



Announcement

Announcement # 20-60

Date: 09/28/2020

Topic: FHA Mortgagee Letter 2020-30 and USDA FAQs

Effective immediately, PennyMac is aligning with FHA Mortgagee Letter 2020-30 and the guidance given in USDA's most recent FAQ publication on September 10, 2020 including but not limited to the following.

FHA ML 2020-30

PennyMac is aligning with FHA's requirements for borrowers with previous mortgage payment forbearance. Borrowers who were granted forbearance are eligible for a new FHA mortgage if:

- The borrower has continued to make payments on their existing mortgage and the forbearance plan is terminated, or
- For Cash-Out refinances, the borrower has successfully completed the forbearance plan and made at least 12 consecutive monthly payments post forbearance, or
- For Purchase and No Cash-Out refinances, the borrower has successfully completed the forbearance plan and made at least three consecutive monthly payments post forbearance, or
- For all Streamline Refinances the borrower has made at least six payments on the FHA mortgage being refinanced prior to forbearance. Non-Credit qualifying streamline refinances require a minimum of three timely payments once the forbearance is completed.

Lenders are reminded that this is a summary. Please see FHA ML 2020-30 and the FHA handbook for complete details.

Manual Downgrades

Lenders are required to downgrade to a Refer and manually underwrite the transaction if any mortgage trade line reflects one of the following within 12 months prior to the case number assignment date.

Purchase and No Cash-Out Refinances

- Three or more late payments of greater than 30 days
- One or more late payments of 60 days plus one or more 30 day late payments
- One payment greater than 90 days late
- Borrower has made less than 3 consecutive payments since completion of the forbearance plan



Cash-Out Refinances

- There is a current delinquency
- Any delinquency within 12 months of the case number assignment date; or
- The borrower has made less than 12 consecutive monthly payments since completion of a forbearance plan.

For mortgages that have been modified or granted forbearance, the lender must calculate the payment history in accordance with the time period of modification or forbearance when determining late payments. If a mortgage is not reporting on the borrower's credit report, the lender must provide alternative documentation to show that all payment requirements have been satisfied before the loan is eligible for purchase by PennyMac. Lenders must document that the forbearance plan on any mortgage has been terminated prior to or at closing, when originating a Purchase or No Cash-Out refinance.

As a reminder, PennyMac **does not** accept manually underwritten FHA loans. Any transaction that is not properly downgraded, or does not meet FHA payment history requirements, will be considered ineligible for purchase by PennyMac.

Due to the complexities of this announcement, Correspondents are highly encouraged to review the FHA ML 2020-30 in its entirety and PennyMac's FHA Product Profiles for overlays and complete guidance.

USDA FAQs

PennyMac is aligning with USDA's most recent updated FAQs with guidance on seasoning requirements for borrowers who have requested forbearance on their existing mortgage. For Purchases and Non-Streamline Refinances borrowers are required to have resumed payment on their mortgage loan and made at least three consecutive successful payments after completing the forbearance. Non-Streamlined refinances require the existing loan to be closed for at least 12 months prior to refinance, and the borrower must have a total 180 day history of satisfactory payments, excluding the time that the loan was in forbearance.

Streamline-Assist Refinances require the borrower to have resumed making mortgage payments and must have at least three consecutive successful payments documented prior to refinancing. The loan must also have a 12 month history of no late payments prior to and not including the time of forbearance.

Please see USDA's FAQs published September 10, 2020 for complete details. As a reminder, PennyMac **does not** participate in the USDA Streamline Refinance program.



Announcement

Please contact your Sales Representative with any questions.