

Announcement # 24-28

Date: March 21, 2024

## Fannie Mae Nontraditional Credit References Update

Pennymac is aligning with Fannie Mae SEL 2024-01 updating their nontraditional credit requirements for loans underwritten using Desktop Underwriter (DU).

Effective with loans delivered on or after 3/21/2024, loans underwritten using DU that require an assessment of nontraditional credit history, a housing payment history reference reflecting the most recent consecutive 12-month is now required.

- Canceled checks are acceptable. In lieu of canceled checks, the borrower's bank statements, copies of money orders, or other reasonable methods for documenting timely housing payments may be used.
  - The documentation must clearly indicate the payee and amount being paid, and reflect that payments were made on a consistent basis.
  - Real estate tax payments made on a *primary residence*, owned free and clear, for the most recent consecutive 12-month period are acceptable regardless of payment interval / frequency.
- Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.
- If at least one borrower on the loan can document a housing payment as a nontraditional credit reference, the loan has met the housing payment history requirement.
- If two or more borrowers on a loan share the housing-related reference (for example, they are both named on the lease for the property in which they are living), that documentation counts as one nontraditional credit reference for each borrower, even if only one borrower has been making the payments.

Additional nontraditional credit references may still be used to further develop nontraditional credit history, including but not limited to utilities, medical insurance coverage, car insurance payments, and cell phone payments.

As a reminder, nontraditional credit references are those where the borrower is required to make payments on a regular basis with intervals that are no longer than three months. Real estate taxes (as noted above) are an exception, and allow for a longer interval for the payment.

**Note:** If the credit report contains a housing payment reference and it includes the required information, including payment history, then the lender may use that housing payment reference as an acceptable nontraditional credit reference.

Please contact your Sales Representative with any questions.