



Announcement

Announcement # 20-18

Date: March 31, 2020

Topic: Updates to Government Loans Due to Covid-19

VA Circular 26-20-11

Effective immediately, for all VA transactions requiring an appraisal, PennyMac is aligning with the appraisal and other flexibilities offered by VA in circular 26-20-11, including but not limited to the appraisal flexibilities, and termite inspections. These flexibilities will remain in effect until the earlier of April 1, 2021 or when rescinded by VA.

In areas where there **are no** mandatory quarantine or shelter in place orders, an exterior appraisal may be performed if any party does not wish to enter the subject property, or is showing flu-like symptoms. In areas where there **are** mandatory quarantine or shelter in place orders, a desktop appraisal may be performed.

Base loan amounts over the county loan limit will require a full appraisal.

Both exterior only and desktop appraisals must meet the additional requirements outlined in VA circular 26-20-11, including but not limited to any interview with the occupant or real estate agent, measuring the footprint of the home, and use of any MLS photos. Due to the extensive requirements, Correspondents are urged to read the circular for complete details.

VA Circular 26-20-10

Effective immediately, for all VA transactions, PennyMac is aligning with the flexibilities announced in Circular 26-10-10, including but not limited to the VVOE options. These flexibilities will remain in effect until the earlier of April 1, 2021 or rescinded by VA.

Correspondents may utilize employment and income verification third-party services, however fees for these services may not be charged to the veteran. If Correspondents are unable to use third party services, correspondents may provide evidence of one of the following:

- direct deposit from a bank statement and paystubs covering a at least one full month of employment within 30 days of the closing date, or
- cash reserves totaling at least 2 months mortgage payments (PITI+A) post-closing, in addition to any other required reserves and funds to close.

Correspondents using either the direct deposit and bank statements, or the additional cash reserves must indicate in box 47 of the remarks section of VA Form 26-6393 Loan Analysis.



PennyMac recommends all Correspondents read the circular in full for additional information on VA's response to COVID-19.

FHA ML 2020-05

Effective immediately PennyMac is aligning with the temporary flexibilities announced in FHA ML 2020-05, including but not limited to flexibilities for appraisals and VWOEs. Appraisal flexibilities are effective through inspections on or before May 17, 2020. VWOE flexibilities are effective through loans closed on or before May 17, 2020.

Correspondents do not need to provide a re-verification of employment within 10 days of the note date provided that the correspondent is not aware of any loss of employment by the borrower and has obtained:

- For purchase transactions, evidence the Borrower has a minimum of 2 months of Principal, Interest, Taxes and Insurance (PITI) in reserves; **and**
- Purchase and refinances require one of the following:
 - a year-to-date paystub or direct electronic verification of income for the pay period that immediately precedes the note date, or
 - a bank statement showing direct deposit from the borrower's employment for the pay period that immediately precedes the note date.

FHA purchase transactions are eligible for either an exterior only or desktop appraisal. FHA rate and term refinances are eligible for an exterior only transaction. Exterior only and desktop appraisals must meet the additional requirements outlined in ML 2020-05. Construction-to-perm, new construction, cash-out, and 203(k) transactions continue to require a full appraisal.

Due to the extensive requirements, Correspondents are urged to read the ML for complete details.

USDA Temporary Exceptions for Appraisals, VWOEs, and transcripts

Effective immediately, PennyMac is aligning with USDA's temporary flexibilities for appraisals and VWOEs. These flexibilities are effective through conditional commitments issued on or before May 26, 2020.

For purchase and non-streamlined refinance transactions, when an appraiser is unable to complete an interior inspection of an existing dwelling due to concerns associated with the COVID-19 pandemic, an "Exterior-Only Inspection Residential Appraisal Report", (FHLMC 2055/FNMA 2055) will be accepted. In such cases, appraisers are not required to certify that the property meets HUD HB 4000.1 standards. The appraisal must be completed in accordance with the Uniform Standards of Professional Practice (USPAP) and the Uniform Appraisal Dataset (UAD).

New construction and construction to perm transactions continue to require a full appraisal.



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When a traditional WOE cannot be obtained, PennyMac will accept one of the following:

- An email meeting the following requirements:
 - from the borrower's direct supervisor/manager or the employer's HR department, and
 - from the employer's email address, such as name@company.com, and
 - contain all the standard information required on a verbal verification of employment, including the name, title, and phone number of the person providing the verification.
- An additional two months of cash reserves (PITIA) in addition to any other required funds for reserves and closing.

USDA requires tax transcripts to ensure all income is considered for purposes of annual income calculation. However, PennyMac is aware that transcripts are taking a considerable amount of time to be obtained. PennyMac reminds lenders that USDA guidelines HB-1-3555 9.3 (E) 4 allows for loans to be closed without tax transcripts when the loan file contains evidence that transcripts were unable to be obtained. A response from the vendor may be acceptable to meet these requirements.

Please contact your Sales Representative with any questions.