



Announcement

Announcement # 20-44

Date: 07/16/2020

Topic: VA Circular 26-20-25, Extension of COVID-19 Related Flexibilities, and FHA 203K Renovation Program Availability

VA Circular 26-20-25

Purchase and Full Doc Refinance

Effective immediately, PennyMac is aligning with the guidance announced in VA Circular 26-20-25 related to purchase and full doc refinance transactions.

VA does not consider veterans impacted by a COVID-19 related economic hardship as ineligible to receive VA financing or as an unsatisfactory credit risk. For VA guaranteed purchases and cash-out refinance loans, lenders must provide reasons for any loan deficiencies and confirm the cause of the delinquency has been overcome. Any remaining balance related to a forbearance must be included in the veteran's monthly obligations if the balance is still active after closing of the new loan.

IRRRLs

As a reminder, PennyMac requires a minimum payment history of no late payments in the most recent three months. VA Circular 26-20-25 reminded lenders about the option to refinance loans that are currently delinquent. Per PennyMac's standard payment history requirements, IRRRL refinance of delinquent loans are not eligible for delivery to PennyMac.

In addition, for borrowers who requested forbearance, the payment history during the forbearance will be included in the review of the most recent three months payments. Borrowers who miss payments during a forbearance, and resolve via a lump sum payment, or other loss mitigation options, will need a minimum of three consecutive and timely payments in order for the IRRRL to be eligible at PennyMac. If the payment history is not reported on the credit report, additional documentation may be obtained. Verifications of mortgage from the servicer, cancelled checks, or bank statements may be acceptable evidence of payments.

PennyMac encourages lenders to thoroughly review the borrower's financial situation in order to determine if refinance is the best option for the borrower. Borrowers who have experienced financial hardship as a result of recent events may be better suited for loss mitigation options instead of a refinance depending on their current circumstances. It is the lender's responsibility to work with the borrower to determine what's in their best interest.



Note: Loans must continue to meet any applicable Ginnie Mae seasoning requirements. Please see the product profiles for additional information on seasoning.

FHA Payment History During Forbearance

PennyMac is clarifying that the borrower's payment history during forbearance must meet any applicable FHA payment history requirements. Payments missed during a forbearance will be considered as lates, even with a lump sum reinstatement or other loss mitigation. If the payment history is not reported on the credit report, additional documentation may be obtained. Verifications of mortgage from the servicer, cancelled checks, or bank statements may be acceptable evidence of payments.

Note: Loans must continue to meet any applicable Ginnie Mae seasoning requirements. Please see the product profiles for additional information on seasoning.

FHA and USDA Extension of COVID-19 Related Flexibilities

PennyMac is aligning with the extension of COVID-19 flexibilities announced in FHA Mortgagee Letter 2020-20 and USDA Bulletin dated June 30, 2020. These flexibilities will continue to be available for loans closed on or before August 31, 2020. Lenders are encouraged to review both announcements in their entirety for complete details.

Fannie Mae and Freddie Mac Extension of COVID-19 Related Flexibilities

PennyMac is aligning with the extension of COVID-19 flexibilities announced in Fannie Mae LL 2020-03/04 dated July 9, 2020 and Freddie Mac Bulletin 2020-27. These flexibilities will continue to be available for loans with application dates on or before August 31, 2020. Lenders are encouraged to review both announcements in their entirety for complete details. PennyMac overlays prohibiting the use of bank statements or pay stubs for VWOEs, expansions to the POA guideline, and the use of RON or RIN will remain in place.

FHA 203K Program

Effective immediately, the FHA 203K program has been reinstated. As a reminder, lenders must be approved to participate in the FHA 203k program with PennyMac.

Please contact your Sales Representative with any questions.