

# Loan Defects

## Early Payment Default

Per your Loan Purchase Agreement, Article III, Section 3.4, the “Seller shall be obligated to repurchase the affected Mortgage Loan upon the occurrence of one of more of the following circumstances (each, a ‘Repurchase Obligation’) affecting a Mortgage Loan:

(c) Where an Early Payment Default has occurred with respect to the Mortgage Loan;”

The Purchaser reserves the right to, in lieu of repurchase, recapture the SRP, charge an administrative fee and collect from Seller any estimated mortgage servicing liability associated with such Mortgage Loan. For non-Agency loans, the Purchaser reserves the right to, in lieu of repurchase, recapture any premium above par, including any SRP, or 100 basis points, whichever is greater.

## Early Payoff Policy

The policy governing Purchaser’s recourse and remedies with respect to Early Payoff is as follows.

For Mortgage Loans that become the subject of an Early Payoff:

- For Mortgage Loans that have been sold to an Agency or securitized into an Agency MBS, Seller shall promptly reimburse the Purchaser the greater of (i) (a) the Servicing Released Premium paid by Purchaser on the subject Mortgage Loan or (b) any related servicing released premium as published or calculated internally by Purchaser, or (ii) fifty (50) Basis Points. For Mortgage Loans that are not eligible for sale to an Agency or securitization into an Agency MBS, or Mortgage Loans that have not been sold to an Agency or securitized into an Agency MBS, Seller shall promptly reimburse the Purchaser the greater of (i) any premium paid in excess of par or (ii) 150 Basis Points of the Stated Principal Balance.
- If PennyMac receives an invoice for Mortgage Loans eligible for sale to FNMA or FHLMC and is paid in full within 120 days after the Funding Date of such Mortgage Loan, Seller shall reimburse the Purchaser any premium in excess of par including the SRP (see Freddie Mac Single-Family Seller/Servicer Guide 6303.5 and Fannie Mae Selling Guide C1-1-01).
- For Mortgage Loans where a curtailment occurs during the Early Payoff period in excess of 30% of the original principal balance, Seller shall promptly reimburse the Purchaser the proportionate amount of the Servicing Release Premium paid by Purchaser on the subject Mortgage Loan.
- Consistent with the prepayment review process of the Agencies, PennyMac routinely reviews each Seller’s portfolio of purchased Mortgage Loans to monitor levels of Principal Prepayments. If such analysis identifies unusual Principal Prepayment behavior by Seller, the originating broker, or loan officer, PennyMac may seek additional protections including extending the EPO period on future loan purchases or declining to purchase additional Mortgage Loans originated by identified brokers or loan officers. If PennyMac receives an invoice from an investor due to unusual Principal Prepayment behavior of

Mortgage Loans purchased from Seller, the cost (which may include an EPO recapture of all amounts paid in excess of the Stated Principal Balance) will be passed on to and borne by Seller. See Section 4.1 of the PennyMac Mortgage Loan Purchase Agreement regarding Solicitation and the Guide document titled "Representations and Warranties" in the Seller Eligibility folder for the "GSE Eligible" representation incorporating the obligations to the GSEs.

## Loan Defects

For all loans acquired by Purchaser where defect is detected, the Purchaser will inform the Seller and provide a response time in accordance to the Mortgage Loan Purchase Agreement.

If a Seller provides a response within the allotted time in accordance to the Mortgage Loan Purchase Agreement and both the Purchaser and the Agency agree with the provided rebuttal the repurchase demand will be rescinded.

If a Seller cannot cure a defect but is able to refinance the existing Mortgage Loan, The Purchaser reserves the right to recapture the original SRP, if any, paid by Purchaser with respect to such Mortgage Loan or the greater of the premium paid in excess to par or 100 bps of the purchased loan amount if the loan is not eligible for sale to an Agency, if the defect is detected within three (3) years of the Funding Date. Additional fees may be applicable if the refinance extends beyond the repurchase due date.

If the defect cannot be cured, an effective repurchase due date will be set. The repurchase due date will be the greater of the Agency repurchase date or 30 days from initial repurchase notification. If funds are not remitted by the repurchase due date, the Purchaser reserves the right to charge the Seller a daily holding fee until the full Repurchase Price is remitted.

Per your Loan Purchase Agreement, Article III, Section 3.4, "As further provided below, Seller shall have a Repurchase Obligation with respect to any Mortgage Loan upon the occurrence of one or more of the following breaches affecting such Mortgage Loan:

(a) Upon the discovery by either the Seller or the Purchaser of a breach of any representation, warranty or covenant referenced in this Article III;"

Any breach of representation, warranty, or covenant in Article III of the LPA is to be reported to

[PCGLoanDefect@pnmac.com](mailto:PCGLoanDefect@pnmac.com).

## Uninsured Government Loans

- For any government loan not insured within 60 days of loan closing, Seller may be subject to (a) a Repurchase Obligation or (b) payment of an uninsured loan fee, which would be refundable at the time the loan is insured. Correspondent must provide a reasonable basis for the insuring delay for PennyMac to offer the option of an uninsured loan fee.
- In addition, Correspondents must notify PennyMac immediately once a loan has been deemed uninsurable and provide specific reasons for the defect.



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