



PennyMac

USDA Guaranteed Rural Housing Product Profile

11.01.19

Clients must be specifically approved by PennyMac to deliver Rural Housing Mortgages. Contact your Account Manager for Rural Housing approval requirements.

Overlays to Rural Housing are underlined

Maximum LTV/FICO Requirements

Purchase		Rate and Term Refinance	
LTV/ <u>CLTV</u>	Min FICO	LTV/ <u>CLTV</u>	Min FICO
100%*	<u>620</u>	100%*	<u>620</u>

***exclusive of financed guarantee fee**

<p>Ability To Repay and Qualified Mortgage Rule</p>	<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 loans. • See Seller Guide section "Ability to Repay and Qualified Mortgage Rule" under "Delivery Procedures" for more details.
<p>Appraisals</p>	<ul style="list-style-type: none"> • A full appraisal (e.g. form 1004 or equivalent, accompanied by form 1004MC) is required for all submissions • The appraisal must be no more than 150 days old at loan closing. Lenders may extend the validity period of an appraisal with an appraisal update report that will be no greater than 240 days from the effective date of the initial appraisal report at loan closing (150 days for the original appraisal plus 90 days for the Appraisal Update Report). An original appraisal report can be updated one time with an Appraisal Update Report. • Penny Mac will purchase loans secured by properties with "unpermitted" structural additions under the following conditions: <ul style="list-style-type: none"> ○ The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser; ○ The addition does not result in a change in the number of units comprising the subject property (e.g. a 1 unit converted into a 2 unit). ○ If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal: ○ Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property. ○ The appraiser has no reason to believe the addition would not pass inspection for a permit.
<p>Age of Documents</p>	<ul style="list-style-type: none"> • Credit documents must be no more than 120 days old on the date the Note is signed, including credit reports and employment, income and asset documents. • <u>Preliminary Title Policies must be no more than 180 days old on the date the Note is signed.</u>

Assignment of Mortgages	<p>All loans must be registered with MERS at time of delivery to PennyMac and a MERS transfer of beneficial rights and transfer of servicing rights must be initiated by the Seller, to PennyMac Corp, LLC (#1009313), within 24-hours of purchase.</p>
Borrower Eligibility	<ul style="list-style-type: none"> • U.S. citizens • Borrowers must have a valid Social Security Number • Permanent resident aliens, with proof of lawful residence • Non-permanent residents are allowed as long as they are a qualified alien with proof of lawful residence. • Non-occupant borrowers are ineligible • See Property: Maximum Number of Properties Owned for information regarding borrowers who currently own a property • 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. However due to operational constraints, transactions involving HAPs paid directly to the Servicer are ineligible for purchase by PennyMac. Transactions with HAPs paid directly to the borrower continue to remain eligible for purchase.
Condominiums	<p>The lender must perform an underwriting review of the condominium project to ensure the unit meets HUD/FHA, VA, Fannie Mae, or Freddie Mac guidelines. The 1008 must be marked with the appropriate warranty and include all documentation utilized to make the condo warranty determination.</p>

Credit History

- Minimum FICO score of 620. Each borrower must have at least one credit score to be eligible.
- Purchases: Manually underwritten loans with FICOs less than 680 require a rent history of 0x30x12, if the applicant pays rent.
- Refinances: The existing loan must have been current for the 180-day period prior to the conditional commitment request to refinance
- At least one borrower whose income or assets are used for qualification must have at least two eligible tradelines to validate the borrower's credit score. Eligible tradelines consist of credit accounts with at least 12 months of repayment history reported on the credit report.
 - Authorized user accounts may not be considered in the credit score and credit reputation analysis unless the applicant provides documentation that they have made payments on the account for the previous 12 months prior to application.
 - A trade line in a documented dispute with 12 months of history is considered an eligible trade line.
 - Required for manual and GUS approved loans: The inability to validate credit scores used by GUS will require lenders to downgrade an "Accept" underwriting recommendation to a "Refer." Non-traditional credit history is acceptable to supplement the number of tradelines, in accordance with Rural Housing's requirements. Borrowers must still have a minimum FICO of 620 to be eligible.
- Authorized User Tradelines: A GUS underwriting recommendation of "Accept" with open authorized user tradelines must include evidence in the lender's permanent casefile of one of the following: 1.) another borrower on the mortgage loan application owns the tradeline in question, 2.) the owner of the tradeline is the spouse of a borrower, 3.) evidence the borrower has been making payments on the account for the last 12 months, or 4.) there are two or more other tradelines listed on the credit report, which are not authorized user accounts, with at least 12 months of payment history listed to validate the credit score. If one of these conditions cannot be met an underwriting recommendation of "Accept" must be manually downgraded to a "Refer" and the file must be manually underwritten. Closed authorized user accounts require no consideration for manual or GUS loan submissions.
- 30-Day Accounts. Lender must verify the outstanding balance is paid in full on every 30-day account each month for the past 12 months. 30-day accounts that are paid monthly in full are not included in the applicant's long-term debt ratio. If the credit report reflects any late payments in the last 12 months, a long-term monthly payment will be included. Utilize 5% of the outstanding balance as the applicant's monthly debt. Lenders will utilize the credit report to document the applicant paid the balance on the account monthly for the previous 12 months.
- Disputed Credit Tradelines: When a borrower's credit report indicates a tradeline or public record is in dispute, a GUS underwriting recommendation of "Accept" may need to be downgraded by the lender to a "Refer." A downgrade is not required if any of the following conditions are met in regards to the disputed item listed on the credit report: 1.) the tradeline has a zero dollar balance, 2.) the tradeline is marked "paid in full" or "resolved," or 3.) the tradeline has a balance owed of less than \$500 and is more than 24 months old. In the event a GUS underwriting recommendation is downgraded to a "Refer" the lender must remit a fully underwritten file to Rural Housing. For manually underwritten loan files all disputed tradelines with outstanding balances/payments that have been excluded from the debt ratios, must have evidence in the permanent loan file to support a justifiable dispute.

Credit: Liabilities

- **Non-Purchasing Spouse (NPS):** When a borrower resides or the subject property is located in a community property state, a credit report for the NPS must be obtained. The debts of the NPS must be included in the borrower's debt ratio, except for those specifically excluded by state law. The NPS's credit history is not a reason to deny the loan application. Community property states include: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. Alaska is an opt in community property state; property is separate unless both parties agree to make it community property through a community property agreement or a community property trust.
- **Verification of Rent/Mortgage History:** Not required with a GUS accept. Manual underwriting must follow Rural Housing repayment history requirements.
- **Installment and Revolving Credit Accounts:** Installment debts with more than ten months repayment remaining must be included in the debt ratio. Revolving debts with reported loan balances on the credit report must have a monthly payment included in the debt ratios. If a payment is not listed the lender may estimate a monthly payment of 5% of the loan balance.
- **Student Loans:** Lenders must include the payment as follows
 - **Fixed payment loans:** A permanent amortized, fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed.
 - **Non-Fixed loans:** Payments for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable, and other types of repayment agreements which are not fixed cannot be used in the total debt ratio calculation. The higher of one half percent (.50%) of the loan balance or the actual repayment reflected on the credit report must be used as the monthly payment in the underwriter decision. No additional documentation is required.
- **Co-signed Debt:** In order to exclude the payment from total debt, the lender must provide 12 month's payments from the other party or conclusive evidence from the debt holder that there is no possibility that the debt holder will pursue debt collection against the applicant, should the other party default. Individual debt must be included in the DTI.
- Payments that will come due in the next 24 months, including deferred loans and balloon payments
- Short term obligations must be included in DTI if there is significant impact on repayment. Significant impact is defined as 5% or greater of the gross monthly income of the applicant.
- Long-term obligations with more than ten months repayment remaining on the credit report presented at underwriting, including all installment loans, alimony, child support or separate maintenance payments, student loans and other continuing obligations must be included in the DTI.

<p>Derogatory Credit: Bankruptcy, Short Sale, Foreclosure, Federal Debt, and Judgments</p>	<ul style="list-style-type: none"> • Bankruptcy Chapter 7: GUS approval has no minimum seasoning. Follow Rural guidelines for manually underwritten loans. • When a Chapter 7 bankruptcy absolved the mortgage debt for the borrower any foreclosure or remaining foreclosure pending is an action against the property, not the borrower. The foreclosure action is not considered as adverse credit in the borrower’s evaluation. A loan underwritten with the assistance of GUS will not be required to be manually down-graded when the bankruptcy discharge included the mortgage debt. • Bankruptcy Chapter 13: GUS approval has no minimum seasoning. Follow Rural guidelines for manually underwritten loans. • 3 years elapsed since completion of Foreclosure, Deed in Lieu, or Short sale/Pre-foreclosure. <ul style="list-style-type: none"> ○ Short Sales Manually underwritten only: <ul style="list-style-type: none"> ▪ Exceptions can be made when the borrower was not delinquent at the time of Short Sale, or if due to divorce, at the time of divorce, and ▪ The prior mortgage payment history must reflect all mortgage payments due were made on time for the 12 month period preceding the short sale, or time of divorce, and all installment debt payments for the same period were also made within the month due. • Federal debts: A borrower is ineligible for a guaranteed loan if they are presently delinquent on a tax or non-tax Federal debt. • All judgment must be paid in full, or <ul style="list-style-type: none"> ○ Payment arrangements with the creditor have been made ○ The borrower has made regular and timely payments for the three months prior to loan application. ○ Prepaying scheduled payments as a means of meeting minimum requirements is unacceptable. ○ Lenders will obtain a copy of the payment agreement and validate payments have been made in accordance with the payment agreement. ○ The payment agreement will be included in the debt-to-income ratio. ○ Exception: If the repayment plan was already established and the applicant has a history of consistent repayment, the payment may be excluded if there are less than 10 months remaining and the lender determines the debt does not have a significant impact on the repayment of the applicant.
<p>Derogatory Credit: Collections</p>	<p>Collection Accounts: The lender is responsible for determining which collection accounts, if any, should be paid in full by the borrower prior to or at loan closing. The repayment in full of unpaid collections is not a condition of mortgage approval. The lender will consider the following during the capacity analysis of the loan request, regardless of the method utilized to underwrite:</p> <ul style="list-style-type: none"> • Determine if the total outstanding balance of all collections accounts of all borrowers is equal to or greater than \$2,000. Unless excluded by state law, collection accounts of a non-purchasing spouse in a community property state are included in the cumulative balance of all collections. • Remove all medical collections and all types of charge off accounts from the total balance. Medical collections and charge off accounts must be clearly identifiable on the credit report. • If the remaining outstanding balance of collection accounts are equal to or greater than \$2,000, any of the following actions will apply: <ul style="list-style-type: none"> ○ Payment in full of all collection accounts at or prior to closing. ○ Payment arrangements are made with each creditor for each collection account remaining outstanding. A letter from the creditor or evidence on the credit report is required to validate the payment arrangements. The agreed upon monthly payment for each outstanding collection account will be included in the borrower’s debt-to-income ratio. ○ In the absence of a payment arrangement, the lender will utilize in the debt-to-income ratio a calculated monthly payment. For each collection utilize 5% of the outstanding balance to represent the monthly payment.
<p>Disaster Policy</p>	<p><u>PennyMac will require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster.</u> See PennyMac disaster policy located in the Seller's Guide for full details.</p>
<p>Escrows/Impounds</p>	<p>An impound account for collection of taxes and insurance (or additional escrow items) is required.</p>

<p>Escrow Holdbacks</p>	<p>Repair Escrows, post issuance of the Loan Note Guarantee, are acceptable. Rural Housing may issue a Loan Note Guarantee prior to the completion of repairs provided the following conditions are met:</p> <ul style="list-style-type: none"> • The livability of the dwelling is not affected; • A signed contract between the borrower and the contractor is in effect for the proposed work and the funds to be escrowed are not less than the contract; • The funds to be escrowed are not less than the repair cost contract; • The Closing Disclosure reflects the holdback; • The development will be complete within 180 days of closing, unless an extension is granted by USDA for inclement weather; and • The escrow account is established in a federally supervised financial institution. • Certification of completion is required to verify the work was completed and must: <ul style="list-style-type: none"> ○ Be completed by the appraiser; ○ State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report; ○ Be accompanied by photographs of the completed improvements; and ○ The individual performing the final inspection of the property must sign the completion report. <p>Escrow Completion without the Assistance of a Contractor</p> <ul style="list-style-type: none"> • When the borrower will complete the planned interior/exterior development on an existing dwelling without the services of a contractor, the contract noted in this section is waived when the following three conditions are met: <ul style="list-style-type: none"> ○ The estimated cost to complete the work is not greater than 10 percent of the total loan amount; and ○ The escrow amount is less than or equal to \$10,000; and ○ The lender has determined the borrower is capable to complete the work within the 180-day limit.
<p>Exclusionary List</p>	<p>CAIVRS and GSA list must be checked and cleared.</p>
<p>Financing Concessions</p>	<p>Financing or sales concessions cannot exceed 6% of the sales price.</p>
<p>Flood Insurance</p>	<p>Existing dwellings:</p> <ul style="list-style-type: none"> • Existing dwellings in a SFHA are not eligible under the SFHGLP unless flood insurance through the FEMA National Flood Insurance Program (NFIP) is available. The lender will require the borrower to obtain, and maintain for the term of the mortgage, flood insurance for any property located in a SFHA, listing the lender as a loss payee. <p>New or Proposed Dwellings:</p> <ul style="list-style-type: none"> • Rural Housing will not guarantee loans for new or proposed homes in an SFHA unless the lender obtains a Letter of Map Amendment (LOMA) that removes the property from the SFHA or Letter of Map Revision (LOMR) that removes the property from the SFHA or obtains a FEMA elevation certificate that shows that the lowest habitable floor (including basement) of the dwelling and all related building improvements is built at or above the 100 year flood plain elevation in compliance with the NFIP.
<p>Funds to Close</p>	<ul style="list-style-type: none"> • Cash to close remains the lender’s responsibility to verify and document that the borrower has sufficient funds to facilitate funding. The following asset types are most common when documenting cash to close: <ul style="list-style-type: none"> ○ Checking/Savings, provide the most recent two months statements. Any large deposits must be sourced. ○ Gifts are allowed in accordance with Rural Housing guidelines. Gifts must be specifically identified as a gift in GUS in order to omit from reserves. ○ <u>Cash on Hand is not permitted.</u> • The lesser of the two month average balance or actual balance (as reported on the most recent statement) must be used in GUS to calculate the assets. In lieu of entering assets in GUS, the lender may underwrite to the most conservative approach with no consideration of assets in GUS.

<p>Guarantee Fee</p>	<ul style="list-style-type: none"> • Upfront Guarantee Fee: 1% of the loan <ul style="list-style-type: none"> ○ Financed Guarantee Fee calculated: (loan amount / .99) - loan amount ○ Not financed Guarantee Fee calculated: loan amount * 1% • Can be financed above the appraised value • Annual Fee: <ul style="list-style-type: none"> ○ .35%
<p>Hazard and Wind Insurance</p>	<ul style="list-style-type: none"> • Hazard insurance policies should conform to the GSE coverage requirements of “the standard extended coverage endorsement,” which states that a policy cannot be accepted that in whole or part excludes wind, hurricane or catastrophe insurance unless the coverage is provided in another policy with the same coverage limits as the hazard policy. • Borrower occupied properties should have replacement cost coverage in an amount equal to the insured value of the improvements or the unpaid principal balance • Hazard or wind deductible(s) may not exceed the greater of either \$1,000 or 1 percent of the policy coverage, or the minimum deductible offered by the borrower’s chosen insurance carrier. • See Flood Insurance for flood insurance requirements.
<p>High Cost / Higher Priced Mortgages (HPML)</p>	<ul style="list-style-type: none"> • PennyMac will not purchase High Cost Loans • Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> ○ Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. ○ Must meet all applicable state and/or federal compliance requirements.
<p>Home Ownership Counseling</p>	<p>Lenders are reminded that certain Rural Housing State Offices require Home Ownership Counseling for first time homebuyers. It is the lender's responsibility to ensure the home buyer education is completed in those states and include documentation to satisfy Rural Housing's requirements in the file.</p>
<p>Income: Annual</p>	<ul style="list-style-type: none"> • The borrower's adjusted income may not exceed the Rural Housing's limit for the area. PennyMac strongly recommends that lenders include the documentation to support the annual income calculation in the file. Refer to the USDA Income and Property Eligibility website:http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?NavKey=home@1 • To validate income documentation and disclosure provided by the borrower’s and other adult household members that will reside in the home, Lenders will require each adult member of the household to complete and execute IRS Form 4506-T (or comparable IRS form) for the previous two years at the time of loan application. Validation from IRS does not need to be received by the Lender prior to request for Conditional Commitment for Loan Note Guarantee. Lenders must obtain and review the transcripts prior to loan closing and retain them in their permanent loan file. • Full time students age 18 and up that are not the applicant, co-applicant, or spouse of an applicant are not required to sign the 4506-T or have transcripts provided.

<p>Income: Repayment</p>	<ul style="list-style-type: none"> • Salaried: <ul style="list-style-type: none"> ○ Paystubs covering the most recent 4 weeks period with YTD earnings and W2s for the prior two years. Or, WVOE allowed. ○ VOE within 10 business days prior to closing required. • Self-Employed: <ul style="list-style-type: none"> ○ Two consecutive years of signed Federal Income Tax Returns with all schedules filed with the IRS, or IRS transcripts that include all applicable schedules, along with a recent profit and loss statement (not required to be audited), and ○ Two consecutive years of signed business Federal Income Tax returns with all schedules filed with the IRS, or IRS transcripts that include all applicable schedules, if required for the business type. ○ Confirmation the business is operational must be obtained within 30 days of the note date/loan closing • Other Types of Income: See Rural Housing Guidelines, Chapter 9-Matrix 9-A • Mortgage Credit Certificate (MCC): Do not include MCC in repayment income. See Attachment 9-A for how to enter MCC in GUS. • See Tax Transcript Section for requirements. • A 4506-T, signed at application and closing, is required for all transactions
<p>Loan Purpose</p>	<ul style="list-style-type: none"> • Purchase <ul style="list-style-type: none"> ○ Closing costs may be financed when there is equity above the contract price. • Rate & Term Refinance <ul style="list-style-type: none"> ○ The maximum loan amount cannot exceed the balance of the existing Rural Housing loan being refinanced plus: <ul style="list-style-type: none"> ▪ Accrued interest ▪ Financed guarantee fee ▪ Reasonable and customary closing costs ▪ Fund to establish a new tax and insurance escrow am ○ Unpaid fees, such as late fees due the servicer are not eligible to be included in the new loan amount ○ Borrowers may be reimbursed at closing for any fees paid in advance (for example, appraisal and credit report fee). A nominal amount of "cash-out" to the borrowers may occasionally result due to final escrow and interest calculations. This amount, if any, must be applied to a principal reduction of the new loan. ○ The existing loan to be refinanced was closed at least 12 months prior to Rural Housing’s receipt of a conditional commitment request for refinance ○ The borrower has been current on their existing USDA loan for the 180-day period prior to the conditional commitment request for refinance ○ At least one original borrower must remain on the new loan • Cash Out is not allowed • Combination construction and permanent financing not allowed. Two-closing construction to permanent financing is allowed, and may be structured as a purchase transaction. • <u>Streamline refinances are not allowed.</u> • See Rural Streamline-Assist Product Profile for information on Rural Streamline-Assist transactions.
<p>Loan Purpose: Ineligible Transactions</p>	<p>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:</p> <ul style="list-style-type: none"> • 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
<p>LTV Determination</p>	<p>Purchase transactions and Refinance Transactions are based on the appraised value.</p>

Mortgage Products, Eligible	<ul style="list-style-type: none"> • Fixed Rate 30 year term only • Interest only not allowed • <u>Rural Energy Loans are not allowed</u> • <u>Single Close Construction to Perm Financing are not allowed.</u> • <u>Rehab and Repair with Purchase is not allowed</u>
Occupancy	<p>Owner Occupied Residences only</p>
Property, Eligible Types	<ul style="list-style-type: none"> • Single Family Attached/Detached • PUDs and condos • Leaseholds with a minimum length of lease of 15 years beyond the maturity date of the loan. • Purchase Transactions must be located in an area designated as acceptable for Rural Housing. Refinances are permitted for properties in areas that have been determined to be non-rural since the existing loan was made. • Purchase of dwellings which include an in-ground swimming pool are acceptable. • New Construction must meet Rural Housing inspection and Builder Warranty requirements; evidence must be included in the file.
Property, Ineligible Types	<ul style="list-style-type: none"> • <u>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</u> • Mobile Homes • Cooperatives • Condotels • Hotel Condominiums • Timeshares • Geodesic Domes • Working Farms and Ranches • Unimproved Land and property currently in litigation • 2-4 units • Income producing properties that do not meet Rural Housing's requirements. Examples include, but not limited to grain bins, silos, dairy farms, hog barns and multiple equestrian stables.
Property: Maximum Number of Properties Owned	<p>Current homeowners may be eligible for guaranteed home loans under this part if all the following conditions are met:</p> <ul style="list-style-type: none"> • The homeowner's current dwelling is not financed by a Rural Development guaranteed or direct Section 502 or 504 loan or active grant; • The homeowner is financially qualified to own more than one house (the borrower is limited to owning one single family housing unit other than the one associated with the loan request; • The homeowner will occupy the home financed with the guaranteed loan as their primary residence throughout the term of the loan; • The current home no longer adequately meets the borrowers' needs (See Chapter 8.2 of the Technical Handbook for details regarding what is defined as not meeting needs); • In all cases, the lender must provide an additional explanation of the burden upon the borrower imposed by the status change both in the near the near and longer term, and also the reasons beyond homeowner convenience why the purchase of the property must be completed prior to the sale of the existing property <p>Departing Residence: borrowers who wish to purchase a new principal residence and retain or rent a residence must qualify with all mortgage liability payments.</p>

Ratios	<ul style="list-style-type: none"> • Housing ratio of 29% <ul style="list-style-type: none"> ○ PennyMac will allow a higher housing ratio with a GUS Accept or Rural Housing Approval. Evidence of Rural Housing Approval must be maintained in the file. • DTI of 41% <ul style="list-style-type: none"> ○ PennyMac will allow a higher DTI with a GUS Accept or Rural Housing Approval. Evidence of Rural Housing Approval must be maintained in the file. • \$50 tolerance allowed for monthly payment increases.
Recently Listed Properties	<p><u>No Cash-Out Transaction - the listing must have expired or been withdrawn prior to the application date.</u> 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.</p>
Rental Income	<ul style="list-style-type: none"> • Repayment Income: <ul style="list-style-type: none"> ○ Rents received for 24 months or more: (1) Positive net rental income received may be included in the repayment income. (2) Negative net rental income is treated as a recurring liability in the debt ratios. (3) Corresponding mortgage liabilities may be omitted from the debt ratios. ○ Rents received less than 24 months: (1) No rental income may be included for repayment purposes. (2) Corresponding mortgage liabilities must be included in the debt ratios. • Annual Income: <ul style="list-style-type: none"> ○ Include positive net rental income that will be received in the ensuing 12 months. ○ Negative net rental income is counted as zero in the annual income calculation.
Reserves	<p>Not required. When reserves are entered into the GUS, the Lender must develop a two month average. Assets such as 401ks, IRAs, etc., may be included up to only 60% of the vested value.</p>
Rural Housing Documentation	<p>RD 3555-18 Conditional Commitment for Single Family Housing Loan Guarantee</p> <ul style="list-style-type: none"> • Must include completed, signed, and dated Lender Certification pages. The lender’s signature on the Lender Certification certifies to Rural Housing the loan was closed in accordance with all applicable conditions listed and no adverse changes have occurred since the commitment was issued. • Loans may not have an outstanding contingent Conditional Commitment. All documentation used to satisfy the Conditional Commitment must be included in the file.
Secondary Financing	<p>Allowed in accordance to Rural Housing requirements</p>
Tax Transcripts	<ul style="list-style-type: none"> • Tax transcripts for all* adult household members are required for the most recent two years. • Transcripts may be provided in lieu of tax returns • W2/1099 transcripts are not sufficient. • Lenders must require each adult household member as applicable to complete and sign IRS Form 4506-T for the previous two tax years at the time of loan application. The 4506-T must request full transcripts with all schedules. • Lenders must obtain and review the transcripts prior to loan closing and retain them in their permanent loan file • *IRS Transcripts ARE NOT required for full time students age 18 and older as long as the student is not an applicant, co-applicant not the spouse of an applicant • Guaranteed loans cannot be made to a household that exceeds the applicable adjusted annual income limit. The transcripts provide a qualify control measure to ensure all income and asset earnings reported to the IRS have been disclosed to the lender.

<p>Temporary Buydown</p>	<p>Temporary buydowns are eligible subject to:</p> <ul style="list-style-type: none"> • Effective with locks on or after 10/22/18 • Minimum 680 credit score • Qualify using the full note rate • Max total interest rate reduction of 2%, max increase per year of 1% • Borrower funded buydown accounts are ineligible • All other temp buydown USDA requirements must be met, see Handbook 3555-1 Chapter 9 for additional information
<p>Utilities</p>	<p>For Purchase Transactions, Rural Housing requires the following inspections:</p> <ul style="list-style-type: none"> • Private Well/Water Supply: The local health authority or a state certified laboratory must perform a water quality analysis, which must be no greater than 120 days old at loan closing. The water quality must meet state/local standards. • Private Septic System: The septic system must be free of observable evidence of failure. An FHA roster appraiser, government health authority, licensed septic professional, or qualified home inspector may perform the septic system evaluation. An FHA roster appraiser or qualified home inspector may require an additional inspection due to their observations. Existing dwellings appraised by a HUD roster appraiser, who has indicated the dwelling meets the required HUD handbooks does not require further septic certification.
<p>UW Method</p>	<ul style="list-style-type: none"> • <u>All loans must be submitted to Guaranteed Underwriting System (GUS)</u> • Lenders must manually downgrade an Accept decision to a Refer in the following instances (see Technical Handbook Section 10.7B for full details): <ul style="list-style-type: none"> ○ Unable to validate the credit score ○ When lender must manually input liabilities into GUS, except for manual entry of non-purchasing spouse's debts in a community property state, child support, alimony, garnishments, and other debts that are not typically reflected on a credit report. Credit supplements may not be used to verify debts as supplements cannot be uploaded into GUS. ○ Disputed accounts as outlined in Section 10.11 ○ Authorized user accounts that do not meet the requirements outlined in Section 10.12 ○ Potential derogatory or contradictory information, including any pre-foreclosure sale within 3 years of the request for the conditional commitment. • The loan must receive either an Accept/Eligible or Refer (manual). <ul style="list-style-type: none"> ○ <u>To ensure the property location and annual income complies with Rural Housing requirements, Lenders must include the Accept/Eligible or Refer/Eligible in the file.</u> • Non-traditional credit acceptable in accordance with Rural Housing's guidelines. See Credit: History section for more information.
<p>Seller shall deliver loans that were originated in accordance with the Rural Housing Policies and Procedures Part 7 CFR 3555, unless otherwise noted in the PennyMac Seller's Guide. For any situation not addressed in this Product Profile, please refer to Part 7 CFR 3555 or the accompanying handbook. 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>	