



Announcement 18-26

Date: June 18, 2018

Topic: FNMA SEL 2018-05 and DU Release Notes June 23: Various Topics

For all DU approved conventional loans, PennyMac is aligning with the various updates in Fannie Mae SEL 2018-05 and DU Release Notes 6.23, including but not limited to the below, with the exception of the HomeStyle Energy Program and all updates pertaining to Manufactured Homes. PennyMac will continue to not purchase manufactured homes. Effective dates are included below.

HomeStyle Energy

Currently PennyMac does not purchase loans using the HomeStyle Energy feature.

Fannie Mae is updating DU to provide AUS support for the HomeStyle Energy feature. Effective with DU runs on or after the weekend of June 23, 2018, PennyMac will purchase loans using HomeStyle Energy subject to the following:

- HomeStyle Energy feature is not combined with other loan programs (e.g. HomeReady, or HomeStyle Renovation),
- Pay off of PACE liens or other secured and/or unsecured debt used to finance energy efficient improvements are eligible,
 - When a PACE lien is paid off the lower tax amount may be used to qualify
 - Documentation confirming the funds were used for energy efficient improvements must be provided in the file
- Financing of energy improvements to be completed are not eligible,
- DU approve/eligible required,
- Any other applicable Fannie Mae or PennyMac requirements must be met.

Please see Fannie Mae's Selling Guide section B5-3.3 for additional details.

Project Standards Updates

Effective immediately, PennyMac is aligning with Fannie Mae's updates to project standards for condos. Below is a summary of before and after changes. Due to the extensive changes, PennyMac recommends all correspondents review Fannie Mae's guidelines for complete details. DU will be updated the weekend of June 23, 2018 in support of these changes.

Topic	Previously	Current	Citation
Established Condo Project Definition	90% of the units have been conveyed, in addition to other requirements.	Added flexibility for 80% conveyed when the remainder are owned and rented by the developer.	B4-2.1-01
2-4 Unit Warranty Review	Required	No longer required, must still meet minimal requirements, including insurance.	B4-2.1-01
FHA project Approval	Allowed for FHA loans.	Allowed for any Fannie Mae loan, with restrictions.	B4-2.1-01 B4-2.5-05
New Condo project	Definition had no requirements based on HOA control.	Definition now includes HOA controlled by the Developer.	B4-2.1-01
Limited/Full Review age	180 days prior to Note	1 year prior to Note	B4-2.1-01
Waiver of Project Review	<i>New</i>	New section consolidated and clarified requirements for when a review is not required and requirements still apply when there is no review.	B4-2.1-02
Commercial Space Allocation	Limited to 25%, commercial parking lots included in calculation.	Limited to 35%, commercial parking lots no longer include in calculation.	B4-2.1-03
Single Entity Ownership	21+ units limited to 10%	21+ units increased to 20%, with flexibility for up to 49% single entity ownership in certain cases.	B4-2.1-03
Limited Review: NOO	Ineligible	Allowed up to 75% LTV/CLTV/HCLTV	B4-2.2-01

DU Override Codes

Currently Fannie Mae allows for lenders to instruct DU to disregard erroneous foreclosure information or indicate when there are extenuating circumstances for the foreclosure.

Effective with DU runs on or after June 23, 2018, PennyMac will be aligning with Fannie Mae and allowing Lenders to instruct DU to disregard erroneous bankruptcy information, indicate when there are extenuating circumstances for the bankruptcy, or when there is inaccurate mortgage delinquency. Lenders will need to enter “Confirmed CR BK Incorrect,” “Confirmed CR BK EC,” or “Confirmed Mtg Del Incorrect” as appropriate in DU. DU must return an approve/eligible decision and Lenders must provide documentation supporting the code used.

Please contact your Sales Representative with any questions.