

PHH Mortgage Correspondent Lending

FlexIQ Non-Agency Prepayment Penalty Guidance

Flex IQ Non-Agency Product

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

1. Pre-Payment Penalty

Permitted on Non-Owner Occupied (Investment Properties) only and must meet all applicable federal and state laws, as well as the FlexIQ Non-Agency guidelines, to be eligible for purchase.

State Restrictions:

- Alaska, Kansas, Maryland, Minnesota, New Mexico, North Dakota not allowed.
- Illinois permitted when vesting in an S or C corporation. Prepayment penalties are prohibited on all other entities (individuals, LLCs, LLPs, trusts, etc.). If borrower is a natural person, prepayment penalty is prohibited when APR is greater than 8%. Prepay is allowed when APR is $\leq$ 8%.
- Michigan – allows a Flat prepayment penalty structure for 3 years at 1%/1%/1% of the amount of the amount prepaid.
- Mississippi – allows up to a maximum 5-year declining (Step Down) prepayment penalty structure that cannot exceed 5%/4%/3%/2%/1%.
- New Jersey permitted when vesting in an S or C corporation. Prepayment penalties are prohibited on all other entities (individuals, LLCs, LLPs, trusts, etc.).
- Ohio permitted with a Flat prepayment penalty structure up to 5 years and equal to 1% or less of the original principal amount. Loan amount must be $\geq$ \$112,957 (for 2025). Loan amounts $<$ \$112,957 permitted only on 3-4 units.
- Oregon – requires state specific disclosure in addition to the Note and Security Instrument Rider
- Pennsylvania loan amounts $>$ \$319,777 (for 2025). Loan amounts $\leq$ \$319,777 permitted only on 3-4 units.
- Rhode Island – allows a Flat 1-year prepayment penalty equal to 2% of the balance due.
- Washington permitted on Fixed rate loans

2. Prepayment Structures

Acceptable prepayment penalty structures (when permitted by the PHH FlexIQ Non-Agency guidelines and all applicable laws and regulations) may include the following:

- **Six Months of Interest** – The prepayment charge must be equal to 6 months of interest

on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period.

- **Flat Prepay Structure** – 2%, 3%, 4% or 5% fixed percentage (i.e. 5%/5%/5%/5%/5%, 4%/4%/4%/4%, 3%/3%/3%, 2%/2%) – The prepayment penalty charge must be no greater than 5% and no less than 2% flat prepayment over the life of the prepay penalty term charged to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that payoff due to sale or refinance during the prepay period.
- **Step Down Prepay Structure** – The prepayment penalty charge % applies to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance during the prepay period. Acceptable step down structures include: 5-year prepayment penalty at 5%/4%/3%/2%/1%, 4-year prepayment penalty at 4%/3%/2%/1%, 3-year prepayment penalty at 3%/2%/1%, 2-year prepayment penalty at 2%/1%, and 1-year prepayment penalty at 2%.

Note: Prepayment penalty pricing is based on tiers, refer to the current rate sheet.

3. FlexIQ Non-Agency Allowable Prepay Terms

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

Note: LLPAs apply, refer to current rate sheet.