



Announcement 17-16

Date: April 26, 2017

Topic: FHLMC Bulletin 2017-2 and Bulletin 2017-3: Various Updates

PennyMac is aligning with the updates announced in Freddie Mac Bulletin 2017-2 and 2017-3, including but not limited to the following. Effective dates are included below.

All Borrowers without a Credit Score and at least One Borrower with a Credit Score

Currently, for LPA approved conventional loans, PennyMac aligns with Freddie Mac and requires at least one borrower to have a minimum of one score.

Effective with loans originally submitted to LPA on or after May 14, 2017, and delivered on or after June 12, 2017, PennyMac will align with Freddie Mac's updated guidelines when no borrower has a credit score and at least one borrower has a credit score. LPA will apply the following additional underwriting requirements to ensure the overall risk assessment is appropriate for the loan:

- Be a standard balance purchase or a "no cash-out" refinance Mortgage
- Be secured by a 1-unit property and all Borrowers must occupy the property as their Primary Residence
- Have a loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio that does not exceed 95%
- Be a fixed-rate mortgage

In addition, when no borrower has a credit score, Freddie Mac will require that each borrower has at least two payment references in the United States comprised of non-credit payment references and/or tradelines not appearing on the credit report. The payment references must be documented in accordance with Freddie Mac's Selling Guide.

When at least one borrower has a credit score and one or more borrowers do not have a score, and the borrower(s) without a credit score contributes 50% or more of the total monthly income, each borrower without a credit score must meet the same credit history requirements when no borrower on the mortgage has a credit score (e.g., at least two payment references).

Freddie Mac is removing the requirements for borrowers without a credit score may not be self-employed and any debt not reported to the credit repositories must be verified to have a satisfactory payment history and the payment must be included in the monthly DTI ratio.

Multiple Financed Properties

Previously, Freddie Mac required that any financed property the borrower owned or was obligated on to be counted in the borrower's maximum number of financed properties.

Effective immediately, PennyMac is aligning with Freddie Mac's update regarding multiple financed properties. Only financed properties the borrower is obligated on are required to be included in the count. Due to this update, Correspondents will no longer be required to verify reserves for each additional financed property that a borrower owns, but is not obligated on.

Collateral Rep and Warranty Relief

Effective with loans evaluated through Freddie Mac's Selling System on and after April 3, 2017, PennyMac is aligning with Freddie Mac's collateral representation and warranty relief related to value, condition, and marketability of the subject property.

Freddie Mac is provided R&W relief for collateral for transactions that meet the following requirements

- The Mortgage must be submitted to Loan Product Advisor
- The Mortgage must be a purchase or no-cash out refinance transaction
- The Mortgage must be secured by a 1-unit dwelling
- The Borrower must be an individual or a Living Trust
- Upon assessment of the appraisal by Loan Collateral Advisor, the following message and/or indicator must be returned:
 - Uniform Collateral Data Portal (UCDP) feedback message FRE0000 indicating the appraisal is eligible for collateral representation and warranty relief
 - Loan Collateral Advisor indicator that the appraisal is eligible for collateral representation and warranty relief

Note: If the MI company does not honor the associated rep & warrant relief, Lenders remain responsible for any consequences of the MI company rescinding coverage.

Please contact your Sales Representative with any questions.