



PHH Mortgage Correspondent Lending

Non-Agency Prepayment Penalty Guidance

Non-Agency Product

This is intended to be a guide only; the seller is responsible for confirmation and adherence of all federal and state laws/compliance.

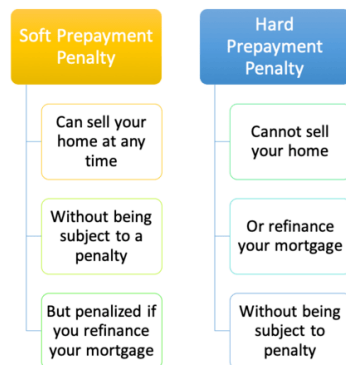
Pre-Payment Penalty

1. Only permitted on Non-Owner Occupied (Investment Properties) and must meet all applicable federal and state laws to be eligible for purchase.

State Restrictions:

- Alaska
- Illinois to individual borrowers. Permitted to legal entities when APR is $\leq 8\%$
- Kansas
- Maryland
- Minnesota
- New Jersey to individual borrowers. Permitted to legal entities
- New Mexico
- North Dakota
- Ohio loan amounts $< \$107,633$ (for 2023)
- Oregon requires state specific disclosure along with the Note and Security Instrument Rider
- Pennsylvania loan amounts $\leq \$301,022$ (for 2023)
- Washington ARM loans (Permitted on Fixed Rate)

2. The pre-payment agreement should be referenced to identify if the penalty is Soft or Hard, either are acceptable.



Prepayment Structure

3. The penalty can be based on either the original loan amount, or outstanding balance at the time of payoff.
 - a. 6 months interest option – payable on the amount of prepayment above 20% of the original loan amount in any 12-month period.
 - b. The penalty can be a fixed percentage with a maximum of 5%, or a declining structure of the amount prepaid during the prepay term.

Declining Structure Example: 5%, 4%, 3%, 2%, 1%

Flat or Fixed Structure Example: 2%, 2%, 2%, 2%, 2%

4. Non-Agency Allowable Prepay Terms

Prepay Term
No Prepayment
12 Months
24 Months
36 Months
48 Months
60 Months

5. State Specific Restrictions
 - a. Ohio (loan amount \geq \$107,633) – 5-year prepayment penalty, 1% or less of the original principal amount.
 - b. Michigan – 3-year prepayment penalty, 1/1/1% of the amount of the prepayment.
 - c. Mississippi – 5-year maximum declining prepayment penalty structure is allowed.
 - d. Rhode Island – 1 year prepayment penalty, 2% of the balance due.