



Maximum LTV / CLTV and FICO Requirements

Purchase / Rate and Term		Cash-out Refinance	
Maximum LTV ¹ / <u>CLTV</u> ¹	Min FICO ²	Maximum LTV ¹ / <u>CLTV</u> ¹	Min FICO ²
100%	<u>620</u>	100%	<u>620</u>

¹ Exclusive of Financed VA Guaranty Funding Fees

² See the Underwriting Section for other FICO requirements for manual underwrites

Maximum Guaranty

The Maximum Guaranty, when the Veteran has full entitlement, is shown in the table below:

Loan Amount	Maximum Potential Guaranty
Up to \$45,000	50% of the loan amount
\$45,001 to \$56,250	\$22,500
\$56,251 to \$144,000	40% of the loan amount, with a maximum of \$36,000
\$144,001 to \$453,100	25% of the loan amount
Greater than \$453,100	The lesser of 25% of the VA county loan limit; or 25% of the loan amount

The percentage and amount of guaranty is based on the loan amount including the funding fee portion when the fee is paid from loan proceeds.

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. - 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	<ul style="list-style-type: none"> • All appraisals must be ordered through VA WebLGY, which will assign the order to a VA approved Appraiser -include an interior and exterior inspection of the subject property • A notice of value 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) <p><u>Unpermitted Property Additions</u></p> <p><u>Penny Mac will purchase loans secured by properties with “unpermitted” structural additions under the following conditions:</u></p> <ul style="list-style-type: none"> • <u>The subject addition complies with all investor guidelines;</u> • <u>The quality of the work is described in the appraisal and deemed acceptable (“workmanlike quality”) by the appraiser;</u> • <u>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).</u> • <u>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:</u> <ul style="list-style-type: none"> o <u>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.</u> o <u>The appraiser has no reason to believe the addition would not pass inspection for a permit.</u>
ARM Initial Interest Rate Adjustment Dates	Please click HERE for the Adjustable Rate Mortgage Initial Interest Rate Adjustment Dates Document. Can also be found on www.gopennymac.com , click on Tools & Resources , then, Guides, then choose Government ARM Initial Interest Rate Adjustment Dates.
Borrowers	<ul style="list-style-type: none"> • Must be a veteran with eligibility documented with a Certificate of Eligibility (COE). COE also indicates the Veteran's Entitlement. • Resident Alien permitted as long as primary borrower is a veteran. • Joint loans are allowed. <ul style="list-style-type: none"> - VA prior approval may be required in some instances. See VA lender's Handbook Chapter 7 for complete details. - VA will only guaranty the veteran's portion of the loan. 25% guaranty is required to meet GNMA requirements. See Entitlement section for additional information. • A loan involving a veteran and his or her spouse will not be treated as a "joint loan" if the spouse: <ul style="list-style-type: none"> - is not a veteran, or - is a veteran who will not be using his or her entitlement on the loan.
Buy downs	<u>No Temp Buy downs</u>
Condominiums	Condos must be approved by VA. The approval condo list is available on WebLGY .
Credit	<ul style="list-style-type: none"> • <u>All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed.</u> 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 • Cannot be delinquent on any Federal Debt unless the delinquent account has been brought current or a satisfactory arrangement has been made - Check CAIVRS • The credit of a spouse who will not be contractually obligated on the loan does not need to be considered, except: <ul style="list-style-type: none"> - 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. - See Lender's Handbook Ch 4, 7-c for complete details.

Derogatory Credit	<ul style="list-style-type: none"> • Chapter 7 BK <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - 12 months under payment plan with BK judge approval OR plan is completed • Deed-in-Lieu/Short Sale follows Chapter 7 BK requirements • Foreclosure follows Chapter 7 BK requirements • All judgments must be paid in full or subject to a repayment plan with a history of timely payments.
Disaster Policy	<p><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></p>
Documentation Type	<ul style="list-style-type: none"> • Determined by AUS
Down Payment Assistance and Secondary Financing	<ul style="list-style-type: none"> • Down payment assistance is acceptable. • If in the form of secondary financing, the second must meet VA's requirements in Chapter 9 section 4 of the Lender's Handbook, including: <ul style="list-style-type: none"> - 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.
DTI	<ul style="list-style-type: none"> • 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.
Employment/Income	<ul style="list-style-type: none"> • Active Military income must be documented with an LES. • Provide an acceptable VVOE for all borrowers that are a source of repayment. • 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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. 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.

Eligible Mortgage Products	<ul style="list-style-type: none"> • Fixed Rate: 10, 15, 20, 25 and 30 year terms. High Balance allowed on all terms. • CMT ARM: 5/1 (1/1/5 caps). High Balance allowed on ARMs. 7/1 ARMs are no longer allowed. • <u>Temporary buydowns are ineligible.</u>
Entitlement	<ul style="list-style-type: none"> • 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. • <u>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.</u> • The COE will never reflect any additional specific entitlement amount over \$36,000 for loans greater than \$144,000, but will reflect "Available*"
Escrow Holdbacks	<p>Escrow holdbacks are allowed in accordance with VA guidelines, including but not limited to:</p> <ul style="list-style-type: none"> • 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	<p><u>An impound account for collection of taxes and insurance (or additional escrow items) is required.</u></p>
Exclusionary Lists	<p>All borrowers must be screened by CAIVRS to determine there have been no late payments on Federal debt obligations</p>
Funding Fee	<ul style="list-style-type: none"> • The Funding Fee may be financed in the loan. • The following Veterans are exempt from paying the funding fee: <ul style="list-style-type: none"> -Veterans receiving VA compensation for service connected disabilities -Veterans who would be entitled to receive compensation for service connected disabilities if they did not receive retirement pay -Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability exam and rating -Veterans entitled to receive compensation, but who are not presently in receipt of the compensation because they are on active duty
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. - A prohibition on ARM loans
Loan Limits	<ul style="list-style-type: none"> • VA Loan Limits by geographic region can be located at: http://www.benefits.va.gov/homeloans/loan_limits.asp • <u>Maximum base loan amount cannot exceed \$1,500,000. Base loan amounts greater than \$1,000,000 must have a minimum FICO of 700.</u>
Loan Purpose	<ul style="list-style-type: none"> • Purchase • VA IRRRL <ul style="list-style-type: none"> - See VA IRRRL Product Profile. • Rate & Term--payoff of an existing non-VA loan (and purchase money second, if applicable) <ul style="list-style-type: none"> - Disbursed cash out to the Borrower cannot exceed \$500 - For loans delivered on or after 3/2/18: 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. • Cash Out <ul style="list-style-type: none"> - There must be an existing lien against the property per VA requirements. - For loans delivered on or after 3/2/18: 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. • No Construction Loans, used to finance the construction of the subject • <u>No Energy Efficient Mortgage Loans</u> • <u>No Graduated Payment Mortgages</u>

Loan Purpose: Ineligible Transactions	<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
Occupancy	<ul style="list-style-type: none"> • Owner-occupied only • Second Homes not allowed • Investment Properties not allowed
Power of Attorney	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - 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 - a specific power of attorney or other document(s) signed by the veteran, which encompasses the following elements: <ul style="list-style-type: none"> o Entitlement—A clear intention to use all or a specified amount of entitlement. o Purpose—A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinancing. o Property Identification—Identification of the specific property. o Price and Terms—The sales price, if applicable, and other relevant terms of the transaction. o 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: <ul style="list-style-type: none"> - verify that the veteran is alive, and, if on active military duty, not missing in action (MIA), and - make the following certification: <p>"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."</p> • Verification that the veteran is alive and not MIA is required whether or not the veteran is still in the military.
Property; Eligible Types	<ul style="list-style-type: none"> • Single Family Attached/Detached • 2–4 Units • PUDs • Condominiums • Leaseholds with proof of prior VA approval
Property; Ineligible Types	<p>In addition to the ineligible property types identified in VA Lender's Handbook, the following property types are ineligible:</p> <ul style="list-style-type: none"> • <u>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</u> • <u>Mobile Homes</u> • <u>Cooperatives</u> • Condotels • Hotel Condominiums • Timeshares • Geodesic Domes • <u>Working Farms and Ranches</u> • Unimproved Land and property currently in litigation • Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel) • <u>2-4 Unit properties in New Jersey</u>

Property; Maximum Number of	No limit
Qualifying	<ul style="list-style-type: none"> • Fixed rate qualify at the Note rate. • 5/1 ARMs qualify at the Note rate.
Recently listed properties	<ul style="list-style-type: none"> • Rate & Term - the listing must have been expired or been withdrawn on or before 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.</u> • Cash-Out Transaction - the listing must have been expired or been withdrawn 180 days prior to the application date.
Reserves	<ul style="list-style-type: none"> • SFR, Reserves are not required • Verify assets to close • If using rental income from the subject 2-4 unit property, 6 months reserves required for multi unit properties.
Residual Income	<ul style="list-style-type: none"> • 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
Sales Concessions	<ul style="list-style-type: none"> • 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.
Seasoning	Please refer to the PennyMac Seasoned Loan Policy located in the PennyMac Seller Guide for requirements and loan-level price adjustments.
State Restrictions	<ul style="list-style-type: none"> • <u>Texas 50 (a)(6) loans are not allowed.</u> • <u>2-4 Unit properties in New Jersey, effective with commitments issued on or after 7/1/13.</u>
Title Insurance	<u>Required</u>
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 4506-T is not required if the loan contains tax transcripts.

Underwriting Method

- Loans can be submitted and approved through DU or LP.
- Manual underwriting on non IRRRL transactions are permitted under the following conditions:
 - 660 FICO on purchase & rate/term transactions; 700 for cash out transactions
 - 0 x 30 in the most recent 12 months for all prior mortgages
 - Maximum DTI of 45%
 - loan must comply with all VA requirements for manual underwriting
 - Include a copy of the AUS Refer/Eligible in the loan file

For guidance not addressed in this Product Profile, Refer to the VA Selling Guide 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, 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.