



Announcement 16-15

Date: April 22, 2016

Topic: VA Circular 26-16-10 Unreimbursed Employee Business Expenses

Effective immediately, for all VA transactions, PennyMac will be aligning with VA's policy clarification regarding unreimbursed business expenses (2106). Analysis of unreimbursed business expenses will be dependent on the borrower's source of qualifying income.

- For a borrower who qualified using commission income of less than 25% of the total annual employment income:
 - IRS Form 2106 expenses are not required to be deducted from income even if they are reported on IRS Form 2106 and are not required to be added as a monthly liability.
 - Tax returns are not required to document the source of income and deductions.
- For a borrower earning commission income that is 25% or more of annual employment income, IRS Form 2106 expenses must be deducted from gross commission income regardless of the length of time the borrower has filed the expenses with the IRS.

Please contact your Sales Representative with any questions.