

Announcement # 23-44**Date:** June 13, 2023

Freddie Mac Bulletin 2023-11 Credit Underwriting Updates

Pennymac is aligning with Freddie Mac's selling guide updates on IRS installment agreements, and real estate tax abatements and exemptions, announced in Bulletin 2023-11.

Internal Revenue Service (IRS) installment agreements

Freddie Mac is updating Selling Guide Section 5401.2 to address IRS installment agreements for the payment of past-due federal taxes.

Effective with loan deliveries on or after 8/1/2023, when the borrower is obligated under an IRS installment agreement, the following requirements must be met:

- The payment associated with the installment agreement must be included in the calculation of the borrower's debt payment-to-income ratio if there are more than 10 months of payments remaining under the agreement.
- The installment agreement approved by the IRS, verifying the payment terms, including the monthly payment and balance must be included in the loan file.
- The loan file must include verification the borrower is not past-due under the terms of the installment agreement; and
- There must be no indication the IRS has filed a Notice of Federal Tax Lien for taxes owed under the installment agreement.

Real estate tax abatements and exemptions

Freddie Mac has updated Selling Guide Section 5401.1 to specify when there is a real estate tax abatement on the property, to use the reduced tax amount in the monthly housing expense calculation, the following applies:

- The real estate tax amount can be excluded from the monthly housing expense in its entirety when documentation and continuance requirements are met, and
- Tax exemptions associated with a disability or the borrower's age, documentation verifying continuance is not required; however, there must not be a predetermined expiration date within five years of the note date.

Please refer to the above referenced Freddie Mac Selling Guide sections for additional details.

Please contact your Sales Representative with any questions.