



Announcement 16-44

Date: November 25, 2016

Topic: FNMA 2016-08 and DU Release Notes DU 10.0 December Update: Various Updates

For all conforming DU approved loans, PennyMac will be aligning with the updates announced in Fannie Mae SEL 2016-08, including but not limited to the following. Effective dates are included below.

DU Validation Services

Recently Fannie Mae announced the implementation of the DU validation service for income, assets, and employment as part of the Day 1 Certainty program. Through this service DU will have the ability to receive a copy of the vendor report ordered by participating lenders that have activated this service for at least one supported vendor. DU will use the data from the report to validate specific borrower information provided in the loan casefile.

Effective immediately, PennyMac is aligning with Fannie Mae's update and allowing the use of the DU validation service. Lenders must provide the third party vendor report used in DU in the loan file. In addition, tax transcripts will no longer be required for income sources specifically validated by The Work Number.

Property Inspection Waivers (PIW)

A property inspection waiver (PIW) is an offer to waive the appraisal requirement for certain refinance transactions and receive certain representation and warranty relief related to the collateral.

Effective with DU runs on or after December 10, 2016, PennyMac will be aligning with Fannie Mae's enhanced eligibility requirements for generating additional PIWs. In order to be eligible, the DU must return the PIW message and a \$75 fee will be assessed for each loan delivered with a PIW.

Note: Lenders must continue to confirm the property is not listed for sale, in accordance with Fannie Mae requirements, when a PIW is used. Acceptable sources to document the property is not listed includes, but is not limited to, MLS or internet searches.

Co-Borrower Self-Employment Income Evaluation

Effective immediately, PennyMac is aligning with Fannie Mae's update to co-borrower self-employment income. When co-borrower self-employment income is not used for qualifying purposes, the lender will no longer need to document or evaluate the co-borrower's self-employment income or loss.

Site Condos

Effective immediately, PennyMac is aligning with Fannie Mae's updates regarding site condos. With this update, Fannie Mae is no longer requiring project reviews for a subset of detached condos commonly referred to as "site condos." Site condo projects consist of single-family detached houses where unit owners own the entire dwelling and the land. These projects, located in limited markets, have few or no common elements or amenities. Lenders will remain responsible for determining that the project meets the criteria, which may require review of the project's recorded legal documents. Eligible projects must be delivered with project type V.

Rhode Island and Massachusetts Security Instruments

Fannie Mae and Freddie Mac have updated the Rhode Island and Massachusetts security instruments due to recent changes in state laws regarding homestead estates. Lenders are encouraged to begin using the forms immediately, but must begin using them with note dates on or after April 1, 2017.

HomeReady Enhancements

PennyMac does not currently purchase HomeReady programs. As such, the updates are not applicable for loans delivered to PennyMac.

Please contact your Sales Representative with any questions.