



Announcement

Announcement # 21-09

Date: 02/08/2021

Topic: Fannie Mae SEL 2020-07

PennyMac is aligning with Fannie Mae SEL 2020-07 dated 12/16/2020, with the exception of the updates on single-width manufactured homes and community land trusts. Effective dates are included below. Updates include but are not limited to the following:

Retirement, government annuity, and pension income and employment-related assets as income

Effective immediately, PennyMac is aligning with Fannie Mae's updates to the requirements related to the use of retirement, government annuity, and pension income. Specifically:

- adding financial and bank account statements to the list of eligible documents to show current receipt of income;
- clarifying the requirements for documenting income from a pension or annuity account when the income will begin on or before the first payment date of the new loan;
- clarifying that a three-year continuance of income is only required for retirement income paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account;
- allowing eligible retirement account balances to be combined for the purpose of determining the continuance; and
- removing the requirement to reduce the value of retirement assets consisting of stocks, bonds, and mutual funds by 30% when measuring the three-year continuance for retirement income, and for calculating net documented assets when employment-related assets are used as income.

These changes are mandatory on loans with application dates received on or after 2/15/2021.



Sale of personal assets

Effective immediately, PennyMac is aligning with Fannie Mae's updates to the documentation requirements for the sale of personal assets as follows:

- limiting the requirement to provide proof of the borrower's ownership of the asset to only those assets that have a title, for example an automobile title; and
- limiting the requirement to obtain an independent valuation of the asset to only those cases where the proceeds from the sale exceed 50% of the total monthly income used in qualifying. With this update that provides clearly defined guidelines, Fannie Mae is removing the prior policy that allowed for alternative documentation if the proceeds from the sale represented a minor percentage of the borrower's overall financial contribution.

As a reminder, proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the asset(s) is not a party to the mortgage transaction.

Pro-rated real estate tax credits

Effective immediately, PennyMac is aligning with Fannie Mae's clarifications that pro-rated real estate tax credits provided by the seller at closing in places where real estate taxes are paid in arrears cannot be considered when determining if the borrower has enough funds for the transaction. The lender must continue to verify that the borrower has sufficient assets from the list of eligible sources contained in the Selling Guide. In addition, a pro-rated tax credit is not an interested party contribution.

Please contact your Sales Representative with any questions.