



Announcement

Announcement # 19-21

Date: March 28, 2019

Topic: Freddie Mac Bulletin 2019-4 and 2019-5: Updates to Income

Effective immediately, PennyMac is aligning with Freddie Mac's updates announced in Bulletin 2019-4 and 2019-5. Updates include but are not limited to the following.

Commission Income

Previously, borrowers with more than 25% commission were required to provide tax returns and include 2106 expenses in the income calculation.

Effective immediately, PennyMac is aligning with Freddie Mac's update, and individual tax returns will no longer be required due to changes in IRS tax forms, regardless of the percentage of commission income used.

Submissions or resubmissions to LPA on or after March 31, 2019 will have updated messaging regarding commission income. Until then, lenders may disregard the requirement to obtain tax returns covering a two year period when the commission income is greater than or equal to 25%.

Automated Income Assessment using Tax Return Data

Freddie Mac is expanding the types of income eligible for validation through AIM. Effective immediately, PennyMac will accept self-employed income validated through AIM.

To take advantage of this optional capability, lenders must upload the borrower's federal income tax returns to a Freddie Mac-designated third-party service provider. The service provider returns to the lender an Income Calculation Report consisting of data extracted from the Borrower's tax returns. Lenders remain responsible for reviewing and verifying the tax returns in accordance with the requirements of Guide Section 5903.3(a). LPA will retrieve the tax return data from the service provider and assesses it for representation and warranty relief eligibility specific to income calculation but not income or document veracity. Lenders must include the Income Calculation Report in the loan file at time of delivery to PennyMac.

Please review Freddie Mac Seller Guide chapter 5903 for additional information.

Alimony or Maintenance Payments

Previously, Freddie Mac required alimony or maintenance payments to be included as a liability in the borrower's DTI calculation.



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Effective immediately, PennyMac is aligning with Freddie Mac's update and requiring alimony or maintenance to be deducted from the qualifying income in lieu of including as a liability. Please see Freddie Mac bulletin 2019-5 for details on how to enter alimony or maintenance in LPA.

Please contact your Sales Representative with any questions.