



Pennymac Correspondent USDA Guaranteed Rural Housing Product Profile

03.19.25

Delegated Only - Clients must be specifically approved by Pennymac to deliver Rural Housing Mortgages. Contact your Account Manager for Rural Housing approval requirements.

Overlays to Rural Housing are underlined

Maximum LTV/FICO Requirements			
Purchase		Rate and Term Refinance	
LTV/ <u>CLTV</u>	Min FICO	LTV/ <u>CLTV</u>	Min FICO
100%*	<u>580</u>	100%*	<u>580</u>
*exclusive of financed guarantee fee			

COVID-19	<ul style="list-style-type: none"> Please refer to the following for all updates related to COVID-19: <ul style="list-style-type: none"> USDA website located at https://www.rd.usda.gov/coronavirus All COVID specific requirements and flexibilities have ended. Follow standard USDA/Rural Housing underwriting guidelines.
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. 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.
Appraisals	<ul style="list-style-type: none"> A full appraisal (e.g., form 1004 or equivalent, accompanied by form 1004MC) is required for all submissions The appraisal must have been completed within 180 days of loan closing. The validity period of an appraisal report can be extended only one time with an Appraisal Update Report. The appraisal may be expired at the time the appraisal update is requested. However, <i>when the original appraisal is subsequently updated, the appraisal is valid for no greater than one year from the effective date of the original appraisal report at loan closing.</i> Penny Mac will purchase loans secured by properties with "unpermitted" structural additions under the following conditions: <ul style="list-style-type: none"> <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"> <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> <u>The appraiser has no reason to believe the addition would not pass inspection for a permit.</u>
Age of Documents	<ul style="list-style-type: none"> Credit documents must be no more than 120 days old on the date the Note is signed, including credit reports and employment, income and asset documents. <u>Preliminary Title Policies must be no more than 180 days old on the date the Note is signed.</u>
Assignment of Mortgages	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 (#1009313), within 24-hours of purchase.
Borrower Eligibility	<ul style="list-style-type: none"> U.S. citizens Qualified alien or a U.S. non-citizen national <ul style="list-style-type: none"> Evidence of the applicant's valid government-issued photo identification must be retained in the permanent loan file. It is the client's responsibility to determine whether the applicant qualifies as a qualified alien based on the documentation provided to validate eligibility. <ul style="list-style-type: none"> Refer to the Pennymac Non-U.S. Citizen Requirements document for additional information. All borrowers must have a valid Social Security Number Non-occupant borrowers are ineligible See Property: Maximum Number of Properties Owned for information regarding borrowers who currently own a property 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

Condominiums	<p>The lender must perform an underwriting review of the condominium project to ensure the unit meets HUD/FHA, VA, Fannie Mae, or Freddie Mac guidelines. The 1008 must be marked with the appropriate warranty and include all documentation utilized to make the condo warranty determination.</p>
Credit History	<ul style="list-style-type: none"> • <u>Minimum FICO score of 580. Each borrower must have at least one credit score to be eligible.</u> • Frozen Credit Data at any repository must be made available. • Purchases: Manually underwritten loans with FICOs less than 680 require a rent history of 0x30x12, if the applicant pays rent. • Refinances: The existing loan must have been current for the 180-day period prior to the conditional commitment request to refinance • GUS Accept Files: No credit score validation is required. • GUS Refer, Refer with Caution, and Manually Underwritten files: Credit score validation is required. <ul style="list-style-type: none"> ○ Non-traditional credit history is acceptable to supplement the number of trade lines in accordance with Rural Housing's requirements. <u>Borrowers must still have a minimum FICO of 580 to be eligible.</u> <ul style="list-style-type: none"> ▪ Applicants that utilize nontraditional credit to qualify are not eligible for debt ratio waivers. ○ At least one borrower whose income or assets are used for qualification must have at least two eligible trade lines to validate the borrower's credit score. Eligible trade lines consist of credit accounts with at least 12 months of repayment history reported on the credit report. ○ Trade lines eligible to validate the credit score: loans (secured/unsecured), revolving accounts, installment loans, credit cards, collections, charge-off accounts, etc. The accounts may be open, closed, and/or paid in full. ○ Authorized accounts may be used to validate the credit score when one of the following is met: <ul style="list-style-type: none"> ▪ The trade line is owned by another applicant on the mortgage application ▪ The owner of the trade line is the spouse of the applicant, or ▪ The applicant can provide evidence they have made payments on the accounts for the previous 12 months prior to the loan application. ○ Public records (bankruptcy, foreclosure, tax liens, judgments, etc.), disputed, and self-reported accounts are ineligible trade lines for credit validation.

Credit: Liabilities

- **GUS Accept files:** New installment or revolving accounts that are not reflected on the credit report in GUS must be manually entered on the Asset and Liabilities GUS application page. No downgrade is required.
- **Cumulative debt amount \$51 or more:** The new/increased debts and payment amounts must be entered into GUS and GUS rerun. USDA must issue a new Conditional Commitment. Lenders cannot not close loans without a valid Conditional Commitment.
- **GUS Refer, Refer with Caution, and Manually underwritten files:** New installment or revolving accounts that are not reflected on the credit report in GUS must be manually entered on the Asset and Liabilities GUS application page or loan application for non-GUS loans.
- **Non-Purchasing Spouse (NPS):** When a borrower resides or the subject property is located in a community property state, a credit report for the NPS must be obtained. The debts of the NPS must be included in the borrower's debt ratio, except for those specifically excluded by state law. The NPS's credit history is not a reason to deny the loan application. Community property states include: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. Alaska is an opt in community property state; property is separate unless both parties agree to make it community property through a community property agreement or a community property trust.
- **Verification of Rent/Mortgage History:** Not required with a GUS accept. Manual underwriting must follow Rural Housing repayment history requirements.
- **Obligations not include in the DTI:** All liabilities disclosed by the borrower must be reflected in GUS. Liabilities may be "omitted" in GUS as permitted in accordance with the Handbook.
- **Installment and Revolving Credit Accounts:** Installment debts with more than ten months repayment remaining must be included in the debt ratio. Revolving debts with reported loan balances on the credit report must have a monthly payment included in the debt ratios. If a payment is not listed the lender may estimate a monthly payment of 5% of the loan balance.
- **Student Loans:** For outstanding student loans, regardless of the payment status, lenders must use:
 - The payment amount reported on the credit report or the actual documented payment, when the payment is above zero; **or**
 - One half (.50) percent of the outstanding loan balance documented on the credit report or creditor verification, when the payment amount is zero.
- **Co-signed Debt:** In order to exclude the payment from total debt, the lender must provide 12 month's payments from the other party or conclusive evidence from the debt holder that there is no possibility that the debt holder will pursue debt collection against the applicant, should the other party default. Individual debt must be included in the DTI.
- **Authorized User (AU) Accounts:** Lenders are not required to include monthly payments for an AU account in an applicant's debt ratio. A closed AU account requires no consideration. An AU account that is classified as "terminated" is considered a closed trade line. Lenders may continue to include the monthly debt at their discretion if they determine the applicant is making the payment.
- **Deferred debts and balloon debts** that will require payment in full upon their due date must have a payment included in the monthly debts.
- **When the balloon/deferred payment loan is due within 12 months,** evaluate the complete loan application to make a determination regarding the applicant's' repayment ability.
- **Short term obligations** must be included in DTI if there is significant impact on repayment. Significant impact is defined as 5% or greater of the gross monthly income of the applicant.
- **Long-term obligations** with more than ten months repayment remaining on the credit report presented at underwriting, including all installment loans, alimony, child support or separate maintenance payments, student loans and other continuing obligations must be included in the DTI.
- **CAIVRS:** Must have a clear "A" CAIVRS response.

**Derogatory Credit:
Bankruptcy, Short
Sale, Foreclosure,
Federal Debt, and
Judgments**

- Bankruptcy Chapter 7: GUS approval has no minimum seasoning. Follow Rural guidelines for manually underwritten loans.
- When a Chapter 7 bankruptcy absolved the mortgage debt for the borrower any foreclosure or remaining foreclosure pending is an action against the property, not the borrower. The foreclosure action is not considered as adverse credit in the borrower's evaluation. A loan underwritten with the assistance of GUS will **not** be required to be manually down-graded when the bankruptcy discharge included the mortgage debt.
- Bankruptcy Chapter 11, 12 and 13: GUS approval has no minimum seasoning. Follow rural guidelines for manually underwritten loans.
- 3 years elapsed since completion of Foreclosure, Deed in Lieu, or Short sale/Pre-foreclosure.
 - Short Sales Manually underwritten only:
 - Exceptions can be made when the borrower was not delinquent at the time of Short Sale, or if due to divorce, at the time of divorce, and
 - The prior mortgage payment history must reflect all mortgage payments due were made on time for the 12 month period preceding the short sale, or time of divorce, and all installment debt payments for the same period were also made within the month due.
- A borrower is ineligible for a guaranteed loan if they are presently delinquent on:
 - non-tax Federal debt
 - court ordered child support payments subject to collection by an administrative offset, unless the payments:
 - are brought current or
 - the debt is paid in full or,
 - the debt is otherwise satisfied by a documented release of liability
 - court ordered child support (not subject to an administrative offset) unless
 - the applicant has an approved repayment agreement in place with three timely payments made prior to loan closing;
 - the arrearage is paid in full prior to loan closing, or
 - a release of liability is documented;
 - CAIVRS Claim: an applicant that will be a party to the loan does not have a clear "A" Credit Alert Verification Reporting System (CAIVRS) response.
- All judgment must be paid in full, or
 - Payment arrangements with the creditor have been made
 - The borrower has made regular and timely payments for the three months prior to loan application.
 - Prepaying scheduled payments as a means of meeting minimum requirements is unacceptable.
 - Lenders will obtain a copy of the payment agreement and validate payments have been made in accordance with the payment agreement.
 - The payment agreement will be included in the debt-to-income ratio.
 - Exception: If the repayment plan was already established and the applicant has a history of consistent repayment, the payment may be excluded if there are less than 10 months remaining and the lender determines the debt does not have a significant impact on the repayment of the applicant.

Derogatory Credit: Collections and Charge-Offs	<ul style="list-style-type: none"> • The approved lender's underwriter must review all collection and charge off accounts and determine if the applicant(s) is an acceptable credit risk, regardless of GUS underwriting recommendation. USDA does not require medical collection accounts to be paid. • No credit exception is required for collection accounts or charge-offs with a GUS Accept. • All open collections must be listed on the Asset and Liabilities GUS application page and loan application. • If the applicant has a repayment plan with the creditor for a charged off debt, include the payment in the Asset and Liabilities GUS application page or on the loan application. • If the cumulative total of all non-medical collections exceeds \$2,000, the following options will apply: <ul style="list-style-type: none"> ○ Require payment in full of these accounts prior to loan closing; ○ Use an existing repayment agreement or require payment arrangements be made with documentation from the creditor and include the monthly payment; or ○ Include 5% of the outstanding balance as the monthly liability amount, no further documentation required.
Disputed Accounts	<ul style="list-style-type: none"> • Disputed Non-Derogatory Accounts <ul style="list-style-type: none"> ○ GUS Accept files: A GUS Accept recommendation may be retained if the following are met: <ul style="list-style-type: none"> ▪ The disputed trade line has a zero balance; ▪ The disputed trade line states "paid in full" or "resolved" on the credit report; ▪ The disputed trade lines are 24 months or greater; ▪ The disputed trade line is current and paid as agreed; ▪ The payment stated on the credit report is included in the monthly debts; ▪ A documented payment from the creditor is included in the monthly debts; or ▪ 5% of the stated account balance on the credit report is included in the monthly debts. • Disputed Non-Derogatory Accounts with GUS Refer, Refer with Caution or a Manual Underwrite: The applicant must provide the lender with applicable documentation to support the reason and basis of their dispute with the creditor. Lenders must determine the impact of the disputed account on the repayment of the proposed mortgage debt. Each account must include the payment stated on the credit report, 5% of the balance of the account, or a lesser amount documented from the creditor. No credit exception is required. • Disputed Derogatory Accounts- Disputed derogatory accounts that must be considered are non-medical collections and accounts with late payments in the last 24 months. • For all loan types, the lender may exclude the following disputed derogatory accounts: <ul style="list-style-type: none"> ○ Disputed medical accounts/collections; ○ Charged off accounts, ○ Disputed derogatory accounts that are the result of identity theft, credit card theft, or unauthorized use when evidence (police report, attorney correspondence, creditor statement) is provided to support the applicant's explanation; or ○ Accounts of a non-purchasing spouse in a community property state. • GUS Accept files: GUS Accept files with less than \$2,000 in disputed derogatory accounts will require the lender to determine if the disputed accounts may impact the applicant's ability to repay the proposed mortgage obligation. Each account (excluding those listed above) must include a minimum monthly payment of: <ul style="list-style-type: none"> ○ The payment stated on the credit report, ○ Five percent of the balance of the account, or ○ A lesser amount documented from the creditor. No credit exception is required. • A GUS Accept must be downgraded to a Refer when the applicant has \$2,000 or more collectively in disputed derogatory accounts in the last 24 months.

	<ul style="list-style-type: none"> • Disputed Derogatory Accounts with Refer, Refer with Caution and manually underwritten files: The lender must analyze the potential impact to the applicant's ability to repay the proposed mortgage debt with disputed derogatory accounts. Each account (excluding those listed above) must include a minimum monthly payment of: <ul style="list-style-type: none"> ○ The payment stated on the credit report, ○ Five percent of the balance of the account, or • A lesser amount documented from the creditor. No credit exception is required.
Disaster Policy	<p><u>Pennymac will require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster.</u> See Pennymac disaster policy located in the Seller's Guide for full details.</p>
eMortgages & eNotarization	<ul style="list-style-type: none"> • eMortgages and eNotarization are eligible for Delegated correspondents only • Lenders must be approved by Pennymac prior to delivering eMortgages, transactions closed using eNotarization or Remote Online Notarization (RON) • Lenders are responsible for ensuring eMortgage loans are delivered in accordance with all requirements in the Pennymac Correspondent Group eMortgage Guide, including but not limited to the following: <ul style="list-style-type: none"> ○ State eligibility; and ○ Product eligibility; and ○ Transaction eligibility; and ○ eNotarization eligibility; and ○ RON eligibility
Escrows/Impounds	<p>An impound account for collection of taxes and insurance (or additional escrow items) is required.</p>
Escrow Holdbacks	<p>Repair Escrows, post issuance of the Loan Note Guarantee, are acceptable. Rural Housing may issue a Loan Note Guarantee prior to the completion of repairs provided the following conditions are met:</p> <ul style="list-style-type: none"> • The livability of the dwelling is not affected; • A signed contract between the borrower and the contractor is in effect for the proposed work and the funds to be escrowed are not less than the contract; • The funds to be escrowed are not less than the repair cost contract; • The Closing Disclosure reflects the holdback; • The development will be complete within 180 days of closing, unless an extension is granted by USDA for inclement weather; and • The escrow account is established in a federally supervised financial institution. • Certification of completion is required to verify the work was completed and must: <ul style="list-style-type: none"> ○ Be completed by the appraiser; ○ State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report; ○ Be accompanied by photographs of the completed improvements; and ○ The individual performing the final inspection of the property must sign the completion report. <p>Escrow Completion without the Assistance of a Contractor</p> <ul style="list-style-type: none"> • When the borrower will complete the planned interior/exterior development on an existing dwelling without the services of a contractor, the contract noted in this section is waived when the following three conditions are met: <ul style="list-style-type: none"> ○ The estimated cost to complete the work is not greater than 10 percent of the total loan amount; and ○ The escrow amount is less than or equal to \$10,000; and ○ The lender has determined the borrower is capable to complete the work within the 180-day limit.
Exclusionary List	<p>CAIVRS and GSA list must be checked and cleared.</p>

Funds to Close	<ul style="list-style-type: none"> • Cash to close remains the lender's responsibility to verify and document that the borrower has sufficient funds to facilitate closing. The following asset types are most common when documenting cash to close: <ul style="list-style-type: none"> ○ Checking/Savings, provide the most recent two months statements. Any large deposits must be sourced. ○ Gifts are allowed in accordance with Rural Housing guidelines. Gifts must be specifically identified as a gift in GUS in order to omit from reserves. ○ <u>Cash on Hand is not permitted.</u> • Virtual Currency: Cryptocurrency/Virtual Currency may only be used as funds for closing if it has been exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution. There must be sufficient documentation to verify that the funds originated from the borrower's cryptocurrency/virtual currency account. <ul style="list-style-type: none"> ○ <u>Acceptable documentation to use those funds includes the following:</u> <ul style="list-style-type: none"> ▪ <u>Documentation from Cryptocurrency exchange account verifying the borrower as the Legal Owner and not the nickname of the account, AND</u> ▪ <u>Previous borrower bank statement showing funds going into the same Cryptocurrency exchange account that the large deposit came from, OR</u> ▪ <u>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</u> • The lesser of the two-month average balance or actual balance (as reported on the most recent statement) must be used in GUS to calculate the assets. In lieu of entering assets in GUS, the lender may underwrite to the most conservative approach with no consideration of assets in GUS.
Guarantee Fee	<ul style="list-style-type: none"> • Upfront Guarantee Fee: 1% of the loan <ul style="list-style-type: none"> ○ Financed Guarantee Fee calculated: (loan amount / .99) - loan amount ○ Not financed Guarantee Fee calculated: loan amount * 1% • Can be financed above the appraised value • Annual Fee: <ul style="list-style-type: none"> ○ .35%
High Cost / Higher Priced Mortgages (HPML)	<ul style="list-style-type: none"> • Pennymac will not purchase High Cost Loans • 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.
Home Ownership Counseling	<p>Lenders are reminded that certain Rural Housing State Offices require Home Ownership Counseling for first time homebuyers. It is the lender's responsibility to ensure the home buyer education is completed in those states and include documentation to satisfy Rural Housing's requirements in the file.</p>

**Income:
Adjusted Annual
Household Income
and Repayment
Income**

Adjusted Annual Household Income:

- Annual income from all adult household members, not just the parties on the loan note, must be certified to ensure that a request for loan guarantee does not exceed the adjusted annual income threshold for the applicable state and county where the dwelling is located.
- Documentation used to verify the annual adjusted household income must be retained in the loan file regardless of the GUS recommendation.
- **Considerations for Income Calculations:**
 - Income for each adult household member for the previous 2 years must be verified.
 - Annual and adjusted annual income calculations must include all eligible income sources from all adult household members, not just parties to the loan note.
 - Annual income is calculated for the ensuing 12 months, based on income verifications, documentation, and household composition.
 - Income from assets must be included in the annual and adjusted annual income
 - Household members with cumulative net family assets (non-retirement) of \$50,000 or greater, must have those assets reviewed for annual income purposes
 - The most recent asset information provided by applicants and household members at the time of loan application must be reviewed.
 - Net family assets with actual earnings will use the stated rate of interest to calculate annual income.
 - Net family assets that do not earn interest will use a current passbook savings rate (verified through the lender's personal banking rates, online website, etc.) to calculate annual income.
 - Deposits from virtual and/or cryptocurrency converted and deposited as U.S. currency should not be backed out when determining cumulative net family assets or the annual income calculations derived from assets. **Note:** Income derived from virtual and/or cryptocurrency is not eligible to be used for the repayment qualification.
- IRS transcripts are required for all required household members in addition to the documentation option selected by the lender. Refer to the Transcripts section below for additional information.

Repayment Income:

- Rural Housing guidelines require lenders to document and calculate repayment income to determine if applicants have sufficient income to repay the mortgage in addition to recurring debts.
- Repayment income calculations often differ from the calculation of annual and adjusted annual income.
- Income from the following sources is ineligible to be included within the qualifying repayment income calculations:
 - The production or sale of marijuana
 - Bitcoin or other cryptocurrencies
- **Considerations for Income Calculations:**
 - Repayment income calculations include the income sources of the applicants who will be parties to the note that meet the minimum required history identified in the Rural Housing handbook and have been determined to be stable and dependable income by the approved lender.
 - Income used in repayment income calculations must be confirmed to continue a minimum of three years into the mortgage.
 - If the income is tax exempt, it may be grossed up 25 percent for repayment income.
 - Lenders must obtain and maintain documentation in the loan file supporting the lender's income calculations.

For both income types, refer to Rural Housing Guidelines for full income and documentation requirements.

Insurance	<p>Flood Insurance:</p> <ul style="list-style-type: none"> • If a dwelling is in a Special Flood Hazard Area (SFHA) as identified by the FEMA, the property must be located within a National Flood Insurance Program (NFIP) participating community and the borrower must obtain flood insurance. • The borrower must continuously maintain flood insurance for the life of the loan and the policy must be in force at the time of loan closing. • Flood insurance must cover the lesser of the outstanding principal balance of the loan or the maximum amount of coverage allowed under NFIP. • New or Proposed Dwellings: Rural Housing will not guarantee loans for new or proposed homes in an SFHA unless a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) is obtained that removes the property from the SFHA or obtains a FEMA elevation certificate that shows that the lowest habitable floor (including basement) of the dwelling and all related building improvements is built at or above the 100-year flood plain elevation in compliance with the NFIP. File must also document that there is a demonstrated need for the Single-Family Housing Guaranteed Loan Program (SFHGLP) and there are no practicable alternatives to new construction within the SFHA that are acceptable to the borrower(s) • Unless a higher amount is allowed by state or federal law (which includes FEMA policies), the maximum deductible clause for a flood insurance policy should not exceed \$10,000. <p>Hazard Insurance:</p> <ul style="list-style-type: none"> • Hazard insurance policies should conform to the GSE coverage requirements of “the standard extended coverage endorsement,” which states that a policy cannot be accepted that in whole or part excludes wind, hurricane or catastrophe insurance unless the coverage is provided in another policy with the same coverage limits as the hazard policy. • Borrower occupied properties should have replacement cost coverage in an amount equal to the guaranteed value of the improvements or the unpaid principal balance, whichever is less. • Deductibles should not exceed 5 percent of the total coverage amount. <p>Note: When using a high deductible, lenders must be mindful of the applicant’s repayment ability and ensure that chosen deductibles are reasonable for the applicant and will not cause undue hardship on the borrower.</p> <p>Refer to Rural Housing handbook for complete requirements.</p>
Interested Parties Concessions	<p>Seller contributions (or other interested parties) are limited to 6% of the sales price.</p> <ul style="list-style-type: none"> • Note: Real estate commission fees paid by the seller on behalf of the homebuyer are exempt from the 6% cap on seller concessions.

Loan Purpose	<ul style="list-style-type: none"> • Purchase <ul style="list-style-type: none"> ◦ Closing costs may be financed when there is equity above the contract price. • Rate & Term Refinance <ul style="list-style-type: none"> ◦ The maximum loan amount cannot exceed the balance of the existing Rural Housing loan being refinanced plus: <ul style="list-style-type: none"> ▪ Accrued interest ▪ Financed guarantee fee ▪ Reasonable and customary closing costs ▪ Fund to establish a new tax and insurance escrow am ◦ Unpaid fees, such as late fees due the servicer are not eligible to be included in the new loan amount ◦ Borrowers may be reimbursed at closing for any fees paid in advance (for example, appraisal and credit report fee). A nominal amount of "cash-out" to the borrowers may occasionally result due to final escrow and interest calculations. This amount, if any, must be applied to a principal reduction of the new loan. ◦ The existing loan to be refinanced was closed at least 180 days prior to Rural Housing's receipt of a conditional commitment request for refinance ◦ The loan being refinanced does not reflect a delinquency in the previous 180 day period prior to the request for Conditional Commitment. ◦ At least one original borrower must remain on the new loan • Cash Out is not allowed • <u>Combination construction and permanent financing not allowed.</u> Two-closing construction to permanent financing is allowed, and may be structured as a purchase transaction. • <u>Streamline refinances are not allowed.</u> • See Rural Streamline-Assist Product Profile for information on Rural Streamline-Assist transactions.
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
LTV Determination	<p>Purchase transactions and Refinance Transactions are based on the appraised value.</p>
Mortgage Products, Eligible	<ul style="list-style-type: none"> • Fixed Rate 30-year term only • Interest only not allowed • <u>Rural Energy Loans are not allowed</u> • <u>Single Close Construction to Perm Financing are not allowed.</u> • <u>Rehab and Repair with Purchase is not allowed</u>
Occupancy	<p>Owner Occupied Residences only</p>

Property, Eligible Types	<ul style="list-style-type: none"> • Single Family Attached/Detached • PUDs and condos • Leaseholds with a minimum length of lease of 15 years beyond the maturity date of the loan. • Purchase Transactions must be located in an area designated as acceptable for Rural Housing. Refinances are permitted for properties in areas that have been determined to be non-rural since the existing loan was made. • Purchase of dwellings which include an in-ground swimming pool are acceptable. • New Construction must meet Rural Housing inspection and Builder Warranty requirements; evidence must be included in the file.
Property, Ineligible Types	<ul style="list-style-type: none"> • <u>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</u> • Mobile Homes • Cooperatives • Condotels • Hotel Condominiums • Timeshares • Geodesic Domes • Working Farms and Ranches • Unimproved Land and property currently in litigation • 2-4 units • Income producing properties that do not meet Rural Housing's requirements. Examples include, but not limited to grain bins, silos, dairy farms, hog barns and multiple equestrian stables.
Property: Maximum Number of Properties Owned	<p>Current homeowners may be eligible for guaranteed home loans under this part if all the following conditions are met:</p> <ul style="list-style-type: none"> • The homeowner's current dwelling is not financed by a Rural Development guaranteed or direct Section 502 or 504 loan or active grant; • The homeowner is financially qualified to own more than one house (the borrower is limited to owning one single family housing unit other than the one associated with the loan request; • The homeowner will occupy the home financed with the guaranteed loan as their primary residence throughout the term of the loan; • The current home no longer adequately meets the borrowers' needs (See Chapter 8.2 of the Technical Handbook for details regarding what is defined as not meeting needs); • In all cases, the lender must provide an additional explanation of the burden upon the borrower imposed by the status change both in the near the near and longer term, and also the reasons beyond homeowner convenience why the purchase of the property must be completed prior to the sale of the existing property • Departing Residence: borrowers who wish to purchase a new principal residence and retain or rent a residence must qualify with all mortgage liability payments.

Ratios	<ul style="list-style-type: none"> Housing ratio of 34% <ul style="list-style-type: none"> No waivers are permitted to increase the housing ratio above 34 percent for purchase transactions For refinance: Pennymac will allow a higher housing ratio with a GUS Accept or Rural Housing Approval. Evidence of Rural Housing Approval must be maintained in the file. DTI of 41% <ul style="list-style-type: none"> Pennymac will allow a higher DTI with a GUS Accept or Rural Housing Approval. Evidence of Rural Housing Approval must be maintained in the file. \$50 tolerance allowed for monthly payment increases. Increase of \$51 or more, see Credit: Liabilities Refer to the USDA/Rural Housing Handbook for complete requirements.
Recently Listed Properties	<u>No Cash-Out Transaction - the listing must have expired or been withdrawn prior to 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.
Rental Income	<ul style="list-style-type: none"> Repayment Income: <ul style="list-style-type: none"> Rents received for at least 24 months or more: (1) Positive net rental income received may be included in the repayment income. (2) Negative net rental income is treated as a recurring liability in the debt ratios. (3) Corresponding mortgage liabilities may be omitted from the debt ratios. Rents received for less than 24 months: (1) Rental income received for less than 24 months should not be entered into GUS as rental income. (2) Corresponding mortgage liabilities must be included in the debt ratios. Annual Income: <ul style="list-style-type: none"> Include positive net rental income that will be received in the ensuing 12 months. Negative net rental income is counted as zero in the annual income calculation.
Reserves	<ul style="list-style-type: none"> Cash Reserves calculated by GUS represent the amount of liquid assets that remain available to the applicants/borrowers after loan closing (includes amounts received at closing). All household assets must be verified and documented in the permanent loan file; however, the loan may be underwritten to the most conservative approach with no consideration of assets entered into GUS Refer to the Rural Housing Handbook for complete requirements, including guidance and action required for each individual asset type.
Rural Housing Documentation	<p>RD 3555-18 Conditional Commitment for Single Family Housing Loan Guarantee</p> <ul style="list-style-type: none"> Must include completed, signed, and dated Lender Certification pages. The lender's signature on the Lender Certification certifies to Rural Housing the loan was closed in accordance with all applicable conditions listed and no adverse changes have occurred since the commitment was issued. Loans may not have an outstanding contingent Conditional Commitment. All documentation used to satisfy the Conditional Commitment must be included in the file.
Secondary Financing	Allowed in accordance to Rural Housing requirements

Tax Transcripts	<p>Guaranteed loans cannot be made to a household that exceeds the applicable adjusted annual income limit.</p> <ul style="list-style-type: none"> • Each adult household member, as applicable, must complete and sign IRS Form 4506-C for the previous two tax years at the time of loan application. • 4506-C must be used to request full transcripts with all schedules. • Full time students ages 18 and up that are not the applicant, co-applicant, or spouse of an applicant are not required to sign the 4506-C or have transcripts provided. • The transcripts must be obtained and reviewed prior to loan closing; transcripts must be retained in the permanent loan file. <p>Notes:</p> <ul style="list-style-type: none"> • Transcripts may be provided in lieu of tax returns • W2/1099 transcripts are not sufficient. • Refer to the Rural Housing handbook for additional information and complete requirements.
Temporary Interest Rate Buydowns	<p>Temporary buydowns are eligible subject to</p> <ul style="list-style-type: none"> • Max total interest rate reduction of 2%, max increase per year of 1% (only 1/0, 1/1, and 2/1 buydowns allowed) • Maximum 2 years to reach standard note rate • <u>Minimum 660 credit score</u> • Must qualify at the standard note rate without benefit of the buydown • Both the full note rate and the initial buydown rate must be entered into GUS • Must meet all other applicable USDA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown. • Borrower funded buydowns are not allowed • The borrower must agree in writing that the temporary buydown funds will be placed in an escrow and paid directly to the lender each month to reduce the monthly mortgage payment • The buydown account must be fully funded at origination • The funds must be placed in an escrow account with a financial institution supervised by a Federal or state agency • A copy of the executed escrow agreement, must be retained in the lender's loan file
Utilities	<p>For Purchase Transactions, Rural Housing requires the following inspections:</p> <ul style="list-style-type: none"> • Private Well/Water Supply: The local health authority or a state certified laboratory must perform a water quality analysis, which must be no greater than 120 days old at loan closing. The water quality must meet state/local standards. • Private Septic System: The septic system must be free of observable evidence of failure. An FHA roster appraiser, government health authority, licensed septic professional, or qualified home inspector may perform the septic system evaluation. An FHA roster appraiser or qualified home inspector may require an additional inspection due to their observations. Existing dwellings appraised by a HUD roster appraiser, who has indicated the dwelling meets the required HUD handbooks does not require further septic certification.

UW Method

- All loans must be submitted to Guaranteed Underwriting System (GUS)
- Lenders must manually downgrade an Accept decision to a Refer in the following instances (see Attachment 10-A for full details):
 - A GUS Accept must be downgraded to a Refer when the applicant has \$2,000 or more collectively in disputed derogatory accounts in the last 24 months.
- The loan must receive either an Accept/Eligible or Refer (manual).
 - To ensure the property location and annual income complies with Rural Housing requirements, Lenders must include the Accept/Eligible or Refer/Eligible in the file.
- Non-traditional credit acceptable in accordance with Rural Housing's guidelines. See Credit: History section for more information.

Seller shall deliver loans that were originated in accordance with the Rural Housing Policies and Procedures Part 7 CFR 3555, unless otherwise noted in the Pennymac Seller's Guide. For any situation not addressed in this Product Profile, please refer to Part 7 CFR 3555 or the accompanying handbook.

Pennymac does not discriminate in any aspect of a credit transaction on the basis of sex, gender identity or expression, sexual orientation, marital status, familial status, race, color, ethnicity, religion, national origin, age, handicap or disability status, income derived from public assistance, military status or the good faith exercise of rights under the Consumer Credit Protection Act.