Announcement # 23-73   **Date:** October 27, 2023

Fannie Mae SEL 2023-08 and SEL 2023-09

Pennymac is aligning with the updates announced in Fannie Mae SEL 2023-08 and SEL 2023-09. The updates include but are not limited to the following, and the effective dates are also provided below:

Trust Income Updates

Fannie Mae has updated their requirements related to trust income, including differentiating treatment of variable and fixed rate trust payments, eligible employment-related assets, and treatment of funds used from a trust for down payments, closing costs, and reserves.

The following requirements are effective with new loan applications dated on or after 11/1/2023:

- Fixed and variable trust payments are differentiated as follows:
  - Variable trust payments require a minimum 24-month history of receipt and must be documented with two years of tax returns.
  - Fixed trust payments require a minimum 12-month history of receipt (unless certain conditions apply). If the borrower is unable to document a 12-month history, the trust documentation must reflect:
    - Fixed payments
    - The borrower is not the grantor of the trust, and
    - At least one payment must be received prior to loan closing
  - In either case, proof of current receipt of the income is required and must be documented with a current bank statement or equivalent documentation.
- When eligible employment-related assets are liquidated and placed in a trust within 12 months of the loan application date, "Employment-Related Assets as Qualifying Income" calculations apply. Refer to Fannie Mae Selling Guide Section B3-3.1-09.
- Funds used from a trust for down payment, closing costs, or reserves must be subtracted from the total funds available and then determine if the remaining income source meets Continuity of Income requirements.

Please refer to the Fannie Mae Selling Guide for complete trust income requirements. DU Messaging will be updated in a future release to refer lenders to the Selling Guide to confirm how the income was calculated and documented.

Value Acceptance + Property Data (PDC) Clarification

Fannie Mae clarified their guidelines to include property data collection must be obtained and submitted to the Property Data API *prior to* the note date. Other Value Acceptance + PDC guidance and best practices include:
- If the Value Acceptance + PDC offer is lost due to changes in qualifying loan characteristics after the property data collection was obtained, in *certain* cases it may be possible to obtain a hybrid appraisal.
- If an appraisal is obtained, the appraisal must be used in lieu of the Value Acceptance + PDC.

- If the subject property requires repairs or alterations, satisfactory evidence and documentation must be provided showing the condition has been corrected (evidence and documentation must meet Fannie Mae requirements).
- Refer to the Fannie Mae Selling Guide and [Value Acceptance + Property Data Fact Sheet](#) for complete requirements.

Manufactured Housing Updates

- Fannie Mae has updated their manufactured housing appraisal requirements regarding HUD Data Plate and HUD Certification Labels. With this update, only one of the two will be required. Specifically,
    - If only the HUD Data Plate or the HUD Certification Label is available to the appraiser (not both), Fannie Mae requirements are satisfied (Note: this applies to each section of the home).
    - If neither are available, a Label Verification Letter with the HUD Certification Label information or a duplicate HUD Data Plate/Compliance Certificate from the Institute for Building Technology and Safety must be obtained.
    - Verification with the In-Plant Primary Inspection Agency or the manufacturer for the HUD Data Plate information is also acceptable.

    Note: This update does not apply to newly constructed manufactured homes because these items must be present on all new units.

- Loans secured by a manufactured home; a closing protection letter is no longer required.

    These changes are effective immediately.

Please contact your Sales Representative with any questions.