



Announcement 17-18

Date: May 2, 2017

Topic: FNMA SEL 2017-04 Student Loan Updates

Effective immediately PennyMac is pleased to announce alignment with the following topics from Fannie Mae's recent announcement SEL 2017-04:

Student Loan Payment Calculation

Previously, Fannie Mae required one of the following qualifying payment options for student loans:

- 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 provided by Fannie Mae.

Effective with this change, PennyMac is aligning with Fannie Mae's update and is allowing student loan payments to be one of the following:

- The credit report payment, or
- If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment (which may be the case for deferred loans or loans in forbearance), the lender must calculate a qualifying monthly payment using one of the options below:
 - 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
 - a fully amortizing payment using the documented loan repayment terms.

Debts Paid by Others

Previously, in order to exclude a debt paid by others, Fannie Mae required the party making the 12 months' payments to also be obligated on the debt.

With this change, PennyMac is aligning with Fannie Mae's update regarding debt paid by others. Lenders may exclude debt in the following situations:

- Non-Mortgage:
 - Includes installment, revolving, lease payments, alimony, child support, separate maintenance;
 - the third party making payments is not required to be obligated on the debt; and
 - proof of 12 months timely payments by the third party is provided.
 - Cancelled checks or bank statements may be acceptable.
- Mortgage:
 - Third party making the payments is obligated on the debt; and
 - proof of 12 months timely payments by the third party is provided.
 - Cancelled checks or bank statements may be acceptable.

Debts may not be excluded if the third party making the payments is an interested party to the transaction, including but not limited to the property seller or the realtor.

Project Eligibility Review Waiver

Previously, Fannie Mae required a condo warranty review for all loans secured by a unit in a condo project.

With this change, PennyMac is aligning with Fannie Mae's update and will waive the project eligibility review for certain DU conforming loans. The project eligibility review is waived for all Fannie Mae—owned loans that are being refinanced as a limited cash-out refinance with the following conditions:

- the existing loan is documented as Fannie Mae-owned;
- the loan-to-value ratio is no higher than 80% (CLTV or HCLTV ratios may be higher);
- the project has the required project-related property and flood insurance coverage; and
- the project is not a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project.

Properties Listed for Sale in the Previous Six Months

The current policy on cash-out refinances has been updated to eliminate the additional eligibility restrictions that apply when a property has been listed for sale in the previous six months.

With this change, properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan. However, properties listed in the prior 30 days to the application date, will have an Early Pay-off (EPO) provision extended to 1 year.

Please note this policy change will also apply to LPA conforming loans.

Student Loan Cash-Out Refinance Feature

PennyMac will be allowing Fannie Mae's new Student Loan Cash-Out Refinance feature. However, PennyMac is in process of updating its pricing systems to accommodate this change and will not be able to waive the loan-level price adjustment (LLPA) that applies to cash-out refinance transactions until those changes take effect. Once PennyMac's systems have been updated, an announcement will be released with further direction on how to lock and receive the reduced LLPA.

Please contact your Sales Representative with any questions.