



PennyMac Correspondent Group

DU Refi Plus 01.18.18

The loan must have an application date on or before
December 31, 2018

Overlays to Fannie Mae are underlined

Mortgage Product	FNMA DU Refi Plus HARP 2.0		
Program Eligibility	DU Approve/Eligible or Expanded Approval is required		
Loan Program	Fixed Rate Only / NO ARM's		
Finance Type	Rate and Term Refinances Only (No Cash Out)		
Occupancy	Owner Occupied		
Maximum LTV/CLTV and Minimum FICO	Property Type	LTV/CLTV	Min Credit Score
FRM	1 - 2 Unit	<u>135 / 135</u>	<u>660</u>
	1 - 4 Unit	<u>105 / 105</u>	<u>620</u>
Second Home			
	Property Type	LTV/CLTV	Min Credit Score
FRM	1 Unit Only	<u>105 / 105</u>	<u>660</u>
Investment Property			
	Property Type	LTV/CLTV	Min Credit Score
FRM	1 - 4 Unit	<u>105 / 105</u>	<u>660</u>
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. <ul style="list-style-type: none"> 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 Credit Documents	<ul style="list-style-type: none"> For new and existing construction, credit documents must be no more than 4 months old on the date the note is signed, including credit reports and employment, income and asset documents. Preliminary Title Policies must be no more than 180 days old on the date the note is signed. 		
Appraisals	<ul style="list-style-type: none"> Determined by AUS Findings. Both appraisals and Property Fieldwork Waivers (PFW), if approved through Desktop Underwriter (DU), are acceptable. If the DU accepts the input value, and approves a PFW, but returns a different estimate of value (higher or lower), the DU does NOT need to be re-run with the estimate of value. 		
Assignment	All loans must be registered with MERS		
Assumption	Assumptions are not permitted		
Borrowers	<ul style="list-style-type: none"> An existing borrower(s) may be removed from the new loan provided that at least one of the original borrower(s) is retained on the new loan. A new borrower may be added to the new loan, provided the existing borrower is retained. 		

Borrower Benefit	<p>Loan must produce a benefit to the borrower by either of the following:</p> <ul style="list-style-type: none"> • Reduced monthly mortgage principal and interest payment or • Reduction in interest rate or • Reduction in the loan amortization (term) or • More stable mortgage product, e.g. refinancing out of an ARM loan, into a Fixed Rate.
Buydowns	Buydowns are not permitted.
Change in Ownership	Where changes occur, refer to the Borrowers section.
Condominiums (also applies to PUD and Townhome eligibility)	<ul style="list-style-type: none"> • Lender is not required to perform a review of condo projects, co-op projects, or PUDs. • Lender must represent and warrant that the property is not in a condo or co-op hotel or motel, houseboat project, or a timeshare or segmented ownership project.
Credit	<ul style="list-style-type: none"> • <u>The representative score must be equal to or greater than the minimum score as required by the eligibility matrix.</u> • A maximum of one credit bureau may be frozen with a DU accept. If the credit must be un-frozen, borrowers must unfreeze all bureaus, and the DU rerun with the updated credit. • DU performs its standard credit risk assessment for DU Refi Plus loans, which includes a comprehensive review of the borrower's credit and mortgage payment history. • Current Housing Payment: <ul style="list-style-type: none"> - When the payment is not reported on the credit report, provide third party verification of payment amount. - If living rent free, a rent free letter from landlord or person obligated on lease required.
Credit--Derogatory	Standard waiting periods for bankruptcy, foreclosure, deed-in-lieu, or pre-foreclosure do not need to be met. The DU approval will issue a message acknowledging the event. Follow the DU approval.
Debt To Income Ratio	<ul style="list-style-type: none"> • <u>The Maximum DTI is 50% with a DU Approve/Eligible.</u> • <u>Loans with DTI exceeding 50% regardless of AUS decision are ineligible.</u> • Higher Priced Mortgage Loans (HPML) and Higher Priced Covered Transaction (HPCT) loans limited to 45% DTI. See HPML section for details. <ul style="list-style-type: none"> - Applicable to owner occupied and second home transactions.
Disaster Policy	<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>
Documentation / Loan File Contents	<ul style="list-style-type: none"> • Any documentation required by the DU Findings Report must be evidenced in the loan file, except for "reducing documentation for income and assets" addressed by Fannie Mae SEL 2012-09. • The loan must receive the following message from DU: "This loan casefile was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loan casefiles where the borrower's existing loan is identified by DU as a Fannie Mae loan. This loan casefile must be delivered with Special Feature Code 147". • A new executed, complete Uniform Residential Loan Application (Form 1003 or 1003(S)) • A new merged credit report with the borrower's "representative" credit score • A new mortgage note, security instrument, and applicable riders and addenda are required for each new mortgage loan • Subordination Agreement, if required along with a copy of the note of the subordinate financing. • Title Policy and applicable Endorsements (Short form policy is acceptable if provided through the original Title Company) <p>Day 1 Certainty</p> <ul style="list-style-type: none"> • Loans using Day 1 Certainty are acceptable. • Lenders must provide the third party vendor report used in the DU validation process. PennyMac will compare the vendor reference number and date to the DU messages. • When all of a borrower's income is validated by the DU validation service, the lender is not required to obtain a signed IRS Form 4506-T or tax transcripts for that borrower.
Eligible Mortgage Products	<ul style="list-style-type: none"> • Fixed Rate: 10, 15, 20, 25, 30 Year Terms

Eligibility Requirements	<ul style="list-style-type: none"> • <u>All loans under this program must be run through DU, and must receive an Approve / Eligible or Expanded/Approval (EA-1, EA-II or EA-III) recommendation</u> • Existing loan must have a note date on or before May 31, 2009
Employment / Income	<ul style="list-style-type: none"> • Mortgage Credit Certificates (MCCs) enable an eligible first-time home buyer to obtain a mortgage secured by his or her principal residence and to claim a federal tax credit for a specified percentage (usually 20% to 25%) of the mortgage interest payments. <ul style="list-style-type: none"> - When calculating the borrower's debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower's income, rather than as a reduction to the amount of the borrower's mortgage payment. Use the following calculation when determining the available income: <ul style="list-style-type: none"> • $[(\text{Mortgage Amount}) \times (\text{Note Rate}) \times (\text{MCC \%})] \div 12 = \text{Amount added to borrower's monthly income.}$ - For example, if a borrower obtains a \$100,000 mortgage that has a note rate of 7.5% and he or she is eligible for a 20% credit under the MCC program, the amount that should be added to his or her monthly income would be \$125 ($\\$100,000 \times 7.5\% \times 20\% = \\$1500 \div 12 = \\$125$). • The lender must obtain a copy of the MCC and the lender's documented calculation of the adjustment to the borrower's income and include them in the mortgage loan file. <ul style="list-style-type: none"> - For refinance transactions, the lender may allow the MCC to remain in place as long as it obtains confirmation prior to loan closing from the MCC provider that the MCC remains in effect for the new mortgage loan. Copies of the MCC documents, including the reissue certification, must be maintained in the new mortgage loan file. • 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.
Escrow Accounts	Generally, escrow accounts are not required. However, loans requiring private mortgage insurance premiums must have the MI premium escrowed unless there is a single premium.
Financing Concessions	Not applicable
Hazard Insurance	Hazard Insurance and Flood Insurance must be paid current
High Cost / High Priced	<ul style="list-style-type: none"> • <u>PennyMac will not purchase High Cost Loans</u> • 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. • HPML and Higher Priced Covered Transaction (HPCT) loans are limited to 45% DTI and Fico floor of 620. These requirements must be manually applied. <ul style="list-style-type: none"> - Applicable to owner occupied and second home transactions.
Ineligible Existing Mortgage Loans	<ul style="list-style-type: none"> • Reverse Mortgage loans • Second Mortgage loans • Government Mortgage loans • Loans that are currently subject to any outstanding repurchase request from Fannie Mae • Mortgage loans that are subject to any credit enhancement (e.g. full or partial recourse) other than borrower paid or lender paid mortgage insurance
Ineligible New Mortgage Loans	<ul style="list-style-type: none"> • <u>All ARM Product types</u> • Mortgage loans with an interest-only feature • Balloon mortgage loans • My Community Mortgage loans • Home-style Renovation mortgage loans prior to the completion of the property • Loans that "buy out" the interest of another borrower • Loans that receive a ineligible or refer with caution/IV recommendation
Loan Purpose	<ul style="list-style-type: none"> • Limited Cash-Out / Rate & Term Refinance <ul style="list-style-type: none"> - Proceeds can be used to Pay off a first mortgage - Proceeds can NOT be used to pay off any junior liens, even if used to purchase the subject property - Proceeds may be used to pay related closing costs. - Borrower may receive no more than \$250 cash back
Minimum Loan Amount	There is no minimum loan amount for this program

Mortgage Insurance	<ul style="list-style-type: none"> • <u>Loans which require mortgage insurance are only allowed when continued or transferred from Radian, PMI, MGIC, RMIC, TRIAD, CMG/ArchMI, Genworth, or United Guaranty (UG). All other Mortgage Insurance companies are not allowed.</u> If the lender determines the existing loan has mortgage insurance, the lender may either obtain the existing amount of mortgage insurance coverage in effect on the loan or obtain standard (reduced not allowed) mortgage insurance. <p>Acceptable MI Types:</p> <ul style="list-style-type: none"> • Borrower Paid Monthly • Borrower Paid Single Premium • Split Premium • Lender Paid Single Premium <p>Unacceptable MI Types:</p> <ul style="list-style-type: none"> • <u>Lender Paid Monthly</u> • <u>Lender Paid Annual</u> • <u>Borrower Paid Annual</u> • <u>Any MI type not listed as acceptable</u>
Occupancy	<ul style="list-style-type: none"> • Primary Residence - 1-4 units • Second Homes - 1-unit only • Investment Properties 1-4 units • Occupancy is based on the current status of the property. The occupancy of the subject property may have changed by the time of the new transaction.
Pre-payment Penalties	Pre-payment penalties are not allowed
Property; Eligible Types	<ul style="list-style-type: none"> • Single Family Detached Single Unit • Single Family Attached Single Unit • 1-4 Unit Attached/Detached • PUDs • Low-rise and High-rise Condominiums • Rural Properties (in accordance with agency Guidelines, loans must be residential in nature) • Leasehold
Property; Ineligible Types	<ul style="list-style-type: none"> • <u>Cooperatives.</u> • Condotels. • Hotel Condominiums. • Timeshares. • <u>Manufactured Homes.</u> This includes on-frame modular homes built on a permanent chassis. • Working Farms and Ranches. • Unimproved Land. • Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel). • Properties with less than 400 square feet of living area.
Properties; Maximum Number of	<u>Borrowers can have up to four PennyMac serviced properties (including the subject transaction), regardless of occupancy.</u>
Recently listed properties	Follow Fannie Mae guidance for DU Refi Plus loans.
Reserves / Assets	There are no minimum reserve requirements, except that reserves and assets must be verified in accordance with the DU Findings report.
Seasoning	Please refer to the PennyMac Seasoned Loan Policy located in the PennyMac Seller Guide for requirements and loan-level price adjustments.
Secondary Financing	<ul style="list-style-type: none"> • New subordinate financing is permitted if it replaces existing subordinate financing. • Existing secondary financing must be subordinated • The general restrictions on subordinate financing outlined in the FNMA seller's guide chapter b2-1.1-04 do not apply as long as the secondary financing is successfully subordinated to the new loan. • A copy of the subordination agreement and the note of the subordinate loan must be in the loan file.

State Restrictions	<ul style="list-style-type: none"> • Texas 50 (a)(6) refinance mortgages are eligible with PennyMac Seller Approval: <ul style="list-style-type: none"> - Fixed Rate only - Owner-Occupied, 1 unit only - Maximum 80% LTV/CLTV - 2% fee restriction in accordance with Texas Constitution - Full appraisal required - No new secondary financing - Loans must comply with Fannie Mae and Texas Constitution requirements - Power of Attorney not allowed
Title	<ul style="list-style-type: none"> • The newly originated refinance loan must remain in first lien position • Ensure all real estate taxes and assessments that could become a first lien are current including property taxes, condominium and homeowner’s association dues, utility assessments and the personal property tax on manufactured homes • Obtain any Subordination Agreements, if needed • The title insurance policy must be written on an American Land and Title Association (ALTA) 2006 Form with appropriate endorsements • The title insurance policy must protect the mortgagee up to at least the current principal balance • The title policy must have correct information regarding the insured’s name, loan number and amount of coverage • Property Reports, Ownership and Encumbrance Reports, Attorney’s Opinions are not acceptable • Any existing tax or mechanic’s liens must be paid in full through escrow. Proceeds from the new loan may not be used to pay liens • Taxes must be collected if due within 30 days of closing, regardless of the establishment of an impound account.
Transcripts	<ul style="list-style-type: none"> • <u>Tax transcripts are required for each borrower whose income is utilized as a source of repayment, except as indicated below.</u> • <u>Transcripts must be provided for the number of years of income used to qualify the borrower.</u> • <u>Tax transcripts are required to support the income used to qualify the borrower.</u> • <u>Tax transcripts are not required for borrowers qualifying solely with w2 wage earner income and/or fixed income reported on a 1099.</u> • <u>When tax transcripts are required:</u> <ul style="list-style-type: none"> - <u>Provide transcripts for each borrower whose income is utilized as a source of repayment. Transcripts must be provided for the number of years of income used to qualify the borrower. Tax transcripts must support the income used to qualify the borrower.</u> - <u>If only W2 income is used to qualify, the lender may obtain W2 transcripts as long as tax returns are not included in the loan file.</u> - <u>Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from a prior year, there can be acceptable variances. If this variance exceeds 20%, document the rationale for using current income.</u> - <u>If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the previous one years tax transcripts.</u> • A properly executed 4506-T is required for all transactions except: <ul style="list-style-type: none"> - Loan file contains tax transcripts, or - When all of a borrower’s income is validated by the DU validation service.
Underwriting Method	<ul style="list-style-type: none"> • All loans under this program must be run through DU, and must receive an Approve / Eligible or Expanded Approval (EA) on the final recommendation. • AUS approvals are valid provided: <ul style="list-style-type: none"> - The data entered is complete, accurate, verified, and not fraudulent - All AUS conditions are satisfactorily resolved and documented

Refer to Fannie Mae policy for any item not addressed by this Product Profile.

PennyMac does not discriminate in any aspect of a credit transaction on the basis of sex, marital status, race, color, religion, national origin, age, income derived from public assistance, or the good faith exercise of rights under the Consumer Credit Protection Act.