



Overlays | Non-Delegated

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

| GOVERNMENT LOANS January 15, 2020 X Indicates Overlay | | FHA 203(B) and 203(K) | VA | FHA Streamline | VA IRRRL |
|--|--|-----------------------|----|----------------|----------|
| Topic | Overlay/Modification | | | | |
| Borrower Eligibility | <ul style="list-style-type: none"> Occupant borrower and non-occupant co-borrower must share a relationship that meets the requirements for an eligible gift donor under FHA guidelines (FHA) Borrower or properties with previous Mortgage Credit Rejects (MCR) are ineligible. | X | X | X | |
| | PennyMac employees are ineligible | | | | |
| | Joint Loans are not allowed | | X | | |
| Credit | All mortgages must have a mortgage history of 0 x 30 in the last 3 payments. | | | | X |
| | To meet Ginnie Mae seasoning requirements: the borrower must have made at least six consecutive payments on the loan being paid off and the first payment due date of the new loan must be at least 210 days after the first payment due date of the refinanced loan. | X | | X | |
| | To meet Ginnie Mae seasoning requirements: the new note date must be on or after the later of: <ul style="list-style-type: none"> The date that is 210 days after the date on which the first monthly payment was due on the mortgage being refinanced, and The date on which 6 full monthly payments have been made on the mortgage being refinanced. | | X | | X |
| | All borrowers must return at least 1 credit score. | | X | X | X |
| | Installment debt must be paid in full to be excluded. Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying | X | X | X | |
| Condo | FHA Single Unit Condo approval and DELRAP approval are not eligible. | X | | | |

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| Documentation | Handwritten Verifications of Mortgage (VOM) or Verifications of Rents (VOR) are not eligible. Verifications from private loans are acceptable however cannot be handwritten. | X | X | | |
| Disaster Policy | Disaster inspections may not be completed by the Lender. Acceptable inspection providers include, but are not limited to, the original appraiser or a post-disaster inspection company. | X | X | X | X |
| Down Payment Assistance | Down Payment Assistance programs are permitted as long as the source is a Government Agency or Government Entity (e.g. Non Profits and Trade Unions are not permitted). | X | | | |
| Eligible Properties | No Manufactured Housing. This includes on-frame modular homes built on a permanent chassis. | X | X | X | X |
| | No Cooperatives. | X | X | X | X |
| | PennyMac does not allow working farms which are allowed by VA. | | X | X | X |
| | Properties located in lava zone 1 or 2 | X | X | X | X |
| Employment Verification | For self-employed borrowers the verbal verification of employment must be completed within 120 days prior to the note date. | X | X | X | |
| | <ul style="list-style-type: none"> Retirement and/or social security income requires the most recent bank statement or award letter Interest/Dividend income requires the first page of the most recent tax returns and a copy of the statements reflecting the current balance Rental income requires the 1st page and Schedule E of the most recent tax return or a current lease agreement | | | X | |
| | All Borrowers require a Verbal VOE or income source documentation | | | | X |
| Entitlement | VA loans must conform to GNMA secondary market guidelines which include the minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment/equity. | | X | X | X |
| Escrow/Impound Account | Escrow or impound accounts are required for collection of taxes, insurance, or any other required items. | | X | X | X |
| Escrow Holdback | Escrow holdbacks are not allowed | X | | | |
| Fee Recoupment | Remaining unpaid term must be reduced by a minimum of five years | | | | X |
| FICO - Minimum | Minimum FICO score of 620. | X | X | X | X |
| Ineligible Mortgages | Energy Efficient Mortgages, Weatherization, Solar and Wind Technologies. | X | X | X | X |
| | 203(k) only eligible with specific PennyMac approval. Additional construction overlays apply. See FHA 203(k) Product Profile for details. | X | | | |

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| | No Graduated Payment Mortgages. | | X | X | X |
| | VA Repair and Renovation or Construction to Perm loans are ineligible | | X | X | |
| Loan Limits | Maximum base loan amount cannot exceed \$1,500,000. Base loan amounts exceeding \$1,000,000 require minimum FICO of 700. | | X | X | X |
| LTV Limits | VA Full Doc refinances limited to 90% Total LTV/CLTV | | | X | |
| Properties listed for sale | Properties that were listed for sale. On cash-out transaction, the listing must have expired or been withdrawn prior to the application date. Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year. | X | | | |
| | <ul style="list-style-type: none"> • VA IRRRL / Rate & Term - the listing must have been expired or been withdrawn on or before the application date. • Cash-Out Transaction - the listing must have been expired or been withdrawn 180 days prior to the application date. <p>Note for all transactions: If the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.</p> | | X | X | X |
| Occupancy | Owner occupied only | X | | | |
| Payment Decrease/Increase Requirements | Payment may not increase by 20% or more | | | | X |
| Ratios - Maximum | <ul style="list-style-type: none"> • DTI ≤ 50%: follow program credit score and LTV maximum • DTI > 50%: <ul style="list-style-type: none"> ○ Credit score ≥ 640, or ○ LTV is 5% below the maximum | X | | | |
| Reserves/Funds to Close | When funds must be sourced, then deposits that are greater than 2 times the new PITIA + MIP, plus any secondary financing, must be sourced if needed for funds to close | | | | X |
| Seasoning | All closed loans must be delivered on or before 45 days past the Note date (i.e., Note date to file delivered date). Loans aged greater than 45 days are eligible for purchase subject to PennyMac review, approval, and additional fees. Please note loans aged greater than 105 days, up to 9 months, if approved, are subject to additional loan price adjustments determined by PennyMac at review. | X | X | X | X |
| State Restrictions | Texas A (6) Refinances are ineligible. | | X | X | X |
| | FHA Streamlines are not allowed in West Virginia | | | X | |

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| | 2-4 unit properties in New Jersey are ineligible. | X | X | X | X |
| | Properties in New York are ineligible for origination | X | X | X | X |
| Tax Transcripts | Tax transcripts for the most recent one year are required for all borrowers whose income is used to qualify. If only W2/1099 income is used to qualify, W2/1099 transcripts are acceptable. | X | X | X | |
| Temporary Buydowns | Temporary buydowns are not allowed | X | | | X |
| Title Insurance | Title insurance is required for all properties | | X | X | X |
| UW Method | PennyMac requires a DU or LPA approval on all loans. Approve/ineligible due to LTV acceptable for HUD REO (FHA) only. Manual underwrites are not allowed. | X | X | | |