

Announcement # 24-05

Date: February 1, 2024

AUS Jumbo – Multiple Guideline Updates

Pennymac is updating our AUS Jumbo program. The following guidance is effective immediately:

Rental Income Requirements Update

For loans where the LPA is the AUS utilized:

- When a rental agreement is used to document rental income, a minimum original term of one year is no longer required
- For newly executed leases, the first rental payment due date must be no later than the first payment due date of the mortgage
- When a lease agreement is used, documentation requirements evidencing two months receipt of rental income have been expanded to include:
 - In lieu of documenting two months rental payment receipt, verification of receipt of the security deposit and the first month's rental payment is now eligible
 - For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed and deposited into the borrower's personal account is required.
 - Payments transferred into a third-party money transfer application account owned by the borrower
- Refer to the Freddie Mac Selling Guide for complete requirements.

The following changes apply to all loans regardless of AUS utilized:

Non-Taxable Income Gross Up

Social Security Income

15% of Social Security Income may be treated as nontaxable income without having to provide documentation evidencing the nontaxable status. That amount may then be grossed-up by 25% and added to the qualifying income.

Example:

Social Security Benefit amount: \$1,500

Non-taxable amount: $\$1,500 \times 15\% = \225

Gross-up amount: $\$225 \times 25\% = \56 (rounded to the nearest dollar)

Qualifying income: $\$1,500 + \$56 = \$1,556$ (does not require additional documentation)

Please note: If more than 15% of income is grossed up, documentation to verify the income is nontaxable is required

Child Support

Child support may be grossed up 25% without having to provide documentation of its nontaxable status. The following income documentation standards still apply:

- Copy of divorce decree, legal separation agreement, or legal agreement / court decree describing the payment and terms
- No less than the most recent 6 months documented receipt required (payments must be timely and regular)

Attorney Opinion Letters

The use of an attorney opinion letter in lieu of a title report is ineligible.

Please contact your Sales Representative with any questions.