

Announcement #25-48

Date: May 12, 2025

## Freddie Mac Income Calculator

Pennymac is pleased to announce that we are aligning with Freddie Mac's release of their new income assessment tool, the Freddie Mac Income Calculator, introduced in Bulletin 2025-4. The Income Calculator is a free online tool designed to help calculate borrower income for wage earners and self-employed borrowers and assist lenders in determining stable monthly qualifying income.

The Income Calculator will be available for new Income Calculator submissions and Loan Product Advisor (LPA) submissions and resubmissions on or after May 11, 2025.

### Wage Earner Income Types

Eligible income includes employed earnings using paystub(s) and W-2 data that is used to calculate the following income types:

- Base fluctuating hourly employment earnings, bonus, commission, overtime
- Base non-fluctuating employment earnings, except military earnings

Ineligible income and employment characteristics include but are not limited to:

- Earnings where a borrower is employed by a family member, the property seller, real estate broker or any other interested party to the transaction
- Employed income from foreign sources
- Income reported on IRS form 1099
- Borrowers with business ownership interests less than 25%

### Income Using Tax Data (tax returns and tax transcripts)

Eligible self-employed business structures include:

- S Corporations reported on IRS forms 1120S, 8825 and K1 and compensation of officers on IRS form W2
- Partnerships reported on IRS forms 1065, 8825 and K1
- Sole Proprietorships on IRS Schedule C.

The Income Calculator does not support the following:

- Rental income reported on Schedule E (rental income reported via S-Corp or partnership is eligible)
- Amended tax returns, tax returns filed on a fiscal year basis, handwritten tax returns, and tax returns from a US Territory

Note: When using tax transcripts, the only eligible self-employed income is reported on IRS Schedule C

### Additional Requirements:

The income reflected on the last Income Calculator certificate must match the income on the final LPA feedback certificate. The final Income Calculator certificate and all income documentation used for calculation purposes must be retained in the loan file.

Eligibility for income representation and warranty relief will be reflected on the Income Calculator certificate or the LPA Feedback Certificate when entered into LPA.

Please refer to Freddie Mac Bulletin 2025-4, the May 2025 LPA Release Notes, and the Freddie Mac Seller Guide for complete requirements, including rep and warrant relief.

Please contact your Sales Representative with any questions.