



# Announcement

## Announcement # 20-38

Date: 06/05/2020

### Topic: Fannie Mae’s Updated Lender Letter 2020-03 dated May 19, 2020 and Freddie Mac’s Bulletin 2020-17

Effective immediately, PennyMac is aligning with the guidance given in Fannie Mae’s Updated Lender Letter 2020-03 dated May 19, 2020 and Freddie Mac’s Bulletin 2020-17 for borrowers who are currently in forbearance or other loss mitigation options looking to refinance their current mortgage or purchase a new home.

### Borrowers in Forbearance and Other Loss Mitigation Options

Borrowers that have requested a forbearance due to COVID 19 impacts may still be eligible to refinance their mortgage or purchase a new home if they have met the following requirements on each existing mortgage on which the borrower is obligated that is secured by either the subject property or any other 1 to 4-unit residential property:

Effective with all refinance transactions delivered on or after June 11, 2020, PennyMac will require a payoff demand in the loan file at time of delivery in order to meet the Agency requirements.

If any existing mortgage...	Eligibility Requirements	Use of proceeds if the subject transaction is a Rate and Term Refinance or Cash-Out Refinance
Is current as of the note date (i.e., the borrower made all mortgage payments due in the month prior to the note date no later than the last business day of that month) and not in a repayment plan, loan modification trial period plan, payment deferral or subject to another loss mitigation program	No additional eligibility requirements	Allowed per agency requirements
Is not current as of the note date (as defined above) or is in a repayment plan, loan	The new mortgage is ineligible unless the amounts outstanding on any existing mortgage are	NA

modification trial period plan or payment deferral	resolved by meeting the applicable additional <b>eligibility requirements</b> below	
Was fully reinstated on or after the application received date but prior to the note date	Lender must document the source of funds used for reinstatement. The source of funds must be an eligible source per agency guidelines	Proceeds may not be used to reinstate the mortgage being refinanced or any other mortgage
<b>Additional eligibility requirements</b>		
Is subject to a repayment plan	The borrower must either:  (i) Have successfully completed the repayment plan, or  (ii) Be performing under the plan (i.e., has not missed any payments due under the plan) and must have made at least three consecutive payments	In connection with the mortgage being refinanced, proceeds may be used to pay off the remaining payments under the repayment plan
Is subject to a payment deferral	The borrower must have made at least three consecutive timely payments following the approval of the payment deferral agreement	In connection with the mortgage being refinanced, proceeds may be used to pay off the deferred amount under the payment deferral
Is subject to a modification trial period plan	The borrower must have successfully completed the trial period plan	In connection with the mortgage being refinanced, proceeds may be used to pay off the modified mortgage
Is subject to a loss mitigation program not mentioned above	The borrower must either:  (i) Have successfully completed the loss mitigation program, or  (ii) Be performing under the program (i.e. has not missed any payments due under the program) and must have made	In connection with the mortgage being refinanced, proceeds may be used to pay off the remaining payments under the program



	at least three consecutive full monthly payments	
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In order to verify whether or not each mortgage the borrower is obligated on is current (as defined above), reinstated, in forbearance, or in a loss mitigation option, Lenders must perform additional due diligence beyond the credit report review. Acceptable documentation confirming the loan status and payment status (up to and including month preceding note date) is required and may include (but not limited to) the following: Documentation must be included in the loan file at time of delivery to PennyMac.

- Payment history provided by the servicer(s) for each existing mortgage
- Mortgage statements or electronic mortgage history for each existing mortgage
- Third-party verification service to confirm the mortgage payment history
- Pay-off statements

Due to the complexities in these announcements, PennyMac strongly encourages lenders to review Fannie Mae's updated Lender Letter 2020-03 and Freddie Mac's Bulletin 2020-17 in their entirety for complete details. As a reminder, PennyMac does not purchase loans that are currently in forbearance. If the borrower has requested any loss mitigation assistance for the subject transaction including forbearance prior to delivery, the loan is considered ineligible to be purchased by PennyMac.

Please contact your Sales Representative with any questions.