

Announcement # 23-76

Date: November 13, 2023

Student Loan, Cash-Out Refinances and Additional Guideline Clarifications

Effective immediately, PennyMac is aligning with the updates announced in Freddie Mac Bulletins 2023-18 and 2023-19.

Student Loan Guideline Clarification

Freddie Mac has updated their Selling Guide to specify that for all student loans, including income driven repayment plans, loans in deferment, forbearance, and repayment, an amount greater than zero must be included in the DTI ratio.

- When the monthly payment amount reported on the credit report is zero, 0.5% of the outstanding loan balance as reported on the credit report must be used for qualification purposes, unless documentation included in the mortgage file supports a different amount.
- If the monthly payment amount reported on the credit report is greater than zero, the monthly amount on the credit report must be used for qualification purposes unless documentation included in the mortgage file supports a different payment amount that is greater than zero.

Cash-Out Refinance Mortgages

Freddie Mac updated their requirements to include the following:

- When title is held by a limited liability company (LLC) or limited partnership (LP), the time the property was titled in the name of the LLC or LP may be included 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 on or before the note date (replacing the previous requirement that the transfer must be completed prior to the note date).
- The 12-month seasoning requirement for first lien mortgages being paid off with proceeds of a cash-out refinance mortgage does not apply to construction conversion (2x close transactions), or manufactured homes being converted to legally classified real property under applicable State law.

Cash-Out Refinance Mortgages

Freddie Mac updated their requirements to include the following:

- When title is held by a limited liability company (LLC) or limited partnership (LP), the transfer of title into the borrower's name must be completed *on or before* the note date, replacing the previous requirement that the transfer must be completed prior to the note date.
- The 12-month seasoning requirement for first lien mortgages being paid off with proceeds of a cash-out refinance mortgage does not apply to construction conversion (2x close transactions), or manufactured homes being converted to legally classified real property under applicable State law.

Title Seasoning Requirement for Cash-Out Refinance Mortgages Secured by a Manufactured Home

For manufactured home properties owned free and clear, Freddie Mac has reduced the 12-month seasoning requirement to allow for at least one borrower to be on title to the subject property for at least 6 months prior to the note date of the new mortgage.

Note: LPA feedback messages to support this change will be announced by Freddie Mac at a future date.

Please contact your Sales Representative with any questions.