



Announcement 16-25

Date: July 08, 2016

Topic: FNMA SEL 2016-04 and 2016-05: Various Updates

PennyMac is aligning with the updates announced by Fannie Mae in SEL 2016-04 and 2016-05, including but not limited to the following:

Student Loan Repayment Options

Effective immediately, PennyMac is aligning with Fannie Mae’s update to student loan payment calculation. Lenders must use one of the options below to determine the repayment amount:

- 1% of the outstanding balance;
- the actual payment that will fully amortize the loan(s) as documented in the credit report, by the student loan lender, or in documentation supplied by the borrower;
- a calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms; or
- if the repayment terms are unknown, a calculated payment that will fully amortize the loan(s) based on the current prevailing student loan interest rate and the allowable repayment period shown in the tables in Fannie Mae Handbook B3-6-05, and below.

Calculating a Student Loan Repayment	
Total Outstanding Balance of All Student Loans	Repayment Period
\$1 — \$7,499	10 years
\$7,500 — \$9,999	12 years
\$10,000 — \$19,999	15 years
\$20,000 — \$39,999	20 years
\$40,000 — \$59,999	25 years
\$60,000 +	30 years

The “current prevailing student loan interest rate” can be found on a variety of websites, including the US Department of Education Federal Student Aid, <https://studentaid.ed.gov/sa/types/loans/interest-rates>. Documentation of the rate used must be included in the file.

Example: Calculating an Amortizing Payment

Balance: \$17,500

Repayment period: 15 years (From Table)

Interest rate: 4.29% (From US Dept. of ED FSA website)

Monthly Amortizing Payment: \$132.00

Updates to Self-Employed Business Income Calculation

Previously, when distributions do not support business income used to qualify, lenders could obtain documentation verifying that:

- The borrower has access to the income through a corporate resolution or other documentation that the lender determines is appropriate—unless the borrower(s) own 100% of the business, in which case confirmation of access to the income is not required; and
- The business has adequate liquidity to support the withdrawal of earnings.

Effective immediately, PennyMac is aligning with Fannie Mae and is eliminating the requirement for the lender to confirm the borrower can document access to income, such as a partnership agreement or corporate resolution. Verification of adequate liquidity is still required.

Verbal Verification of Employment (VVOE) for Self-Employed Borrowers

Previously, PennyMac and Fannie Mae required a VVOE for self-employed borrowers dated within 30 calendar days of the note.

Effective immediately, PennyMac is aligning with Fannie Mae’s update and is requiring a VVOE for self-employed borrowers dated within 120 calendar days of the note.

Please contact your Sales Representative with any questions.