



Announcement

Announcement # 18-60

Date: December 10, 2018

Topic: Freddie Mac Bulletin 2018-18, 19, and 23: Updates to Rental Income, Condos, and Automated Income and Asset Assessment

PennyMac will be aligning with the updates announced in Freddie Mac Bulletin 2018-18, 2018-19, and 2018-23, including but not limited to the below. Effective dates are also included below.

Rental Income

Effective immediately, PennyMac is aligning with Freddie Mac's update to the requirements for using rental income. Freddie Mac has removed the requirement that net rental income considered for qualification must not exceed 30% of the borrower's monthly qualifying income unless the borrower has a minimum of one year rental management experience. In addition, Freddie Mac has added new requirements including:

- The borrower must own a primary residence to use rental income to qualify when purchasing a new rental property; and
- If the borrower does not have a minimum of one-year investment property management experience when purchasing a new rental or converting a property to a rental, rental income may only be used to offset the PITIA.
- Only the most recent one year of tax returns will be required.
- Explicit rental income calculation requirements detailed in the guidelines, where the PITIA must be deducted from the calculated rental income amount.

Loans underwritten under the current guidelines must be delivered to PennyMac by **February 4, 2019** and purchased by **February 14, 2019**.

Due to the extensive nature of the updates, PennyMac recommends lenders read the bulletin and the guidelines in their entirety.

Condo Project Approval Updates

Effective immediately, PennyMac is aligning with Freddie Mac's updates to condo projects. Updates include:

- Established condo unit conveyance has changed to 75% conveyed from 90% conveyed for established projects with greater than four units.



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- New condominium unit conveyance has changed to less than 75% from less than 90% for projects with greater than four units.
- Project review updated to 1 year prior to note date for established condo projects
- Single entity ownership expanded to 25% from 10%
- 2-4 unit projects may be eligible without a project review
- Streamlined NOO allowed to 75% LTV except in Florida, where the max LTV is 70%

Due to the extensive changes, PennyMac recommends that Lenders review bulletin 2018-18 and the guidelines in their entirety.

Condo Project Approval Waivers

Freddie Mac recently announced the release of Condo Project Advisor where authorized lenders may submit a request for a single loan Project Waiver Request (PWR) for established condominium projects that do not meet certain condominium project eligibility requirements.

Effective immediately, PennyMac will purchase loans when the subject property has been approved with a PWR. The Condo Project Advisor Feedback certification must be included in the loan package. The lender remains responsible for compliance with all other condominium project review and eligibility requirements.

Automated Income and Asset Assessment

Effective with LPA runs on or after December 9, 2018, PennyMac is aligning with Freddie Mac's release of the Income and Asset Validation Program. Lenders will be able to obtain a verification report of the Borrower's income or asset information, as applicable, from one of the third-party service providers designated by Freddie Mac. Based on information submitted to LPA, LPA will retrieve the verification report, assess for representation and warranty relief eligibility and return the results of the assessment in the Feedback Certificate. LPA must return an "eligible" decision for the loan to qualify for income and asset reps and warrants. Lenders must include any third party vendor reports in the file at time of delivery.

Please contact your sales representative with any questions.