



Announcement

Announcement # 21-66

Date: 8/31/2021

Topic: Fannie Mae SEL-2021-07 and Freddie Mac Bulletin 2021-27

For all conforming loans, PennyMac is aligning with all the Fannie Mae updates announced in SEL 2021-07 and Freddie Mac Bulletin 2021-27. The updates include but are not limited to the following:

Fannie Mae

Prohibited Refinancing Practices

Fannie Mae is clarifying their policy under prohibited refinances to add the following:

Effective with loan applications for all refinances on or after 9/1/2021, a transaction is not eligible as a limited cash-out refinance if the borrower completed a cash-out refinance secured by the same property with a Note date 30 days or less prior to the application date of the new refinance transaction.

Credit Card Reward Points

Fannie Mae has updated their policy to address the use of credit card reward points as eligible assets to be used for down payment, closing costs, and reserves.

Effective immediately, the use of credit card rewards points is allowed provided they're converted to cash prior to the closing of the loan. If the funds are deposited into the borrower's depository account and the deposit is considered a large deposit per Fannie Mae's existing policy, then documentation must be obtained to show the source of the large deposit was from the conversion of the credit card reward points.

Freddie Mac

Cash-Out Refinance Mortgages

Freddie Mac has revised their requirements for cash-out refinances when none of the borrowers have been on title to the subject property for at least six months prior to the Note date; the borrower didn't obtain a mortgage at the time when purchasing the subject property and is seeking delayed financing.



Previously, any funds that were borrowed to purchase the subject property were required to be paid off with the cash-out proceeds.

Effective immediately, Freddie Mac is providing additional flexibility by permitting any funds that were borrowed to be paid down, instead of being paid off. This is allowed subject to the following additional requirements:

- No additional cash-out is permitted
- The payment on the remaining outstanding balance of the borrowed funds must be included in the DTI ratio as described in Freddie Mac Guide section 5401.2

Note: additional cash-out is only permitted when all the borrowed funds are paid off.

Please contact your Sales Representative with any questions.