Announcement 15-52

Date: September 29, 2015

Topic: FHLMC Bulletin 2015-12 and 2015-16: Various Updates

For all conforming LP approved transactions, PennyMac is aligning with the following changes announced by Freddie Mac in Bulletins 2015-12 and 2015-16:

- Minimum Borrower Contribution
- Seasoning Requirement for the Refinance of Purchase Loans
- Length of Time Borrower is on Title for a Cash-Out Refinance
- Loan Prospector Mortgages with a History of Short Sales
- Rental Management History
- Rent Loss Insurance
- Maximum Loan Amount Calculation for Delayed Financing
- Use of Credit Cards, Cash Advances or Unsecured Lines of Credit as Sources of Borrower Funds
- Conversion of Primary Residence (Departing Residence)

The following changes are effective immediately:

Minimum Borrower Contribution

Previously, when a gift was used for source of funds to close, borrowers were required to provide a minimum 5% contribution from his/her own funds for mortgages with loan-to-value (LTV) ratios greater than 80% and secured by a primary residence.

With this change, borrowers will no longer be required to contribute a minimum of 5% when a gift is used for source of funds to close for mortgages that have LTV ratios greater than 80% and are secured by a primary residence.

Seasoning Requirement for the Refinance of Purchase Loans

Previously, when the mortgage being refinanced was a purchase money transaction, the mortgage being refinanced must be seasoned for at least 120 days, as measured from note date to note date.

With this change, a 120 day seasoning will no longer be required for a no cash-out refinance of a purchase money loan.

Length of Time Borrower is on Title for a Cash-Out Refinance

Previously for cash-out refinance mortgages, at least one borrower must have been on the title to the subject property for at least six months prior to the note date of the mortgage, unless the delayed financing requirements were met.

With this change, no borrower is required to have been on the title to the subject property for at least six months prior to the note date if at least one borrower on the cash-out refinance mortgage either inherited or was legally awarded the subject property.

Loan Prospector Mortgages with History of Short Sales

Previously, when there was evidence of a short sale on the credit report or elsewhere, Lenders must manually apply the short sale waiting times to the LP decision.

With this change, Lenders will no longer be required to manually apply the short sale waiting times to the LP decision.

The following items are effective with loan deliveries on or after October 12, 2015:

Rental Management History

Currently, borrowers must have a two-year history of managing investment properties to use the income from a subject investment property or other investment properties owned by the borrower for qualifying purposes.

With this change, borrowers will no longer be required to have a two-year history of managing investment properties when using the income from a subject investment property or other investment properties owned by the borrower for qualifying purposes.

Rent Loss Insurance

Currently, borrower(s) must have six months of rent loss insurance to use rental income from the subject investment property for qualifying purposes.

With this change, borrowers will no longer be required to have six months of rent loss insurance when using rental income from the subject investment property for qualifying purposes.

Maximum Loan Amount Calculation for Delayed Financing

Currently, if none of the borrowers had been on the title to the subject property for at least six months the amount of the cash-out refinance mortgage must not exceed the sum of the original purchase price and related closing costs, financing costs and prepaids/escrows.

With this change, the calculation is being revised to exclude any gift funds used to purchase the subject property. When determining the amount of the cash-out refinance mortgage, any gift funds used to purchase the subject property must be deducted from the sum of the original purchase price and related closing costs, financing costs and prepaids/escrows.

Use of Credit Cards, Cash Advances or Unsecured Lines of Credit as Sources of Borrower Funds

Currently, when a borrower used a credit card, cash advance or unsecured line of credit to pay fees associated with the mortgage application process, the funds may be considered acceptable if:

- The maximum amount charged or advanced may not exceed the greater of 2% of the Mortgage amount or $1,500, **and**
- The amount charged or advanced must be included in the borrower's total outstanding debt and the repayment of such amount must be included when determining the borrower's monthly debt payment-to-income ratio, **and**
- The borrower has sufficient verified funds to pay these fees (in addition to the funds needed for the down payment, prepaids/escrows, other closing costs, financing costs and reserves as required); however, the borrower is not required to pay off these charges at closing.

With this change, when a borrower uses a credit card, cash advance or unsecured line of credit to pay fees associated with the mortgage application process, the funds may be considered acceptable if the maximum amount charged or advanced may not exceed the greater of 2% of the Mortgage amount or $1,500, and:

- The borrower must have sufficient verified funds to pay these fees (in addition to the funds needed for the down payment, prepaids/escrows, other closing costs, financing costs and reserves as required); however, the borrower is not required to pay off these charges at closing; **or**
- The amount charged or advanced is included in the borrower's total outstanding debt and the repayment of such amount is included when determining the borrower's monthly debt payment-to-income ratio.

Conversion of Primary Residence (Departing Residence)

Currently, when a borrower has a departing residence being converted to an investment property, the borrower must have an additional two or six months reserves, and a minimum 30% equity in the departing residence in order to use rental income.

With this change, borrowers will no longer be required to meet the additional reserve requirements or equity requirements when converting a departing residence to an investment property. Standard investment property requirements will apply.

Please contact your Sales Representative with any questions.