

Announcement #24-41

Date: May 01, 2024

Bona Fide Discount Points

As part of our pre and post purchase loan file due diligence, Pennymac may require documentation to support the exclusion of bona fide discount points from the points and fees calculation, where applicable. This documentation must include all of the following items:

1. Date the interest rate was last set / APOR Date
2. APOR as of the date the interest rate was last set
3. Starting Adjusted Rate and Starting Adjusted Rate's Points.
 - a. The starting adjusted rate must be a note rate available to the borrower (i.e., it must be on the rate sheet and available to be selected by the borrower), and the starting adjusted rate's points must include the LLPAs applicable to that borrower (i.e., the LLPAs that would apply if the borrower were to selected the Starting Adjusted Rate as their note rate).
4. Note Rate selected by the borrower
5. Discount points applicable to the Note Rate selected as of the date the interest rate was last set
 - a. Must include the LLPAs applicable to that borrower
6. The amount of the discount points that are excludable

Note: Displaying price in lieu of points is also acceptable, where Price = 100-Points.

To avoid revised conditions and delays in the purchase of your loans, we are providing the following guidance on the documentation requirements relative to the exclusion of bona fide discount points. The following are acceptable sources of documentation, provided that the 6 items above are clearly labeled:

- Electronic printouts from your pricing engine (see example below)
- Electronic printouts from your Loan Origination System (LOS)
- Printed rate sheets

Note: Self-created spreadsheets are not acceptable.

Example: The following example of acceptable documentation is obtained through Optimal Blue, LLC

QM Related Info			
1. APOR Date : 3/4/2024	2. APOR : 6.920	Start/Par Rate : 8.000	Start/Par Price : 98.065
Forced Discount Points : 1.935	Rate Reduction from Start Rate : 0.876	Max Bona Fide Discount Pts for Ratio : 1.226	Discount Pts Exceeding Ratio : 0.000
First Lien Information			
Product Name : Conventional 30 Fixed	Product Code : C30	Search Timestamp : 03/28/24 04:25PM	
4. Rate : 7.124	5. Price : 3.161	Lock : 45	Margin : 0
	Automated U/W System : DU	Prepayment Penalty : None	Interest Only : No
MI Type : N/A	Consumer Lead Source : Others	Portfolio/Non-Portfolio : Portfolio Greater Than 6 Months	PIW Eligible : No

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QM Trace Information			
Description	Value	CFPB Limit	Passes Lender Limit
High Risk Features			✓
No Negative Amortization			✓
No Balloon Payments			✓
No Loan Term Longer Than 30 Years			✓
No Interest Only Payments			✓
No Prepayment Penalty			✓
HPML (QM APR Minus APOR)	0.604%	1.500%	✓
Price-Based Test	0.604%	2.250%	✓
Points and Fees	\$7,594.02 / 2.693%	\$8,047.59 / 3.000%	✓
6. Excludable Bona Fide Discount Points	\$2,820.00 / 1.000%	\$2,820.00 / 1.000%	

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We appreciate your attention to this matter. Please contact your Account Executive or Pipeline Account Manager (PAM) with any questions.