

**Announcement # 23-24****Date:** March 31, 2023

## **Fannie Mae and Freddie Mac COVID-19 Related Updates**

Effective immediately, Pennymac is aligning with the Fannie Mae updates announced in Lender Letter 2021-03 dated 2/15/23 and Freddie Mac Bulletin 2023-5. The updates include the retirement of the following remaining temporary COVID-19 related underwriting requirements:

**Required verification that a self-employed borrower's business is open and operating within 20 business days prior to the note date.**

*Effective Immediately: All standard Fannie Mae and Freddie Mac selling guide requirements for verification of self-employment now apply.*

### **Temporary Eligibility Requirements for Purchase and Refinance Transactions**

- This includes the additional due diligence required for purchase and refinance transactions on each mortgage loan which the borrower was obligated on to determine whether the payments were current as of the note date of the new transaction; and
- The flexibility which allowed mortgage payments missed during the time of a COVID-19-related forbearance to not be considered delinquent history for the purposes of meeting Fannie Mae and Freddie Mac's mortgage payment history requirements as long as the payments had been resolved.

*Effective Immediately: The standard Fannie Mae and Freddie Mac credit assessment requirements now apply, including but not limited to the following:*

- *Lenders can utilize the credit report or other supplemental information to confirm mortgage payment history requirements have been met.*
- *Lenders must warrant that repayment of the debt can be expected from the borrower and that there are no circumstances or conditions of which the lender is aware involving the mortgage, the mortgaged premises or the creditworthiness of the borrower that would adversely affect the value or marketability of the mortgage. If a borrower is not making payments on an existing mortgage at the time of application for a new mortgage, it may be an indication that the borrower is experiencing a financial hardship that is preventing them from making their mortgage payments. The lender must also consider whether the borrower's circumstances will impact their willingness or ability to make the payments on the new mortgage.*
- *A refinance transaction that is paying off an existing first mortgage that includes a deferred balance (that is not a second lien) meets the requirements of a Fannie Mae limited cash-out refinance or Freddie Mac no cash-out refinance transaction (all other GSE requirements apply).*
- *A refinance transaction that is paying off an existing first mortgage and a second lien created due to a payment deferral is considered a cash-out refinance.*

- *As a reminder, Fannie Mae requires the following: On the date of the loan application, the borrower's existing mortgage(s) must be current, which means that no more than 45 days have elapsed since the last paid installment. If the credit report does not reflect the above, proof the additional loan payments were paid on time is required. Refer to Fannie Mae Selling Guide B3-5.3-03.*

*Refer to Fannie Mae Selling Guide section B3-5.3-03 or Freddie Mac Selling Guide section 5201.1 for additional guidance.*

Please contact your Sales Representative with any questions.