

Announcement # 23-69

Date: October 09, 2023

Guidance Related to the Federal Government Shutdown

In the event of a government shutdown, Pennymac is providing the following **temporary** guidance to address issues that may arise during the government shutdown. This guidance is subject to revision(s) once the specifics of the shutdown are released, or if the shutdown extends for a prolonged period of time.

An announcement will also be provided reinstating standard guidelines, once the government resumes operations.

Verification of Employment and Income

All borrowers including those directly impacted by the government shutdown are eligible provided:

GSEs (Fannie Mae / Freddie Mac)

- All income and employment documentation requirements including the 10-day pre-close VVOE are met.
 - The 10-day pre-close VVOE is *still required* for all borrowers impacted by the shutdown.
 - For Fannie Mae programs, employment validated through DU's validation service remains eligible for representation and warranty (R&W) relief for employment provided the loan closes by the "close by" date in the DU message.
- There is no knowledge the borrower will not return to work

FHA, VA and USDA/Rural Housing

- Correspondents are responsible for following all agency required employment and income guidelines.

Non-Agency (Jumbo AUS)

- Borrowers are eligible, provided they may not use income impacted by the government shutdown to qualify.

Flood Insurance

All Programs except AUS Jumbo

- Purchase Transactions
 - Private flood insurance is required in Special Flood Hazard Areas (SFHAs),
 - An acceptable existing flood insurance policy must be transferred from the property seller to the purchaser or
 - A completed NFIP application for flood insurance and a copy of a check or the settlement statement reflecting payment of the initial premium **[See indemnity requirement below for this option]**
- Refinance Transactions
 - Evidence of an active and acceptable flood policy (which may be an NFIP policy) with an expiration date that extends 30 days beyond the estimated closing date is required.

- If the borrower has a National Flood Insurance Program (NFIP) policy that expires within 30 days of closing or expires greater than 30 days beyond the closing date but the coverage amount is not sufficient based upon the new refinance transaction, the borrower must:
 - Obtain a private flood insurance policy or
 - Show evidence of a completed NFIP application for acceptable insurance and include a copy of a completed check for or evidence on the settlement statement the payment of the renewal premium **[See indemnity requirement below for this option]**.

Indemnity For NFIP Policy Options Noted Above

- Correspondents must be approved for this option. Correspondent Sales Reps will inform clients who are not eligible to deliver loans meeting the indemnity scenarios. below
- Pennymac does not know at this time whether Congress will retroactively apply NFIP coverage to the purchase date of the home, or expiration date of the existing NFIP policy for policies that can't be issued during or renewed during the lapse period. See **FEMA Bulletin W-23012** for full details.
- In the case the Correspondent elects to utilize an NFIP policy when such policy cannot be issued during the lapse period, the Delegated Correspondent lender shall indemnify Pennymac for flood losses that occur between the date Pennymac purchases such loan and the final effective date of the delivered NFIP policy and the property sustains damage that would have been insurable under an acceptable flood policy had one been in effect at the time the damage occurred.
- Correspondents are encouraged to consider private flood insurance policies during the lapse period.
- Further, Correspondent lenders are also encouraged to advise borrowers who are applying for NFIP policies that cannot be issued or have existing policies that may not be immediately renewed:
 - remittance of the application and payment will not result in immediate NFIP coverage, and
 - of the consequences of non-retroactive reauthorization (i.e., no coverage for events prior to reauthorization and issuance of policy)
- Note for Government Insured Programs only
 - Correspondents are reminded that properties located in SFHAs must have an active flood policy to be insured, and
 - Remain responsible for adhering to all FHA, VA, or USDA guidelines.

AUS Jumbo

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- Refinance Transactions
 - Evidence of an active and acceptable flood policy (which may be an NFIP policy) with an expiration date that extends 30 days beyond the estimated closing date is required.
 - If the borrower has a National Flood Insurance Program (NFIP) policy that expires within 30 days of closing or expires greater than 30 days beyond the closing date but the coverage amount is not sufficient based upon the new refinance transaction, the borrower must obtain a private flood insurance policy.

Social Security Number (SSN) Validation**GSEs (Fannie Mae / Freddie Mac)**

- If data integrity checks pertaining to the borrower's SSN are identified:
 - The correspondent must validate the SSN with SSA using form SSA-89 prior to delivery.

FHA

- The SSN validation service through FHA Connection may not be available. Correspondents remain responsible for insuring FHA loans.

Conditional Commitments**USDA/Rural Housing**

- Pennymac expects that conditional commitments will not be issued during the shutdown
 - Pennymac will not purchase a loan without a conditional commitment.
 - The Loan Note Guaranty will also be required as a post-purchase stipulation.

Please contact your Sales Representative with any questions.