



Announcement 15-57

Date: November 18, 2015

Topic: Flood Insurance Requirements – All Programs

Effective for loans closed on or after January 1, 2016, PennyMac will require flood insurance premiums to be escrowed, in compliance with the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters).

Escrows for flood insurance premiums may not be waived, regardless of LTV, on loans secured by 1-4 unit properties (including PUDs and site condos).

PennyMac requires correspondents to provide a Standard Flood Hazard Determination Form (SFHDF) on all properties prior to the loan being purchased. In addition, correspondents should provide evidence that any flood insurance premiums associated with mortgage transactions are escrowed prior to purchase, regardless of whether any other funds associated with the loan are escrowed (i.e., taxes, insurance premiums, or any other fees or charges). These requirements apply to all loans containing escrowed flood insurance including, but not limited to, Higher Priced Mortgage Loans (HPML).

Please note that flood insurance requirements continue to be satisfied if they are paid by the condominium association, homeowner's association, or other group; on that event, no escrow is required.

Loans with a closing/note date on or after January 1, 2016 where flood insurance is required and no flood escrow has been established are not eligible for purchase.

Please contact your Sales Representative with any questions.