

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.

Topic	Overlay/Modification	FHA 203(B)	FHA Streamline	VA	VA IRRRL
March 14, 2025 - X Indicates Overlay					
Appraisals	<ul style="list-style-type: none"> A current valuation product is required. <ul style="list-style-type: none"> A Pennymac AVM is available within price scenario in POWER+ If a Pennymac AVM is not available from POWER+, contact the lock desk to determine if an alternative AVM is available. An alternative AVM from the lock desk may only be used if the Pennymac AVM from POWER+ is not available or does not meet the FSD requirements below. If no AVM is obtainable, an external appraisal or full appraisal is required. If an appraisal is obtained, the value from the appraisal must be used An external appraisal or full appraisal is required for manufactured homes regardless of loan amount. <ul style="list-style-type: none"> Pennymac portfolio loans may follow the estimate of value waterfall above. <p>Base loan amount <= \$1,500,000</p> <ul style="list-style-type: none"> Pennymac AVM from POWER+ OR the lock desk; OR Appraisal report <p>Base loan amount > \$1,500,000 - \$2,000,000</p> <ul style="list-style-type: none"> Pennymac AVM in POWER+ with FSD <= 15%; OR Alternative AVM provided by lock desk with FSD <= 13%; OR Appraisal report <p>Non-Port: Maximum LTV is 90% if an AVM is utilized and the above FSD score requirements are not met, and an appraisal report is not obtained.</p> <p>Base loan amount >\$2,000,000</p> <ul style="list-style-type: none"> External appraisal or full appraisal report is required 				X
Assets/Gift Funds/Large Deposits	<ul style="list-style-type: none"> Acceptable documentation to use cryptocurrency/ virtual currency includes the following (excludes Rural Housing Streamlined-Assist): <ul style="list-style-type: none"> Documentation from a cryptocurrency exchange account verifying the borrower as the legal owner and not the nickname of the account, AND Previous borrower bank statement showing funds going into the same cryptocurrency exchange account that the large deposit came from, OR 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 	X		X	
Borrower Eligibility	Occupant borrower and non-occupant co-borrower must share a relationship that meets the requirements for non-occupants under FHA guidelines.	X			
	Joint Loans are not allowed (refer to Borrower section in VA Product Profile for two exceptions)			X	X
	Borrower must be a veteran				X
Cash-Out	Loan Term limited to 30 years on VA Cash-Out when LTV is > 90%			X	
CEMA	Not eligible			X	X
Credit	Tri-merge credit report or mortgage account(s) rating is required.	X		X	
	Must have a mortgage history of 0 x 30 for the last 3 payments.				X
	All borrowers must return at least 1 credit score.	X		X	
	At least one borrower must have a minimum of one credit score to be eligible.		X		X

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	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	
	At loan submission, TPO Clients must notify Pennymac of any mortgage loan that was declined by a different lender and identify the lender's reason for denial.	X	X	X	X
	<p>If the credit report reflects the borrower has disputed credit information, the following applies:</p> <ul style="list-style-type: none"> If the TOTAL Scorecard returned an Approve AND the manual downgrade conditions in "Derogatory Credit / Accounts" does not apply, then no additional action is necessary. Underwrite the file using TOTAL. If TOTAL Scorecard returned a Refer OR the manual downgrade conditions in "Derogatory Credit / Disputed Accounts" apply, then: <ul style="list-style-type: none"> Obtain written documentation from the repository of the credit information or the creditor reporting the disputed information confirming the accuracy of all disputed information. If the inaccurate/disputed information can be resolved, and a new corrected credit report and TOTAL Accept received, the loan may be underwriting using TOTAL. If a new, corrected credit report cannot be obtained timely, the correct information must be documented in the file and the loan must be manually underwritten. All debts for which the borrowers are obligated must be included in the DTI and all requirements in the Derogatory Credit section and elsewhere in this Product Profile apply. 	X			
Derogatory Credit	<ul style="list-style-type: none"> Purchase or rate and term refinances with a payment history for ANY mortgage, including HELOCs, that reflect any of the following are ineligible: <ul style="list-style-type: none"> 3x30x12, or 1x60x12 plus 1x30x12, or 1x90x12 within the most recent 12 months prior to the case number assignment date; or The borrower has made less than three consecutive monthly housing payments since completion of a mortgage forbearance plan. Cash-out refinances with a payment history for ANY mortgage, including HELOCs, that reflect any of the following are ineligible: <ul style="list-style-type: none"> Current delinquency; or Any delinquency within 12 months of the case number assignment date; or The borrower has made less than 12 consecutive monthly mortgage payments since completion of a mortgage forbearance plan. Undisclosed mortgage debt with a pay history that reflect the following is ineligible: <ul style="list-style-type: none"> Current delinquency; or Any mortgage delinquency within 12 months of the case number assignment date; or More than two 30-day late payments within 24 months of the case number assignment date. 	X			
	Chapter 7 or Chapter 13 bankruptcy discharged less than 2 years from the case number assignment date are ineligible.	X			
	<ul style="list-style-type: none"> A foreclosure or a deed-in-lieu (DIL) of foreclosure within three years of the case number assignment date is ineligible <ul style="list-style-type: none"> The three-year period begins on the date of the DIL or the date that the borrower transferred ownership of the property to the foreclosing entity/designee. 	X			
	<ul style="list-style-type: none"> If the borrower relinquished property through a short sale within three years of the case number assignment date the transaction is ineligible. <ul style="list-style-type: none"> The three-year period begins on the date of transfer of title by short sale. 	X			

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	The applicant may not have more than 2x30x12, 1x60x12, and 0x90x12 across all tradelines.	X			
Documentation	<ul style="list-style-type: none"> VODs are not acceptable for asset documentation. Handwritten Verification of Mortgages (VOM) or Verification of Rents (VOR) are not acceptable. A handwritten VOE provided by the client is acceptable provided that W-2s and paystubs are also obtained (most recent 1 or 2 years W-2s per the AUS). <ul style="list-style-type: none"> A standalone written VOE provided by the client is ineligible. Third party generated handwritten WVOEs are not acceptable. For self-employed borrowers the verbal verification of employment must be completed within 120 calendar days prior to the note date. If business income shows a greater than 20 percent decline over the analysis period the borrower is not eligible for an FHA mortgage. Tax returns where an amendment was filed > 6 months from the application date, <ul style="list-style-type: none"> The amended return should be used for income calculation purposes Tax returns where an amendment was filed <= 6 months prior to the application date, or after the application date: <ul style="list-style-type: none"> The lowest income reflected on either the amended return or original return must be used for qualification purposes 	X	X	X	X
	<p>To use rental income received from boarders of the subject property for qualification purposes, rental income receipt and eligibility must be documented and verified subject to the following:</p> <ul style="list-style-type: none"> Minimum 680 FICO score is required for occupying borrowers (use the qualifying score of all occupying borrowers). The boarder income being used as effective income for qualification purposes must have an on-time payment history for the most recent 9 months. (Refer to product profile for complete validation requirements) <ul style="list-style-type: none"> Tax returns and deposit slips are ineligible for validation purposes. The amount of the rental income from boarders used as effective income must not exceed 15% of the total monthly effective income to qualify the borrower. Boarder income is not an eligible income type for manually underwritten loans. 	X			
Disaster Policy	The Disaster Policy is applicable to loans that are located in the Pennymac Designated Disaster Area. When the appraisal was completed on or before the incident period end date, Pennymac will require a post-disaster inspection confirming the property is free of damage. When the appraisal was completed after the incident period end date, no inspection is required.	X	X	X	X
Employment Verification	Obtain a VVOE for each borrower using income to qualify dated within 10 business days of note date for salaried or 120 calendar days for self-employed.			X	
	Retirement and/or social security income requires the most recent bank statement or award letter		X		X
	All Borrowers require a Verbal VOE or income source documentation		X		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 guaranty plus cash down payment/equity. GNMA requirement is based off the lesser of the sales price or NOV value for purchase, and NOV value for refinance.			X	
Escrow/Impound Account	Escrow/Impound Accounts for taxes and insurance premiums are required above 80% LTV.			X	X

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FICO - Minimum	Minimum FICO Score of 580	X	X		
	Minimum FICO score requirement is dependent on base loan amount, transaction type, and property type. Refer to the applicable product profile for minimum FICO requirements.			X	X
	Minimum FICO Score of 620 for Manufactured Home FHA Purchase/R&T/Streamline	X	X		X
	Minimum FICO Score of 640 for Manufactured Home FHA Cash-Out	X			
	Minimum FICO Score of 640 for FHA full doc and FHA Manufactured Homes that are manually underwritten	X			
High-Cost Loans	Pennymac will not originate High-Cost Loans	X	X	X	X
HPML	Loans must be fixed rate only	X	X		
Ineligible Mortgages	<ul style="list-style-type: none"> Alterations and Repairs or Single Close Construction-To-Perm loans are ineligible FHA single- and two-time close construction programs CP and BOOL Energy Efficient Mortgages, Weatherization, Solar and Wind Technologies, Graduated Payment Mortgages 3/1, 7/1 and 10/1 CMT ARMs are not allowed 	X	X	X	X
Ineligible Properties	<ul style="list-style-type: none"> Single wide Manufactured Homes Cooperatives Working Farms and Ranches Land Trusts, including Illinois Geodesic Domes DELRAP Condo Approvals are ineligible (FHA Only) 	X	X	X	X
Loan Limits	Maximum base loan amount cannot exceed \$2,500,000			X	X
Loan Purpose	Loans may not be submitted to Pennymac with more than \$100 cash back to the borrower.				X
	Simple Refinances are not allowed.	X			
	<ul style="list-style-type: none"> All refinance transactions must present a tangible benefit to the borrower. At Pennymac's discretion, cash-out loans where effective interest of proceeds are clearly more costly than alternative financing may be deemed ineligible. Borrowers may not have multiple cash-out transactions within the prior 12 months on the same property. Closing Disclosures (CDs), or other supporting documentation, from all subject property refinances in the prior 12 months are required to confirm the previous transactions were no cash-out. The subject cash-out transaction is excluded if the borrower is receiving no cash in hand, or is receiving less than the incidental limit allowed by the Agency. Loans with LTV/CLTVs of 75% or less are excluded from this requirement. If a Borrower(s) completed a negative equity transaction with Pennymac, they are ineligible for a cash-out refinance on the same property that had principal forgiveness for four years from completion of the negative equity refinance. 	X		X	
Manufactured Homes	<ul style="list-style-type: none"> ARMs are ineligible Fee Simple Land Ownership only Owner Occupied only MH Power of Attorney required unless an affidavit of affixation and evidence of vehicular surrender is provided prior to final approval 	X	X	X	X
	ALTA Endorsement 7, or 7.1, or 7.2, or equivalent state form required.			X	
	<ul style="list-style-type: none"> An ALTA 7 endorsement or equivalent is required Manufactured home rider to the Security Instrument required. 				X

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	<ul style="list-style-type: none"> Minimum 700 square feet 	X			
	<ul style="list-style-type: none"> One Unit only New Construction must be complete and have Certificate of Occupancy by loan closing MH that has been moved or will move to another location are not eligible Appraisal condition rating must be C4 or better Escrow Holdbacks are not allowed 	X		X	
	<ul style="list-style-type: none"> Manufactured Homes allowed only on existing Pennymac loans (Port loans): <ul style="list-style-type: none"> 2075 Exterior Inspection or the complete prior appraisal including pictures is required. 		X		X
Occupancy	Secondary Residences are not eligible	X	X		
Net Tangible Benefit	For case assignments on or prior to 1/23/2022: When used to meet NTB, remaining unpaid mortgage term must be reduced by a minimum of 1 year to meet the net tangible benefit.		X		
Power of Attorney	Specific Power of Attorney meeting all State, Federal, Agency requirements allowed.	X	X	X	X
Recently Listed Properties	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		X	X
	The listing must have been expired or been withdrawn at least 30 days before the application date				X
	<ul style="list-style-type: none"> Cash-Out Type I (rate & term): The listing must have been expired or been withdrawn on or before the application date. Cash-Out Type II (cash-out): The listing must have been expired or been withdrawn 180 days prior to the application date. 			X	
	FHA Cash Out Transaction-the listing must have expired or been withdrawn prior to the application date.	X			
Reserves/Funds to Close	Deposits that are greater than two times the new PITIA + MIP must be sourced if needed for funds to close.		X		
Seasoning	To meet Ginnie Mae seasoning requirements on modified streamline refinances: <ul style="list-style-type: none"> The borrower has made at least six consecutive monthly payments on the modified loan being refinanced, beginning with the payment made on the first payment due date as of the modification date. The first payment due date of the new loan may not occur earlier than 210 days after the first payment due date of the modified loan paid off through the transaction. 		X		
State Restrictions	Texas(a)(6) Refinances are ineligible.	X	X	X	X
	Texas(a)(4) are not allowed			X	X
	Hawaii loans with Water Catchment Systems are not allowed. See Circular 26-14-04. Applicable on all purchase and cash-out transactions.			X	
	Streamline refinances are ineligible in West Virginia		X		
	Loans secured by properties in Maine are not allowed if the loan is HPML (FHA non-credit qualifying streamlines and VA IRRRLs)		X		X
	Loans secured by properties in Connecticut are not allowed if the loan is HPML				X

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Tax Transcripts	<ul style="list-style-type: none"> Tax transcripts for the most recent one year are required for all self-employed borrowers whose income is used to qualify. If only non-self-employed income is used to qualify, transcripts are not required. When tax transcripts are provided, they must support the income used to qualify. 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 transcripts from the previous year. 	X		X	
	A fully executed 4506C is required		X		
Temporary Buydowns	Temporary buydowns are not allowed		X		X
	<ul style="list-style-type: none"> Temporary buydowns are allowed with a minimum 660 FICO Score Lender and Borrower paid buydowns are not eligible 	X			
	<ul style="list-style-type: none"> Temporary buydowns are allowed with the greater of 660 FICO or the FICO floor referenced on the Maximum LTV/CLTV and FICO Requirements grid on the product profile 			X	
	<ul style="list-style-type: none"> Refinances are not eligible Must qualify at the standard note rate without benefit of the buydown 			X	
Title Insurance	Title insurance is required on all transactions.			X	X
UW Method	All loans must be submitted through FHA TOTAL Mortgage Scorecard utilizing DU or LPA. Loans receiving a Refer recommendation or loans that require a downgrade must be manually underwritten in accordance with Pennymac overlays and FHA manual underwriting requirements.	X			
	<ul style="list-style-type: none"> Loans must be submitted through DU or LPA Loan amounts >\$1.5M <ul style="list-style-type: none"> AUS approval required Maximum DTI 45.00% regardless of AUS approval Borrowers must have a primary mortgage or primary housing history of 0x30x12 for the most recent consecutive 12-month period, ending with the application date. <ul style="list-style-type: none"> Gaps in history or less than 12 months will not be acceptable. Manual underwriting on non-IRRRL transactions is permitted under the following conditions: <ul style="list-style-type: none"> Loan amounts <= \$1.5M The greater of 660 FICO or the FICO floor referenced on the Maximum LTV/CLTV and FICO Requirements grid for purchase and Cash-out Type I refinance transactions 700 FICO for cash-out Type II transactions 0 x 30 in the most recent 12 months for all mortgages Maximum DTI of 45%, refer to the Residual Income section for DTIs over 41% 			X	

If you have any questions, please contact your Pennymac representative.



Overlay Matrix

GOVERNMENT LOANS



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