

Announcement # 25-63

Date: June 12, 2025

Freddie Mac Bulletin 2025-6 Income Updates

On May 7, 2025 Freddie Mac Bulletin 2025-6 announced updates to income and documentation requirements for base fluctuating and non-fluctuating hourly employment earnings, pension, child support and housing choice voucher income. These changes are effective immediately.

Base Non-Fluctuating Employment Earnings:

- **Minor Fluctuations:** Minor variations in base hours (e.g., clocking out a few minutes early), not exceeding one hour per week are acceptable. These may still be treated as non-fluctuating if historical earnings support the base pay level.
- **Minimum Required Hours Exception for Primary Employment:** Borrowers with base earnings that fluctuate, but have a position with minimum required hours can be considered non-fluctuating with the following documentation:
 - Written verification from the employer confirming the minimum required hours (i.e., written verification of employment, offer letter, or other equivalent documentation).
 - The minimum required hours must be supported by year-to-date (YTD) and prior year income documentation as applicable.
 - Only the documented minimum required base employment hours may be considered non-fluctuating. Requirements for fluctuating employment earnings apply to any other income types used to qualify.

Base Fluctuating Hourly Employment Earnings Calculation Method Updates:

- Base fluctuating hourly earnings must be averaged over the most recent year(s) and YTD income.
 - The amount of time averaged should be determined based on the requirements for history, documentation and other applicable factors such as time at the current employer, prior employment and consistency of earnings levels.
 - Clients may average using less than the most recent year(s) and YTD income if the income is supported by the employment history and historical earnings documentation. This depends on individual circumstances, and the level of income must reasonably be expected to continue and represent stable monthly income.

Excluding Time Periods Based on a Specific Event Unlikely to Recur:

- Freddie Mac has clarified requirements that permit using a shorter income calculation period (minimum 12 months combined) in certain instances for fluctuating earnings (base, hourly, bonus, overtime, commission, tips) when a specific event caused reduced income and is unlikely to recur.
 - The 12 months combined income does not need to be consecutive (e.g., the period impacted by the non-recurring event can be excluded).

Pension Income:

- When an IRS Form 1099 is used to document current receipt and verifies both the income type and source for established pension income, the standard age of documentation requirements (120 days) does not apply.

Child Support and Housing Choice Voucher Income:

- The requirement to provide documentation to evidence the tax exempt status of income received from child support and Housing Choice Voucher homeownership program payments has been removed.

Please refer to the Freddie Mac Seller Guide for examples and additional information.

Pennymac is aligning with the changes. Please contact your Sales Representative with any questions.