

This document is a summary of most of Pennymac guideline overlays to Fannie Mae and Freddie Mac requirements. This document should be used as a reference tool in conjunction with the Pennymac Sellers Guide and the appropriate Agency guidelines. "X" indicates an overlay.

Topic	Overlay/Modification	Desktop Underwriter	Loan Product Advisor
<b>Assets/Gift Funds/Large Deposits</b>	Acceptable documentation to use Cryptocurrency/Virtual Currency funds includes the following: <ul style="list-style-type: none"> <li>Documentation from Cryptocurrency exchange account verifying the borrower as the Legal Owner and not the nickname of the account, AND</li> <li>Previous borrower bank statement showing funds going into the same Cryptocurrency exchange account that the large deposit came from, OR</li> <li>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</li> </ul>	X	X
<b>AUS/Underwriting Method</b>	<ul style="list-style-type: none"> <li>AUS required. Desktop Underwriter with "Approve/Eligible" findings only and LPA with "Accept" findings only. LPA A Minus is not allowed.</li> <li>DU Refi Plus must receive an Approve / Eligible or Expanded/Approval (EA-1, EA-II or EA-III) recommendation.</li> <li>Manually Underwritten mortgages are ineligible.</li> </ul>	X	X
<b>Disaster Policy</b>	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.	X	X
<b>FICO - Minimum</b>	AUS approval with a minimum 620 credit score.		X
<b>Home Possible</b>	<ul style="list-style-type: none"> <li>Gifts or grants from the Lender as originating lender are not an eligible source of funds. See Lender Letter 9/2016 for additional information.</li> <li>Sweat Equity is not an eligible source of funds.</li> </ul>		X
<b>HomeReady</b>	Sweat Equity is not an eligible source of funds.	X	
<b>HomeStyle Energy</b>	HomeStyle Energy: <ul style="list-style-type: none"> <li>May not be combined with other options (e.g. HomeReady, Homestyle Reno). Only eligible as stand-alone.</li> <li>May only be used to pay off PACE or non-PACE secured/unsecured debt used to finance energy efficient improvements.</li> <li>Manufactured housing ineligible</li> </ul>	X	
<b>HomeStyle Renovation Specific Pennymac approval required</b>	<ul style="list-style-type: none"> <li>Minimum Representative Credit Score for the subject transaction is 680</li> <li>At least one borrower must have a minimum of one credit score to be eligible.               <ul style="list-style-type: none"> <li>If there is a borrower with no credit score, the borrower(s) with the credit score must contribute more than 50% of the qualifying income.</li> </ul> </li> <li>Non-arm's length transactions are prohibited</li> <li>Borrower may not be employed by the contractor/company doing the renovation.</li> <li>Repairs and construction must be completed within nine months. Extensions may be approved by Pennymac.</li> <li>Early Payment Default is in effect until recourse is lifted</li> <li>Must use a HUD-approved consultant to assist with draw requests when:               <ul style="list-style-type: none"> <li>Repairs or renovations exceed \$50,000, or</li> <li>Any structural work is required.</li> <li>Must inform the HUD consultant the work is for a Fannie Mae HomeStyle transaction, and not a 203(b) or 203(k) transaction.</li> </ul> </li> </ul>	X	

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	<ul style="list-style-type: none"> <li>Contingency reserve equal to minimum of 10% of the total costs of the repairs and renovation work must be established and funded for all mortgages to cover required unforeseen repairs or deficiencies that are discovered during the renovation</li> <li>Do-It-Yourself not allowed</li> <li>Borrowers must have valid Social Security Number; ITINs are not acceptable.</li> <li>Ineligible properties <ul style="list-style-type: none"> <li>Homes may not be moved from one location to another</li> <li>Construction of detached properties is not allowed.</li> <li>Historic Homes – homes designated by an official body as “historic” e.g., listed on the National Register of Historic Places are ineligible</li> </ul> </li> </ul>		
<b>Income and Employment Commencing After the Note Date</b>	<ul style="list-style-type: none"> <li>For Fannie Mae option two is acceptable, option one is not allowed (does not apply to RefiNow)</li> <li>For Freddie Mac option one is acceptable, option two is not allowed</li> </ul>	X	X
<b>Ineligible Mortgages and Attributes</b>	<ul style="list-style-type: none"> <li>Energy Efficient Mortgages are not allowed, except for certain GreenCHOICE options.</li> <li>CHOICERenovation and Single close construction mortgages are ineligible</li> </ul>		X
	3/6 SOFR ARMs are not eligible	X	X
	<ul style="list-style-type: none"> <li>Fannie Mae ARM loans where the fully-indexed rate must be used for qualification purposes require a manual underwrite and are ineligible</li> <li>Fannie Mae High LTV not eligible</li> </ul>	X	
<b>Loan Purpose: Cash-Out Refinance</b>	Buyout of other owner's interest: A written agreement must be signed/dated prior to or at application.		X
<b>Loan Purpose: Rate and Term Refinance</b>	Buyout of other owner's interest: A written agreement must be signed/dated prior to or at application.	X	
<b>Manufactured Homes</b>	In addition to standard overlays, the following apply: <ul style="list-style-type: none"> <li>Max 97% LTV/CLTV regardless of secondary financing type</li> <li>ARMs are not eligible</li> <li>Property must be complete when the loan is sold to Pennymac</li> <li>HomeStyle Renovation, HomeStyle Energy, Single Close Construction and Choice Renovation are ineligible</li> <li>Single-width Manufactured Homes are ineligible.</li> </ul>	X	X
	<ul style="list-style-type: none"> <li>Two-time Close Construction not eligible.</li> <li>Escrow holdbacks for safety, soundness, habitability must be <b>completed prior to delivery to Pennymac</b></li> </ul>		X
<b>Mortgage Insurance</b>	Lender paid monthly/annual, borrower paid annual are not allowed.	X	
	Any type of MI not listed as acceptable on the product profile is ineligible	X	X
	Borrower paid financed split premium is ineligible		X
<b>Power of Attorney (POA)</b>	An individual employed by or affiliated with any party to the loan transaction e.g., title insurer, settlement agent etc. is not eligible as a POA.	X	X
<b>Property Eligibility</b>	Cooperatives not allowed.	X	X
	Land Trusts, including Illinois and Community Land Trust Mortgages are not allowed.	X	X
	Condition rating of C5 is ineligible	X	
<b>Property Flips</b>	Properties that involve a re-sale that occurred within the last 180 days that have a non-arm's length relationship between the buyer and seller and an increase in value are prohibited.	X	X
<b>Ratios</b>	Maximum DTI is 50%. Loans with DTI exceeding 50% regardless of AUS decision are ineligible.		X

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<b>Recently Listed Properties</b>	The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject property (for principal residence transactions).		<b>X</b>
	If the property was listed in the prior 30 days to the application date, the Early Pay-off (EPO) provision will be extended to 1 year.	<b>X</b>	<b>X</b>
<b>RefiNow</b>	Fannie Mae RefiNow: The minimum representative score for the subject transaction is 620. <ul style="list-style-type: none"> <li>• At least one borrower must have a minimum of one credit score to be eligible. <ul style="list-style-type: none"> <li>◦ If there is a borrower with no credit score, the borrower(s) with the credit score must contribute more than 50% of the qualifying income.</li> </ul> </li> </ul>	<b>X</b>	
<b>Single Close Construction <i>Specific Pennymac approval required</i></b>	<ul style="list-style-type: none"> <li>• Construction must be complete at time of delivery to Pennymac</li> <li>• Primary Residence only</li> <li>• If updated credit documents are required to requalify the borrower, requalification must be completed prior to delivery to Pennymac.</li> <li>• ARMs are ineligible.</li> <li>• Attorney opinion letters of title (AOL) are ineligible.</li> <li>• Manufactured homes are ineligible.</li> </ul>	<b>X</b>	
<b>State Restrictions</b>	<ul style="list-style-type: none"> <li>• Fixed rate mortgages only for Texas 50(a)(6) loans</li> </ul>	<b>X</b>	
<b>Temporary Interest Rate Buydowns</b>	Allowed subject to the following: <ul style="list-style-type: none"> <li>• Minimum 660 FICO (excluding Fannie Mae HomeStyle)</li> </ul>	<b>X</b>	<b>X</b>
	Allowed subject to the following: <ul style="list-style-type: none"> <li>• Minimum 680 FICO (Fannie Mae HomeStyle only)</li> </ul>	<b>X</b>	
	Temporary buydowns are ineligible for manufactured homes	<b>X</b>	<b>X</b>

**These requirements apply to programs currently offered by Pennymac. If there are conflicts between the Overlay Matrix and the Product Profile, follow the Product Profile. Other programs offered by Fannie Mae or Freddie Mac are not eligible. Programs which require specific Fannie Mae or Freddie Mac approval are not eligible for purchase.**