



## **Announcement 15-62**

**Date: December 9, 2015**

### **Topic: Freddie Mac Bulletin 2015-20: Borrower Funds and Reserves, and Non-Occupant Borrower Contribution**

Effective immediately for conforming LP approved loans, PennyMac is aligning with Freddie Mac updates announced in Bulletin 2015-20. The highlights of the announcement are below.

#### Borrower Funds: Stocks, Bonds, Mutual Funds, and Securities

Previously, evidence of liquidation of stocks, bonds, mutual funds, US government securities and other securities is required, when these funds are used for funds to close.

With this change, PennyMac is aligning with Freddie Mac and will no longer require proof of liquidation of stocks, bonds, mutual funds, US government securities and other securities when used for funds to close when the combined value of the assets is at least 20% greater than the amount from these assets needed for closing.

#### Borrower Funds: Retirement Accounts

Previously, retirement accounts were limited to 70% of the vested amount less any outstanding loans secured by the account when used for reserves.

With this change, PennyMac is aligning with Freddie Mac and will allow 100% of the vested amount less any outstanding loans secured by the account to be used for reserves.

#### Borrower Funds: Vested Stock Options

Currently, stock options are not an acceptable source of funds to close or for reserves.

With this change, PennyMac is aligning with Freddie Mac and allowing vested stock options as an eligible source of funds to close and for reserves. In order to be used, the lender must either:

- Provide account statements covering a minimum of two months or direct account verification confirming the number of vested shares and current values; or
- If the borrower does not receive a stock/security account statement for the stock options, the lender must:
  - Provide a statement verifying the number of vested shares owned by the borrower

- Provide the current stock price from a published source to determine the value.

If the funds are needed for closing, evidence of liquidation is not required if the combined value of the assets is at least 20% greater than the amount from these assets needed for close.

#### Non-Occupant Co-Borrower Minimum Contribution

Currently, when a mortgage includes a non-occupying borrower, and the loan-to-value (LTV) ratio is greater than 80%, the occupant borrower must make the first 5% down payment from the occupant borrower funds.

With this change, the occupant co-borrower will no longer be required to make a minimum down payment of 5% from the occupant borrower's own funds. The entire down payment may be from the non-occupant co-borrower's funds.

Please contact your Sales Representative with any questions.