



**PennyMac Correspondent Group**  
**VA IRRRL Product Profile**  
**05.28.19**

Overlays to VA are underlined  
Items indicated as Non-Del are specific to Non-Delegated loans

**Maximum LTV/CLTV and FICO Requirements**

Occupancy	Maximum LTV/CLTV *	Min FICO
Owner-occupied	<u>110%</u>	<u>620</u>
Second Home/Investment		

\*LTV based upon Base Loan Amount (Loan amount prior to financed funding fee)

Appraisals	<p>Current value required. Current value determined by one of the following options:</p> <ul style="list-style-type: none"> <li>• <u>CoreLogic GeoAVM Core or Collateral Analytics AVM with an FSD not exceeding 15, or</u></li> <li>• <u>Freddie Mac HVE with a confidence level of "H", or</u></li> <li>• <u>A 2055/1075 drive by appraisal report, or full appraisal.</u></li> <li>• <u>Note: The lender must obtain a minimum 2055/1075 if the CoreLogic GeoAVM/Freddie Mac HVE cannot be obtained or if the confidence score (or level) do not meet the minimum requirements above.</u></li> <li>• See Net Tangible Benefit section for appraisal requirements when:               <ul style="list-style-type: none"> <li>○ Discount points used to reduce the interest rate are financed and;</li> <li>○ The loan is going from a Fixed to an ARM.</li> </ul> </li> <li>• An AVM is not required if a more thorough appraisal option is used.</li> </ul>
ARM Initial Interest Rate Adjustment Dates	Adjustable Rate Mortgage Initial Interest Rate Adjustment Dates Document. Can also be found on <a href="http://www.gopennymac.com">www.gopennymac.com</a> , click on Tools & Resources, then, Guides, and then choose Government ARM Initial Interest Rate Adjustment Dates.
Assignment of Mortgages	<u>All loans must be registered with MERS at time of delivery to PennyMac and a MERS transfer of beneficial rights and transfer of servicing rights must be initiated by the Seller, to PennyMac Corp, LLC (#1007159), within 24-hours of purchase.</u>
Borrowers	<ul style="list-style-type: none"> <li>• Resident Alien permitted as long as primary borrower is a veteran.</li> <li>• Joint loans are allowed in accordance with VA's requirements.</li> <li>• 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"> <li>○ is not a veteran, or</li> <li>○ is a veteran who will not be using his or her entitlement on the loan.</li> </ul> </li> <li>• Borrowers may be removed in accordance with VA guidelines.</li> </ul>
Buydowns	<u>No Temp buydowns</u>

Condominiums	Condo approval not required
Credit	<ul style="list-style-type: none"> <li>• <u>All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed.</u></li> <li>• <u>Must have a subject mortgage history of 0 x 30 for the last 3 payments</u></li> <li>• In order to meet Ginnie Mae and VA seasoning requirements, the new note date must be on or after the later of: <ul style="list-style-type: none"> <li>○ the date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced, and</li> <li>○ the date on which 6 full monthly payments have been made on the mortgage being refinanced.</li> </ul> </li> </ul>
Disaster Policy	<ul style="list-style-type: none"> <li>• <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></li> <li>• <u>Non-Delegated: Disaster inspections may not be completed by the Lender. Acceptable inspection providers include, but are not limited to, an appraiser or a post-disaster inspection company.</u></li> </ul>
Documentation	<ul style="list-style-type: none"> <li>• <u>Tri-merge credit report or mortgage account(s) rating is required.</u></li> <li>• Tax Transcripts and the 4506-T are not required for non-credit qualifying IRRRL transactions.</li> </ul>
Employment/Income Verification	<ul style="list-style-type: none"> <li>• <u>Delegated Only: The following Income and Employment documentation are required at a minimum:</u> <ul style="list-style-type: none"> <li>• <u>Salaried borrowers require a Verbal VOE</u></li> <li>• <u>Self-employed borrowers require verification of the business through a 3rd party source</u></li> <li>• Retired borrowers aged 60 and older do not require a VVOE</li> </ul> </li> <li>• <u>Non-Delegated Only: All borrowers require a Verbal VVOE or income source documentation</u></li> <li>• 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.</li> </ul>
Eligible Mortgage Products - Existing Loan	<u>VA to VA refinance</u>
Eligible Mortgage Products - New Loan	<ul style="list-style-type: none"> <li>• Fixed Rate: 10, 15, 20, 25 and 30 year terms. High Balance allowed on all terms.</li> <li>• CMT ARM: 5/1 (1/1/5 caps). High Balance allowed on ARMs. 7/1 ARMs are no longer allowed.</li> <li>• <u>EEEM are not eligible</u></li> </ul>
Escrow Accounts	<u>An impound account for collection of taxes and insurance (or additional escrow items) is required</u>
Exclusionary Lists	All borrowers must be screened by CAIVRS to determine there have been no late payments on Federal debt obligations
Funding Fee	<ul style="list-style-type: none"> <li>• The Funding Fee may be financed in the loan. Maximum LTV based on Base Loan Amount (Loan amount prior to financed funding fee).</li> <li>• The following Veterans are exempt from paying the funding fee: <ul style="list-style-type: none"> <li>○ Veterans receiving VA compensation for service connected disabilities</li> <li>○ Veterans who would be entitled to receive compensation for service connected disabilities if they did not receive retirement pay</li> <li>○ Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability exam and rating</li> <li>○ Veterans entitled to receive compensation, but who are not presently in receipt of the compensation because they are on active duty</li> </ul> </li> </ul>

<p><b>Fee Recoupment</b></p>	<ul style="list-style-type: none"> <li>• 36 months Maximum Recoupment Period from note date. Recoupment Calculation from the final CD is: <u>Section D (Total Loan Costs) + Section E (Taxes and Other Government Fees) + Section H (Other) - Lender Credits (in Section J)</u> Change in monthly P and I payment.</li> <li>• When P&amp;I increases due to the following it is not necessary to show the recoupment in months; however, lenders should show all other fields in the recoupment statement: <ul style="list-style-type: none"> <li>○ Changing from ARM to Fixed Rate, or</li> <li>○ Term reduction <ul style="list-style-type: none"> <li>▪ Non-Delegated only: <u>Remaining unpaid term must be reduced by a minimum of five years.</u></li> </ul> </li> </ul> </li> </ul>
<p><b>High Cost / High Priced</b></p>	<ul style="list-style-type: none"> <li>• <u>PennyMac will not purchase High Cost Loans</u></li> <li>• Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> <li>○ Must meet all applicable state and/or federal compliance requirements.</li> </ul> </li> </ul>
<p><b>Loan Limits</b></p>	<ul style="list-style-type: none"> <li>• VA Loan Limits by geographic region can be located at: <a href="http://www.benefits.va.gov/homeloans/loan_limits.asp">http://www.benefits.va.gov/homeloans/loan_limits.asp</a></li> <li>• <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></li> </ul>
<p><b>Loan Purpose</b></p>	<ul style="list-style-type: none"> <li>• Interest Rate Reduction Refinance Loan (IRRRL).</li> <li>• Borrower should receive no cash back at closing. However, cash back to the Borrower can never exceed \$500.</li> <li>• Credit Qualifying is allowed. When credit qualifying, all existing PennyMac VA overlays are still in effect, including but not limited to credit history and tax transcripts for income validation.</li> </ul>
<p><b>Net Tangible Benefit</b></p>	<ul style="list-style-type: none"> <li>• The interest rate must bear a lower interest rate than the loan it is refinancing: <ul style="list-style-type: none"> <li>○ Fixed to Fixed requires 0.5% reduction</li> <li>○ Fixed to ARM requires 2.0% reduction</li> <li>○ ARM to Fixed and ARM to ARM are exempt from rate reduction</li> <li>○ To ensure compliance, a copy of the note from the refinanced loan must be provided</li> </ul> </li> <li>• When refinancing from Fixed Rate to ARM and Discount Points are used to reduce the interest rate, an LTV calculation is required based on the following: <ul style="list-style-type: none"> <li>○ less than or equal to one discount point requires an LTV of 100% or less</li> <li>○ greater than one discount point requires an LTV of 90% or less</li> </ul> <p>Note this is not required when refinancing from ARM to Fixed Rate or Fixed Rate to Fixed Rate</p> </li> <li>• LTV is calculated by dividing the base loan amount (loan amount prior to financed funding fee) by the value. Value may be determined via: <ul style="list-style-type: none"> <li>○ Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055)</li> <li>○ Uniform Residential Appraisal Report (Fannie Mae 1004)</li> <li>○ Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075)</li> <li>○ Individual Condominium Unit Appraisal Report (Fannie Mae 1073)</li> </ul> <p><b>Note:</b> When a 2055 or better is obtained, the AVM to determine market value is not required. The market value from the valuation product may be used.</p> </li> </ul>
<p><b>Occupancy</b></p>	<ul style="list-style-type: none"> <li>• Owner-occupied</li> <li>• Second Home/Investment <ul style="list-style-type: none"> <li>○ Veteran must certify that he or she previously occupied the property as his or her home.</li> </ul> </li> </ul>
<p><b>Payment History</b></p>	<p>See Credit section for requirements</p>

<p><b>Payment Decrease/Increase Requirements</b></p>	<ul style="list-style-type: none"> <li>• The principal and interest payment on the IRRRL MUST be less than the loan being refinanced unless one of the following exceptions applies: <ul style="list-style-type: none"> <li>○ The IRRRL is refinancing an ARM</li> <li>○ Term of the IRRRL is shorter than the term of the loan being refinanced</li> </ul> </li> <li>• If the payment (PITI) increases by 20% or more, the lender must: <ul style="list-style-type: none"> <li>○ determine that the veteran qualifies for the new payment from an underwriting standpoint; such as determine whether the borrower can support the proposed shelter expense and other recurring monthly obligations in light of income established as stable and reliable,</li> <li>○ include a certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20% or more, and</li> <li>○ limit the DTI to 50% or less.</li> <li>○ <u>Non-Delegated only: Payment may not increase by 20% or more.</u></li> </ul> </li> </ul>
<p><b>Property: Eligible Types</b></p>	<ul style="list-style-type: none"> <li>• Single Family Residence</li> <li>• 2-4 unit</li> <li>• PUDs</li> <li>• Low-rise and High-rise Condominiums</li> </ul>
<p><b>Property: Ineligible Types</b></p>	<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"> <li>• <u>Manufactured homes.</u> This includes on-frame modular homes built on a permanent chassis.</li> <li>• <u>Mobile Homes</u></li> <li>• Cooperatives</li> <li>• Condotels</li> <li>• Hotel Condominiums</li> <li>• Timeshares</li> <li>• Geodesic Domes</li> <li>• <u>Working Farms and Ranches</u></li> <li>• Unimproved Land and property currently in litigation</li> <li>• Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel)</li> <li>• <u>2-4 Unit properties in New Jersey</u></li> <li>• <u>Non-Delegated only: Properties located in Lava Zone 1 and 2</u></li> </ul>
<p><b>Property: Maximum Number of</b></p>	<p>No limit</p>
<p><b>Qualifying</b></p>	<p>For Credit Qualifying:</p> <ul style="list-style-type: none"> <li>• Fixed rate qualify at the Note rate.</li> <li>• 5/1 ARMs qualify at the Note rate.</li> </ul>
<p><b>Ratios</b></p>	<p>DTI ratios are not calculated, unless the transaction is credit qualified.</p>
<p><b>Recently Listed Properties</b></p>	<ul style="list-style-type: none"> <li>• The listing must have been expired or been withdrawn on or before the application date.</li> <li>• <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></li> </ul>
<p><b>Reserves / Funds to Close</b></p>	<p>Reserves are not required. Source of funds to close are not required on an IRRRL.</p>
<p><b>Seasoned Loans</b></p>	<p>Please refer to the PennyMac Seasoned Loan Policy located in the PennyMac Seller Guide for requirements and loan-level price adjustments.</p>

State Restrictions	<ul style="list-style-type: none"><li>• <u>Texas A (6) Refinances are not eligible</u></li><li>• <u>2-4 Unit properties in New Jersey</u></li></ul>
Title Insurance	<u>Required</u>
Underwriting Method	Manual underwriting only
<p><b>Seller shall deliver loans that were originated in accordance with the VA Lender's Handbook, unless otherwise noted in the PennyMac Seller's Guide.</b> <i>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.</i></p>	