounts less than or equal to $144,000: The maximum amount of guaranty entitlement is $36,000 reduced by the amount of unrestored entitlement. VA refers to the first $36,000 of a veteran's entitlement as their "basic" entitlement.
	• Multiple Entitlements: If more than one veteran is involved, the entitlement charge is divided equally between them. If a veteran does not have enough entitlement, then unequal entitlement charges may be made with the written agreement of the veterans.
	• Freddie Mac Conforming Loan Limits (CLL) can be found at: https://www.fhfa.gov/data/conforming-loan-limit-cll-values

Escrow Holdbacks	• **Non-Del Only:**
	    ○ New Construction only
	    ○ Weather related repairs only
	    ○ Settlement Agent must administer escrow account and disbursement of funds
	    ○ 150% of repair estimate to be escrowed
	• Escrow holdbacks are allowed in accordance with VA guidelines, including but not limited to:
	    ○ A post funding stipulation for a copy of a 1004D confirming completion will be placed on loans where the appraisal is "subject to" improvements.
	    ○ A post funding stipulation for a final title policy endorsement that ensures the priority of the first lien will be required on any loan where the appraisal is "subject to" improvements.
	    ○ A copy of the escrow agreement (VA FORM 26-1849 on VA loans) will be required that states how the escrow account will be managed and how the funds will be disbursed.

Escrow / Impounds	• An impound account for collection of taxes and insurance (or additional escrow items) is required.

Exclusionary Lists	• All borrowers must be screened by CAIVRS to determine there have been no late payments on federal debt obligations

Funding Fee	• The funding fee may be financed in the loan.
	• The following veterans are exempt from paying the funding fee:
	  ○ 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 on the loan.
	    ▪ 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, certificate or military orders of having been awarded the Purple Heart.

High-Cost / Higher-Priced Mortgage	• Pennymac will not purchase High-Cost Loans
	• Higher-Priced Mortgage Loans (HPML) are eligible subject to:
	  ○ Establishing and maintaining an escrow account
	  ○ Meeting all applicable state and/or federal compliance requirements.

Ineligible Transactions	• Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bonafide purchase transactions and therefore not eligible for purchase by Pennymac. Unacceptable transactions of this type may have some or all of the following characteristics:
	  ○ Gift of equity from the seller
	  ○ Large amount of seller credits
	  ○ Family member remaining in the home and on title after the "purchase"
	  ○ Seller unable to qualify for a cash-out transaction of their own.

Loan Purpose: Cash-Out Refinance Type I and Type II	Requirements Applicable to Type I and Type II Cash-Out Refinances	
	Loan Eligibility	• There must be an existing lien against the property. Includes payoff of an existing VA-guaranteed or direct loan, an existing mortgage loan or other indebtedness secured by a lien of record on a residence owned and occupied by the veteran, or refinance of a contract for deed. If lien is not recorded for a contract for deed, refer to VA Lending Handbook for complete requirements.

	Maximum Loan Term	• The maximum loan term may not exceed the lesser of:
		  ○ 30 years and 32 days; or
		  ○ The economic life of the property securing the loan.
		  ○ Cash Out Refinances > 90% LTV are limited to 30-year terms (standard or high balance)

	Net Tangible Benefit (NTB) Requirements	• The NTB requirement is met if the refinancing loan satisfies at least one of the following:
		  ○ The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance;
		  ○ The term of the new loan is less than the loan term of the loan being refinanced;
		  ○ The interest rate on the new loan is lower than the interest rate on the loan being refinanced;
		  ○ The P&I payment on the new loan is lower than the P&I payment on the loan being refinanced;
		    ▪ Only use the first lien payment if there is a second or other liens being consolidated
		    ▪ If the monthly P&I payment changed due to a loan modification or adjustable-rate mortgage, the monthly P&I payment reduction should be computed based on the current monthly PI payment (only include the first lien being refinanced).
		  ○ The new loan results in an increase in the borrower's monthly residual income;
		    ▪ If this NTB is utilized, the lender should compare the residual income based on the proposed loan terms with the residual income that would exist if the refinance was not completed.
		    ▪ Note: If the monthly P&I payment is scheduled to change on the loan being refinanced, due to an ARM, on or before the closing date of the proposed refinance transaction, the adjusted P&I amount for the loan being refinanced must be used to determine the pre-refinance residual income.
		  ○ The new loan refinances an interim loan to construct, alter, or repair the home (does not include one-time close construction loans);
		  ○ The new total loan amount is equal to or less than 90 percent of the reasonable value of the home;
		  ○ The new loan refinances an adjustable-rate loan to a fixed rate loan
		  Note:
		    ▪ If the loan being refinanced has been modified, the modified terms should be used to evaluate NTB.
		    ▪ If the loan being refinanced is an ARM, the interest rate and P&I payment at the time of the new loan closing should be used to evaluate the NTB.
		    ▪ If the loan being refinanced has a temporary buydown, the note interest rate and full P&I payment should be used to evaluate the NTB

	Comparison of Key Loan Characteristics	• Comparison of key loan characteristics or terms for existing and refinancing loan is provided to the borrower including: ○ Refinancing loan amount vs. the payoff amount of the loan being refinanced (must include all loans being refinanced). ○ Loan type (i.e., fixed, adjustable) of the refinancing loan vs. the loan being refinanced. ○ Interest rate of the refinancing loan vs. the loan being refinanced. ○ Remaining loan term of all existing mortgage(s)/lien(s) being refinanced vs. the refinancing loan term. ○ The total the veteran would have paid after making all scheduled monthly principal, interest, and mortgage insurance (if applicable) payments on the exiting mortgage(s) and/or lien(s) being refinanced vs. total the Veteran will pay after making all scheduled monthly principal and interest payments on the refinancing loan. ○ Present combined LTV of the existing mortgage(s) and/or lien(s) being refinanced vs. LTV of the refinancing loan.
	Home Equity Disclosure	• The lender must provide a home equity disclosure to the Veteran within 3 business days from the initial application date and at loan closing. The home equity disclosure must ○ Disclose the amount of home equity being removed from the home as a result of the refinance; and ○ Explain how the removal of the home equity may affect the sale or refinance of the home in the future. ○ VA defines home equity as the difference between the reasonable value of the home and the amount needed to pay off all liens of record secured by the property. ○ **Note:** The home equity disclosure may be incorporated into the loan comparison disclosure.
	Seasoning Exempt	• VA guaranteed loans refinancing non-mortgage debt, a mortgage without a scheduled monthly payment, and interim construction loans are exempt from seasoning requirements. Refer to the VA Handbook and the Ginnie Mae Guide for complete requirements.

Cash-Out Type I Specific Requirements	
Description	Type I cash out is a refinancing loan in which the loan amount (including VA funding fee) does not exceed the payoff amount of the loan being refinanced.
Maximum Loan Amount / LTV	• Maximum 100% LTV, including funding fee (total loan amount). • Loan amounts >$2M maximum 80.00% LTV/CLTV including financed funding fee. • If the loan being refinanced has a fixed interest rate and the Type I cash-out refinancing loan will have an adjustable interest rate and more than one discount point is charged, the loan-to-value ratio (LTV) is limited to 90.00% of the reasonable value. ○ The lower rate may not be solely be due to discount points (i.e., the interest rate environment is such that a lower interest rate cannot be achieved without charging discount points)
Rate Reduction Requirements (VA-to-VA transactions)	• Fixed to Fixed: Minimum reduction of 0.5% • Fixed to ARM: Minimum reduction of 2.0% • ARM to Fixed: No minimum rate reduction required. • If the existing loan being refinanced has a temporary buydown in place, the required rate reduction is based on the note rate. • If the interest rate on the VA-guaranteed loan being refinanced has changed due to a loan modification, the Type I cash-out refinance interest rate must be reduced based on the modified interest rate.

Fee Recoupment (VA-to-VA transactions)	• The recoupment period of all fees, closing costs, expenses (other than taxes, escrow, insurance, HOA fees, and like assessments), and incurred costs must not exceed 36 months from the date of loan closing.
	    ○ Lender credits and premium pricing may be used to offset allowable fees and charges.
	        ▪ The VA funding fee, escrow, and pre-paid expenses such as insurance taxes, special assessments, and HOA fees may be excluded from the calculations to meet the recoupment requirement.
	    ○ Temporary buydown accounts and escrow accounts created to subsidize payments through an above market interest rate, or a combination of discount points and above market interest rate, are prohibited by VA (VA considers such accounts as cash-advance on principal).
	    ○ If the monthly P&I payment changed due to a loan modification or ARM, the monthly P&I payment reduction should be computed based on the P&I payment at the time of the closing of the new refinancing loan.
	    ○ If the monthly P&I payment is not reduced as a result of the refinance, the lender may not charge the Veteran loan fees, closing costs, or expenses other than taxes, amounts held in escrow, and the VA funding fee. Lender credits may be subtracted from the charges made to the Veteran.

<table>
<tr><td rowspan="4"></td><td rowspan="4">Seasoning Requirements</td><td colspan="3">Seasoning Requirements - Type I</td></tr>
<tr><td></td><td>VA-Guaranteed to VA</td><td>Non-VA Guaranteed to VA</td></tr>
<tr><td>Standard Mortgage
(Not modified)</td><td>• 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.

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).</td><td>• 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 monthly payments have been made on the loan being refinanced (the payments do not need to be consecutive).</td></tr>
<tr><td>*Modified Mortgage</td><td>• 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.

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).

*VA guaranteed modified mortgages must satisfy the seasoning requirements of the original note and the modified note.</td><td>• 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 to be consecutive).</td></tr>
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<tr><th colspan="4">Cash-Out Type II
Specific Requirements</th></tr>
<tr><td>Description</td><td colspan="3">Type II cash out is a refinancing loan in which the loan amount (including VA funding fee) exceeds the payoff amount of the loan being refinanced. In a Type II cash out, the Veteran may remove equity from the subject property.</td></tr>
<tr><td>Maximum Loan Amount / LTV</td><td colspan="3">Max 100% LTV, including financed funding fee (total loan amount).
Loan amounts >$2M maximum 80.00% LTV/CLTV including financed funding fee.
Maximum cash-out $500,000 (includes consumer debt payoffs and cash-in-hand)
Excludes second mortgage lien payoff</td></tr>
<tr><td rowspan="4">Seasoning Requirements</td><th colspan="3">Seasoning Requirements – Type II</th></tr>
<tr><th></th><th>VA-Guaranteed to VA</th><th>Non-VA Guaranteed to VA</th></tr>
<tr><td>Standard Mortgage
(Not modified)</td><td>The later of the date the first monthly payment was made or the first monthly payment due date on the VA-guaranteed 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 monthly payments have been made on the VA-guaranteed loan being refinanced (the payments do not need to be consecutive).</td><td>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 monthly payments have been made on the loan being refinanced (the payments do not need to be consecutive)</td></tr>
<tr><td>Modified Mortgage</td><td>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 to be consecutive).</td><td>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 to be consecutive).</td></tr>
<tr><td>Additional Cash-out Type II Requirements</td><td colspan="3">Non-Del: <u>All cash-out refinance transactions must present a tangible benefit to the borrower. At Pennymac's discretion, cash-out loans where effective interest of proceeds are clearly more costly than alternative financing may be deemed ineligible.</u>
<u>Borrowers may not have multiple cash-out transactions within the prior 12 months on the same property. Closing Disclosures (CDs), or other supporting documentation, from all subject property refinances in the prior 12 months are required to confirm the previous transactions were no cash-out. The subject cash-out transaction is excluded if the borrower is receiving no cash in hand, or is receiving less than the incidental limit allowed by the Agency. Loans with LTV/CLTVs of 75% or less are excluded from this requirement.</u>
<u>Note:</u>
<u>Removing or adding borrowers will not make the transaction eligible.</u>
<u>When a HELOC is paid through closing, the current transaction is only considered cash out for this requirement if there were any draws in the last 12 months.</u>
<u>Loan may be defined as cash-out by the Agency and be excluded from this requirement.</u></td></tr>
</table>

Loan Purpose: Purchase	• Purchase o For purchase contracts signed and dated on or after August 10, 2024, the temporary local variance permitting Veterans to pay reasonable and customary amounts for any buyer-broker charges (including commissions and any other broker-related fees) on purchase transactions is eligible per VA requirements.
Occupancy	• Owner-occupied only • Second homes not allowed • Investment properties not allowed

Power of Attorney	• Can be general or specific. To complete the loan transaction using an attorney-in-fact, VA also requires the veteran's written consent to the specifics of the transaction. This requirement can be satisfied by either:
	    o The veteran's signature on both the sales contract and the Uniform Residential Loan Application, as long as the veteran's intention to obtain a VA loan on the particular property is expressed somewhere in those documents, or
	    o A specific power of attorney or other document(s) signed by the veteran, which encompasses the following elements:
	        ▪ Entitlement—A clear intention to use all or a specified amount of entitlement.
	        ▪ Purpose—A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinancing.
	        ▪ Property Identification—Identification of the specific property.
	        ▪ Price and Terms—the sales price, if applicable, and other relevant terms of the transaction.
	        ▪ Occupancy—the veteran's intention to use the property as a home to be occupied by the veteran (or other applicable VA occupancy requirement).
	• In addition, at the time of loan closing, the lender must:
	    o Verify that the veteran is alive, and, if on active military duty, not missing in action (MIA), and
	    o Make the following certification:
	      "The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran's behalf by the attorney-in- fact."
	• Verification that the veteran is alive and not MIA is required whether or not the veteran is still in the military.

Property: Eligible Types	• Single Family Attached/Detached • 2–4 Units • PUDs • Condominiums • Leaseholds with proof of approval from VA • Manufactured homes: Refer to the VA Manufactured Home Product Profile for all requirements. The more restrictive of the loan program guidelines apply.

Property: Ineligible Types	In addition to the ineligible property types identified in VA Lenders Handbook, the following property types are ineligible: • Single-width manufactured homes • Mobile homes • Properties located in a mobile home park • Cooperatives • Condotels • Hotel condominiums • Timeshares • Geodesic domes and berm homes • Working farms and ranches • Unimproved land and property currently in litigation • Commercial enterprises (e.g., bed and breakfast, boarding house, hotel) • **Non-Del Only:** Properties located in lava zones 1 or 2
Property: Max. Number of Financed	• No restrictions.

Qualifying	• Fixed rate, qualify at the note rate.
	• 5/1 ARMs qualify at the note rate. Exception:
	  ○ ARMs in IL, MA and NM require qualifying at the greater of the note rate or the fully indexed rate (margin + index).
	  ○ **Non-Del only:** The AUS qualifying rate may need to be adjusted to comply with this requirement.

Recently listed properties	• Cash-Out Type I (rate & term): The listing must have been expired or been withdrawn on or before the application date. ○ If the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year. • Cash-Out Type II (cash-out): The listing must have been expired or been withdrawn 180 days prior to the application date.

Rental Income	• **Non-Del Only:** For departing residences, the use of rental income to offset the PITIA may be used for qualification purposes. When a fully executed lease is not available, the following is required:
	  ○ Form 1007 completed by an appraiser who has expertise in the local rental market
	  ○ Rationale of the use of proposed rents must be documented on Form 26-6393

<table>
<tr><td rowspan="5">Reserves</td><td colspan="3">Refer to the below table for reserve requirements when rental income is being used:</td></tr>
<tr><td>Rental Property Scenario</td><td>Reserve Requirements</td><td>Comments</td></tr>
<tr><td>Rental Income from the property occupied prior to new home i.e., departing residence</td><td>Reserves are not required on the property the veteran occupied prior to the new loan.</td><td>May only use the prospective rental income to offset the mortgage payment on the rental property.</td></tr>
<tr><td>Rental Income from non-subject property(ies)</td><td>Cash reserves totaling at least three months mortgage payments (PITI) are required.</td><td>If the veteran has multiple properties, they must have three months PITI documented for each property to consider the rental income.</td></tr>
<tr><td>Multi-Unit (2-4 unit) subject property</td><td>Cash reserves totaling at least six months mortgage payments (PITI) are required</td><td>Veteran/borrower must occupy one unit as their residence. Note: If each unit is separate and not under one mortgage, six months PITI must be verified for each separate unit.</td></tr>
<tr><td></td><td colspan="3">Equity in the property, cash-out proceeds and gift funds cannot be used to meet reserve requirements.
Any required reserve funds must be in the borrower's account before the new VA loan closes.
Refer to the VA Lenders Handbook for complete requirements</td></tr>
<tr><td>Residual Income</td><td colspan="3">Residual Income is the borrower's net effective income minus monthly shelter expenses
Residual Income must be in accordance with regional table and is a required calculation in addition to DTI
Net Effective Income is taken from Line 41 of VA Form 26-6393
Monthly Shelter Expense is taken from Line 21 of VA Form 26-6393
When DTI exceeds 41%:
Include a statement justifying the reasons for approval, signed by the underwriter's supervisor, unless residual income exceeds the guideline by at least 20 percent.
The statement must include the reason(s) for approving the loan and list the compensating factors justifying approval of the loan</td></tr>
<tr><td>Sales Concessions</td><td colspan="3">Sales concessions cannot exceed 4% of the established reasonable value of the property (NOV).
Does not include normal discount points and payment of the buyer's closing costs.
Note: Seller’s payment of buyer-broker charges is not treated as a seller concession</td></tr>
<tr><td>State Restrictions</td><td colspan="3"><u>Texas 50(a)(6) and 50(a)(4) loans are not allowed.</u></td></tr>
<tr><td>Tax Transcripts</td><td colspan="3">Tax transcripts are not required. If red flags are present, tax transcripts may be requested at Pennymac’s discretion.
A properly executed 4506-C is required for all transactions except when the loan file contains tax transcripts</td></tr>
</table>

Temporary Buydown	Temporary buydowns are eligible subject to • Max 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 • The greater of 660 FICO or the FICO floor referenced on the Maximum LTV/CLTV and FICO Requirements grid. • Fixed Rate only • Must qualify at the standard note rate without benefit of the buydown • Must meet all other applicable VA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.
Title Insurance	• Title insurance is required. • 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	• Loans must be submitted through DU or LPA.
	• Loan amounts >$1.5M
	  ○ AUS approval required
	  ○ Maximum DTI 45.00% regardless of AUS approval
	  ○ Borrowers must have a primary mortgage or primary housing history of 0x30x12 for the most recent consecutive 12-month period, ending with the application date.
	    ▪ Gaps in history or less than 12 months will not be acceptable.
	• Manual underwriting on non IRRRL transactions is permitted under the following conditions:
	  ○ Loan amounts <= $1.5M
	  ○ The greater of 660 FICO or the FICO floor referenced on the Maximum LTV/CLTV and FICO Requirements grid for purchase and Cash-out Type I refinance transactions
	  ○ 700 FICO for cash-out Type II transactions
	  ○ 0 x 30 in the most recent 12 months for all prior mortgages
	  ○ Maximum DTI of 45%, refer to the Residual Income Section for DTIs over 41%
	  ○ Include a copy of the AUS Refer/Eligible in the loan file
	  ○ Loan must comply with all VA requirements for manual underwriting

For guidance not addressed in this Product Profile, refer to the VA Lenders Handbook posted in AllRegs or direct at:
http://www.benefits.va.gov/warms/pam26_7.asp

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.