



Announcement

Announcement # 20-20

Date: April 2, 2020

Topic: Fannie Mae Update to Lender Letters 2020-03 and 2020-04 and Freddie Mac Bulletin 2020-08

PennyMac is aligning with Fannie Mae's updated announced in the revised Lender Letter 2020-03 and 2020-04 dated March 31, 2020, and the updates announced in Freddie Mac's Bulletin 2020-08, except for power of attorney and remote online notarization. Effective dates are included below. All updates are scheduled to end with applications on or after May 17, 2020; however, the end date may be subject to change.

Age of Documentation

Effective with applications on or after April 14, 2020, for all conforming loans, PennyMac is aligning with the update to age of documents announced by Fannie Mae and Freddie Mac.

All income and asset documentation must be dated no more than 60 days prior to the Note Date, except as follows:

- If an asset account is reported on a quarterly basis, the Correspondent must obtain the most recently issued quarterly statement
- For electronic income verifications obtained from third-party verification service providers (e.g. The Work Number), the information from the electronic data base reflected on the third-party verification must be dated no more than 60 days prior to the Note Date, (information "as of" date)
 - If the third-party verification is used for as a verbal VOE, the information as of date must meet PennyMac's overlay requirement for no more than three days from the note date.

The following types of income are not required to meet the updated policies and may continue to follow standard guidelines:

- Military income documented on Leave and Earnings Statements
- Retirement income
- Survivor and dependent benefit income
- Long-term disability income
- Social Security Supplemental Security Income (SSI)
- Public assistance income



- Homeownership Voucher Program payments
- Foster-care income
- Trust income (fixed)
- Royalty payments
- Mortgage Credit Certificates (MCC)

Any income not specifically excluded above must meet the temporary age of documents update.

Self Employed Borrowers

Due to the impacts of the COVID-19 pandemic, lenders must take additional steps to confirm the businesses owned by self-employed borrowers are open and operating.

Effective with applications dated on or after April 14, 2020 for all conforming loans, Correspondents must validate that self-employed borrower's business is open and operating within 10 business days of the note.

The following forms of verification will be acceptable to confirm the business is still actively operating:

- Evidence of current work (e.g., executed contracts or signed invoices that indicate the business is still operating on the day the lender verifies self-employment)
- Evidence of current business receipts within 10 business days of the note
- Lender certification that the business is open and operating (lender confirmed through a phone call or other means)
- Business website demonstrating activity supporting current business operations (e.g., appointments for estimates or service can be scheduled)

As a reminder, for conventional loans delivered on or after April 2, 2020 PennyMac requires all WOE's to be completed within 3 business days of the note date. Correspondents remain responsible for ensuring all borrowers are employed at their disclosed employment through closing.

Market-Based Assets

Effective with applications on or after April 14, 2020, for all conforming loans, PennyMac is aligning with Fannie Mae's and Freddie Mac's updates to documentation and qualifying requirements for market-based assets. This update is effective for applications dated on or before May 17, 2020.

When the borrower is using stocks, stock options, or mutual funds for assets:



- When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

New Construction Properties

Effective immediately, PennyMac is aligning with Fannie Mae and Freddie Mac's updates related to new construction properties. This update is effective for applications dated on or before May 17, 2020.

For new construction properties where the appraisal is "subject to completion per plans and specifications," and also when the property is 100% complete but an interior and exterior inspection appraisal cannot be completed, PennyMac will accept a desktop appraisal completed on the standard appraisal forms applicable to the property type. Desktop appraisals for new construction properties are eligible on purchase transactions only and exclude all construction-to-permanent loans.

All additional Fannie Mae and Freddie Mac requirements related to appraising a new construction property with a desktop appraisal must be met, including but not limited to any additional documents that must be provided to the builder (plans and specs, survey or plot, photos, sales contracts, etc.) and any required builder certifications.

Due to the complexity of the changes, please read Lender Letter 2020-04 and Bulletin 2020-08 in their entirety.

HomeStyle Renovation Loans

At this time, appraisal flexibilities are not eligible for HomeStyle Renovations. Please contact your renovation specialist if you have additional questions or to request an extension. The Renovation Team may be contacted at reno@pnmac.com.

Power of Attorney

At this time PennyMac is not aligning to Fannie Mae and Freddie Mac's guidelines around utilizing non-relatives as a Power of Attorney. The following persons connected to the transaction remain as ineligible POA, unless also related to the borrower or as required by applicable law:

- the lender;
- any affiliate of the lender;
- any employee of the lender or any other affiliate of the lender;
- the loan originator;



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- the employer of the loan originator;
- any employee of the employer of the loan originator;
- the title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or
- any real estate agent with a financial interest in the transaction or any person affiliated with such real estate agent.

PennyMac will continue to accept POAs in accordance with standard Fannie Mae and Freddie Mac guidelines.

Remote Online Notarization

PennyMac is not accepting remote online notarization (RON) at this time. Additional information will be released once these options are acceptable.

Please contact your Sales Representative with any questions.