

Announcement # 23-20**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:

- *Loans Serviced by Pennymac: Use Pennymac servicing data to verify mortgage payment history for all mortgages regardless if they are the subject mortgage or other REO.*
- *Mortgages not Serviced by Pennymac: The mortgage payment history reflected on the credit report can be used to meet mortgage payment history requirements.*
- *If there is evidence the subject loan being refinanced, or any other mortgage the borrower is obligated to, is currently in forbearance the loan is ineligible (e.g. reflected on the credit report, mortgage statement, payoff statement, Pennymac servicing data, etc.)*
- *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.