



Announcement

Announcement # 18-43

Date: September 28, 2018

Topic: Freddie Mac Bulletin 2018-12 and 2018-13: Various Updates

PennyMac is aligning with the updates announced in Freddie Mac's Bulletin 2018-12 and 2018-13. Changes include but are not limited to the below. Effective dates are included below.

Lender Credit

Freddie Mac recently clarified requirements for excess lender credits. For all LPA approved loans, effective immediately, PennyMac is aligning with Freddie Mac's update. Lenders may apply any excess lender credit as a principal curtailment toward the mortgage including in situations where regulatory requirements do not permit reduction of the amount of the lender credit without re-disclosure to the borrower, which may delay closing. The lender must disclose according to the Truth In Lending disclosure requirements.

Home Possible

Currently, Freddie Mac offers the Home Possible and Home Possible Advantage programs with distinct requirements for each option.

Effective with LPA runs on or after October 29, 2018, PennyMac will be aligning with the updates to the Home Possible program. Updates include:

- Consolidation of Home Possible and Home Possible Advantage requirements
- Non-Occupant Co-borrowers eligible up to 95% LTV/TLTV/HTLTV
- Borrowers may have ownership interest in other properties
- Super Conforming loan amounts.

Please note that while pricing specific to Home Possible mortgages is not changing, additional pricing fees may not apply due to the new flexibilities.

Student Loans

Previously Freddie Mac's student loan payment calculation was based on the student loan being in repayment, deferment, or forbearance.

Effective with this change, PennyMac is aligning with Freddie Mac's update to student loan payment calculations. If the credit report payment is more than \$0, then the credit report payment may be used to qualify. If the credit report payment is \$0, then 0.5% of the loan balance must be used to qualify the borrower. LPA messaging will be updated by November 1, 2018 to support the changes in calculation.



Announcement

Incidental Cash Back

Previously, for a no-cash out refinance mortgage, proceeds could be used to disburse cash to the borrower (or other payee) not to exceed the lesser of 2% of the new refinance mortgage, or \$2,000.

Effective with this change, PennyMac is aligning with Freddie Mac's update to incidental cash back and allowing the greater of 1% of the new refinance mortgage or \$2,000. All other no-cash out requirements must be met.

Form 71

Freddie Mac has recently discontinued the requirement for Form 71 Market Conditions Addendum to the Appraisal.

Effective with this change, PennyMac is aligning with Freddie Mac and no longer requiring Form 71 on LPA approved conventional loans. Please note that FHA, VA and USDA transactions with a full appraisal will continue to require the market conditions addendum.

Please contact your Sales Representative with any questions.