



Announcement

Announcement # 21-41

Date: 06/04/2021

Topic: Freddie Mac Bulletin 2021-16

PennyMac is aligning with Freddie Mac's updates announced in Bulletin 2021-16. The effective dates are provided below. Updates include but are not limited to the following:

"No Cash-Out" Refinance Seasoning Requirement

Effective for loans delivered on or after 7/5/2021, PennyMac is aligning with Freddie Mac's 30-day seasoning requirement when paying off the first mortgage via a "no cash-out" mortgage. The mortgage being paid off must have a note date no less than 30 days prior to the note date of the "no cash-out" refinance mortgage, as documented in the mortgage loan file.

Cash-Out Refinance of Property Owned in an Limited Liability Company or Limited Partnership

Effective immediately, PennyMac is aligning with Freddie Mac's requirements for cash-out refinances when the property title has been held by a limited liability company (LLC) or limited partnership (LP).

In these cases, the requirement that at least one borrower must have been on title to the subject property for a minimum of six months prior to the note date may be satisfied by including the time the property was titled in the name of the LLC or LP in the six-month requirement, provided:

- At least one borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and
- Title must be transferred from the LLC or LP into the borrower's name prior to the note date.

Future Long-Term Disability Income

Effective immediately, PennyMac is aligning with Freddie Mac's requirements that allow the use of future long-term disability income beginning after the first mortgage payment due date provided:

- The borrower is currently receiving short-term benefits that will subsequently convert to long-term benefits;
- The borrower is qualified on the lesser amount of either the long-term or short-term disability payments, and
- The following documentation requirements are met



Announcement

- Document the source, type, amount, and payment frequency of both the short-term and long-term payments.
- Obtain verification of current receipt of the short-term disability payments and verification that the borrower will continue to receive the payments until the date of conversion to long-term disability.

Note: If the long-term disability policy has a pre-determined expiration date (e.g. certain disability policies provided by employers and private insurers) obtain a copy of the certificate of coverage, or other equivalent documentation evidencing the policy term.

Please contact your Sales Representative with any questions.