

**Announcement # 24-95****Date:** September 13, 2024

## **Fannie Mae SEL 2024-05: Rent Credit with an Option to Purchase**

Effective immediately, Pennymac is aligning with the updates announced in Fannie Mae SEL 2024-05 related to rent credits with an option to purchase, which now includes an allowance to use more than 12 months of rent credit toward down payment or minimum borrower contribution requirements.

### **Rent credit with an option to purchase**

- Rental payments (also referred to as lease payments) paid by the borrower can be credited towards the down payment or minimum borrower contribution under a documented rental or purchase agreement.
- Borrowers are not required to make a minimum borrower contribution from their own funds for the rental payments to be credited toward the down payment.
- The rent credit is not considered an interested party contribution.
- The rent credit from the seller for the down payment is determined by calculating the difference between the market rent and the actual rent paid by the borrower.
- The market rent is determined by the appraiser in the appraisal for the subject property and the credit may be no more than the difference between the market rent and the actual rent paid.

### **Documentation Requirements**

The lender must obtain the following documentation:

- A copy of the rental/lease with an option to purchase agreement that evidences the following:
  - an original term of at least 12 months,
  - the total number of months of the agreement,
  - the monthly rental amount,
  - and the amount of the monthly rent credit.
- Copies of the borrower's canceled checks, bank statements, money order receipts or other reasonable methods evidencing the rental payments over the term of the agreement. The documentation must clearly indicate the payee and the amount being paid.
- The appraisal of the subject property reflecting the market rent amount.

Please refer to Fannie Mae Selling Guide announcement SEL 2024-05 and Fannie Mae Selling Guide B3-4.3-12 section for additional information and complete requirements.

Please contact your Sales Representative with any questions.