



Announcement

Announcement # 20-48

Date: August 21, 2020

Topic: Fannie Mae SEL 2020-04, Freddie Mac Bulletin 2020-31 and FHA Mortgagee Letter 2020-24

PennyMac is aligning with the updates in Fannie Mae's SEL 2020-04, Freddie Mac's Bulletin 2020-31, and FHA's Mortgagee Letter 2020-24 including but not limited to the following. Effective dates are included below.

Solar Panels

PennyMac is aligning with the updated guidance for properties with solar panels in Fannie Mae's SEL 2020-04. Lenders must follow the updated guidance found in Fannie Mae Selling Guide Section B2-3-04 for the specific financing structure used to install the solar panels.

When the solar panels are financed and collateralized as fixtures to the real estate, the DTI must include any associated payment for financing, and the amount of any financing must be included in the CLTV.

When the solar panels are financed and collateralized separately from the real estate, the DTI must still include any associated payment for the financing, but the CLTV does not need to include the financing amount.

It is the lender's responsibility to make sure that the presence of solar panels does not impede the first lien position of the mortgage prior to sale of the loan to PennyMac.

Please see Fannie Mae Selling Guide Section B2-3-04 for complete details.

Rental Housing Payment

PennyMac is aligning with Freddie Mac's Rental Housing Payments update in Bulletin 2020-31 for mortgages with a non-occupying borrower or second home and investment property transactions. Effective with loans delivered on or after September 15, 2020 lenders must document the borrower's rental housing payment with one of the following when the borrower does not own a primary residence:

- Direct verification of rent from a management company, or



- Direct verification of rent from an individual landlord (supported by two months of cancelled checks or other evidence of two months payments), or
- Copy of the current fully executed lease agreement (supported by two months of cancelled checks or other evidence of two months payments), or
- Six months of canceled checks or bank statements supporting consistent payments in the amount used in qualifying.

As a reminder, the monthly rental housing payment must be included in the borrower's DTI ratio when qualifying the borrower. Any loans that do not meet these updated documentation requirements will be ineligible for sale to PennyMac.

Please see Freddie Mac's Seller Guide Section 5401.1 for complete details.

Documentation of Liabilities

Effective with loans delivered on or after September 15, 2020, PennyMac is aligning with Freddie Mac's update for the Documentation of Liabilities in Bulletin 2020-31. These updates include documenting the remaining term for all installment loans, child support, alimony and maintenance payments omitted from the DTI ratio if there are 10 or fewer months of payments remaining. Freddie Mac also requires lenders to document the amount of child support, alimony or separate maintenance payments with a copy of the signed court order, legally binding separation agreement and/or final divorce decree, or equivalent documentation.

As a reminder, the documentation used to exclude liabilities must meet the age of documentation requirements as stated in the Freddie Mac Seller Guide. Any loan delivered after September 15, 2020 that does not meet these updated documentation requirements will be ineligible for sale to PennyMac.

Please see Freddie Mac's Seller Guide Section 5401.2 for complete details.

FHA Mortgagee Letter 2020-24

Effective with case numbers assigned on or after August 12, 2020, PennyMac is aligning with the updated guidance in FHA Mortgagee Letter 2020-24 for the verification of self-employed borrowers and the use of rental income for qualification.

Verification of Self-Employment

Due to the on-going impact of COVID-19 on businesses operations across the nation, lenders are required to verify the existence and continued operation of a self-employed borrower's businesses within 10 calendar days prior to the date of the note with one of the following:

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

As a reminder, lenders may follow the guidance in FHA Mortgagee Letter 2020-05 for standard employment verifications for borrowers who are not self-employed. Correspondents remain responsible for ensuring all borrowers are employed at their disclosed employment through closing.

Updates to Rental Income

In addition to the current requirements in SF Handbook 4000.1 Sections II.A.4.c.xii(I) and II.A.5.b.xii(I) for using rental income to qualify, lenders must complete one of the following for each property generating rental income on an FHA transaction:

- Reduce the effective income associated with the calculation of rental income by 25%, or
- Verify 6 months PITI reserves, or
- Verify the borrower has received the previous 2 months rental payments as evidenced by borrower's bank statements showing the deposit. (This option is applicable only for borrowers with a history of rental income from the property).

Due to the complexity of these changes, PennyMac strongly encourages lenders to review FHA's Mortgagee Letter 2020-24 for complete details. As a reminder any FHA transaction that does not meet these requirements will be considered ineligible for sale to PennyMac.



Announcement

Please contact your Sales Representative with any questions.