



# Announcement

## **Announcement # 19-65**

**Date:** December 04, 2019

**Topic:** Fannie Mae SEL 2019-08

PennyMac is aligning with Fannie Mae's updates announced in SEL 2019-08. Updates include but are not limited to the following. Effective dates are included below.

### [Homeownership Education Requirements](#)

Currently, Fannie Mae requires homeownership education for at least one borrower prior to closing when all borrowers on the loan are relying solely on non-traditional credit to qualify, or when the loan is a HomeReady purchase transaction.

Effective for all new loan casefiles submitted to DU on or after December 7, 2019, PennyMac is aligning with Fannie Mae's update and the following transactions will require at least one borrower to complete homebuyer education:

- The loan is a HomeReady transaction and all occupying borrowers are first-time homebuyers, regardless of the LTV ratio; or
- The loan is a purchase transaction with LTV, CLTV, or HCLTV ratios greater than 95% when all borrowers are first time homebuyers.
- If all borrowers on the loan are relying solely on non-traditional credit to qualify, regardless of the loan product or whether the borrowers are first-time home buyers (no change to current requirement).

### [Employment Offers or Contracts](#)

Previously, Fannie Mae defined documentation requirements for borrowers using employment contracts by start date compared to delivery date.

Effective immediately, PennyMac is aligning with Fannie Mae's update to the documentation requirements for borrowers using an employment contract to qualify. Fannie Mae has updated their policies surrounding the use of Employment Offers and Contracts for income qualification purposes when a borrower will start a new job at some point after the loan application, but no later than 90 days after the note date.

With this update, Fannie Mae clarified documentation requirements for loans where a pay stub has not been obtained prior to loan delivery. This includes obtaining a VVOE confirming active status along with the employment contract, when the borrower starts employment no more than 30 days prior to the note date.

Please see Fannie Mae Selling Guide section B3-3.1-09 for complete details.



### Rental Income Policy Update

Currently, Fannie Mae does not have any restrictions to the use of qualifying rental income from a subject property when purchasing a 2-4 unit primary residence or 1-4 unit investment property.

Effective for all loan casefiles submitted to DU on or after December 7, 2019, PennyMac is aligning with Fannie Mae’s updates and allowing rental income on purchases for 2-4 unit primary residences and 1-4 unit investment properties to be used per the chart below.

<b>If the borrower...</b>	<b>Then for qualifying purposes...</b>
<ul style="list-style-type: none"> <li>• currently owns a principal residence (or has a current housing expense), and</li> <li>• has at least a one-year history of receiving rental income or documented property management experience</li> </ul>	<ul style="list-style-type: none"> <li>• there is no restriction on the amount of rental income that can be used.</li> </ul>
<ul style="list-style-type: none"> <li>• currently owns a principal residence (or has a current housing expense), and</li> <li>• has less than one-year history of receiving rental income or documented property management experience</li> </ul>	<ul style="list-style-type: none"> <li>• for a principal residence, rental income in an amount not exceeding the PITIA of the subject property can be added to the borrower’s gross income, or</li> <li>• for an investment property, rental income can only be used to offset the PITIA of the subject property.</li> </ul>
<ul style="list-style-type: none"> <li>• does not own a principal residence, and</li> <li>• does not have a current housing expense</li> </ul>	<ul style="list-style-type: none"> <li>• rental income from the subject property cannot be used.</li> </ul>

Please see Fannie Mae Selling Guide Section B3-3.1-08 for complete details.

Please contact your Sales Representative with any questions.