

Announcement # 25-100

Date: October 01, 2025

Guidance Related to the Federal Government Shutdown

Pennymac is providing the following temporary guidance on policies that may be impacted by the federal government shutdown that began October 1, 2025. These temporary policies are effective immediately and will automatically expire when the federal government resumes full operations. The flexibilities outlined below apply only when the impacted requirements cannot be met due to the shutdown. This guidance is subject to revision.

Verification of Employment, Income, and Financial Reserves

Borrowers who are impacted by the government shutdown, are eligible based on the following:

Fannie Mae / Freddie Mac (GSEs)

- All income and employment documentation requirements including the 10-day pre-close VVOE are met, except as stated in this section.
 - Year-to-date (YTD) paystubs may be dated more than 30 days before the application received date, provided that the YTD paystub is from the pay period that immediately precedes the shutdown-related payroll interruption
- An attempt to obtain the 10-day pre-close VVOE is **still required** for all borrowers impacted by the shutdown.
 - If the VVOE cannot be obtained due to the shutdown, the VVOE requirement may be waived if a written statement is in the file describing the following:
 - the steps the lender took to obtain the verbal VVOE, and
 - that the requirement could not be met as a direct result of the shutdown
 - **The client must R&W that:**
 - **The borrower is employed at the time the loan is delivered to and purchased by Pennymac, unless employment has been validated by DU Validation Service or LPA's AIM, and**
 - **The client has no knowledge the borrower will not return to work after the shutdown ends.**
 - Fannie Mae programs: Employment validated through DU's validation service remains eligible for representation and warranty relief for employment, provided the note date of the subject transaction is on or before the "close by" date stated in the DU employment validation message.
 - Freddie Mac programs: Employment validated through LPA's AIM (Using Employment Data) remains eligible for representation and warranty relief for employment, provided that the note date of the subject transaction is on or before the "close by" date stated on the last feedback certificate.

- Pennymac believes that VOs for the majority of government employees and other workers impacted by the shutdown will continue to be readily available from automated systems or third-party service providers.
- For military borrowers, a military Leave and Earnings Statement dated no more than 120 days prior to the note date is permitted to meet VVOE requirements.
- For applications dated on or after November 3, 2025, provided the shutdown is still ongoing, borrowers must document reserves meeting the greater of:
 - Two months of documented reserves, or
 - The amount of reserves required per the (with additional reserves as required by the applicable GSE Selling Guide for certain transactions).

FHA, VA, and USDA/Rural Housing

- Correspondents are responsible for following all Agency employment, income, and reserve requirements.

Non-Agency: AUS Jumbo and Non-QM Programs

- Borrowers are eligible, provided income impacted by the government shutdown is not used for qualification purposes, except for active-duty military.
- All reserve requirements remain in effect.

Tax Transcripts

The IRS Verification Express Service (IVES) should not be impacted by the Government shutdown. As a reminder, an IRS Form 4506-C, IVES Request for Transcript of Tax Return must be signed by all borrowers at or prior to closing.

- In circumstances where IRS documents are required when the most recent year's tax returns are not obtained, an IRS response confirming proof of e-filing, no tax transcript is available, etc., is required. If these requirements cannot be met prior to the note date of the subject transaction, the loan is ineligible for delivery to Pennymac.

USDA/Rural Housing

- Tax transcript requirements continue to be required where indicated in the program guidelines. There are no changes due to the government shutdown at this time.

Non-Agency: AUS Jumbo and Non-QM Programs

- Tax transcript requirements continue to be required where indicated in the program guidelines. There are no changes due to the government shutdown at this time.

Flood Insurance**GSE and Government Programs**

- 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 National Flood Insurance Program (NFIP) application for flood insurance and a copy of a check or the settlement statement reflecting payment of the initial premium **[Refer to 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 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 **[Refer to 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.
- 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
 - 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.

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- Purchase Transactions
 - Private flood insurance is required in Special Flood Hazard Areas (SFHAs), or
 - An acceptable existing flood insurance policy must be transferred from the property seller to the purchaser.

- 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 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

Fannie Mae

- 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.