



Announcement

Announcement # 19-04

Date: January 10, 2019

Topic: Fannie Mae SEL-2018-09; Various Updates

PennyMac will be aligning with the updates announced in Fannie Mae Announcement SEL-2018-09, except as indicated below. Updates include, but are not limited to the following.

Calculating Self-employment Income

Fannie Mae has expanded the self-employment income calculation and evaluation policy to include reps and warrant relief for loans that utilize the LoanBeam tool to calculate self-employment income.

Effective immediately, PennyMac will accept loans using LoanBeam's self-employment calculation and honor Fannie Mae's rep and warrant relief on the accuracy of the calculation of self-employment income when LoanBeam is used. The lender

- Determines the eligibility of the self-employment income,
- Must enter complete and accurate data in the vendor tool,
- Cannot perform any manual overrides of the output results,
- Accurately enters the calculated self-employment income amount in DU, and
- Must include the LoanBeam output in the loan file at time of delivery to PennyMac.

Commission Income and Unreimbursed Business Expenses

Previously, borrowers with more than 25% commission were required to provide tax returns and include 2106 expenses in the income calculation.

Effective immediately, PennyMac is aligning with Fannie Mae and individual tax returns, regardless of the percentage of commission income, will no longer be required due to changes in IRS tax forms and reporting.

A release date for the DU messages relating to these changes has yet to be announced. Until then, lenders may disregard the requirement to obtain IRS Form 1040 or Form 2106 for commission income and automobile allowance. Loan files that include qualifying income from an automobile allowance that is calculated following the actual cash flow approach must continue to include IRS Form 2106.

Until the DU validation service is updated, lenders must continue to obtain a tax transcript for borrowers with commission income that is 25% or more of employment income to be eligible for income validation.

On-Frame Modular and Modular Construction



Announcement

Currently PennyMac prohibits on-frame modular homes. With this update, PennyMac will continue to not originate on-frame modular homes. Off-frame modular homes built to local building codes will continue to remain eligible.

Please contact your Sales Representative with any questions.