



**Announcement 17-42**

**Date: October 13, 2017**

**Topic: FHLMC Bulletin 2017-20: Various Updates**

PennyMac is aligning with the updates announced in Freddie Mac Bulletin 2017-20, including but not limited to the following. Effective dates are included below.

Assets as a Basis for Repayment of Obligations

Previously, Freddie Mac allowed assets as a basis for repayment when retirement funds, lump sum distributions from retirement accounts, or proceeds from the sale of the borrower's business were the asset source used to qualify.

Effective immediately, for all conforming LPA approved transactions, PennyMac is aligning with Freddie Mac's updates regarding assets as a basis for repayment of obligations. Non-retirement depository accounts or securities may be used to qualify, in addition to the previously allowed sources. When depository accounts or non-retirement securities are used, the following requirements must be met:

- The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and /or on the title to the subject property,
- At least one Borrower who is an account owner must be at least 62 years old,
- As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty, and
- Account funds must be located in a United States- or State-regulated financial institution and verified in U.S. dollars.

Restricted Stock and Restricted Stock Units

Previously, Restricted Stock (RS) and Restricted Stock Units (RSU) were not an eligible source of qualifying income. RS are grants of company shares which represent equity interest in the company. RSU are grants valued in terms of company shares that do not represent equity interest in the company. Both RS and RSU are subject to a restriction period during which recipients are not permitted access to granted shares until vesting requirements are met.

Effective immediately, for all conforming LPA approved transactions, PennyMac is aligning with Freddie Mac's update to allow both RS and RSUs as qualifying income. Due to this update, Freddie Mac has

provided specific requirements on calculating RS and RSU income depending on if the RS/RSU is subject to performance or time vesting provisions. Complete requirements can be found in Freddie Mac's Seller Guide section 5303.4.

As a reminder, any stock with limitations on its accessibility is not an eligible source of funds to qualify the Borrower for the Mortgage transaction.

#### Owner and Second Home Occupancy Requirements for New Condos

Previously, Freddie Mac required a minimum of 70% of the total units in a New Condominium Project (or at least 70% of the sum of the subject legal phase and prior legal phases) to have been conveyed or under contract to purchasers, other than the developer or its successor, who will occupy the units as their Primary Residences or second homes.

Effective immediately, for all conforming LPA approved transactions, PennyMac is aligning with Freddie Mac's update and requiring at least 50% of the total units in the project (or at least 50% of the sum of the subject legal phase and prior legal phases) to have been conveyed or under contract to purchasers, other than the developer or its successor, who will occupy the units as their Primary Residences or second homes for new condo projects

Please contact your Sales Representative with any questions.