

Newrez Announcements



Announcement 2023-005 Smart Series Product Updates

January 11, 2023

Newrez LLC "Newrez" Approved Correspondent Clients; Newrez is making updates to our Smart Series products. The updates below are **effective immediately** for all new locks. LoanScorecard Ineligible Findings will be acceptable if the ineligibility is specific to a change in this announcement and the loan was locked prior to the underwriting guideline changes.

SmartSelf Product Updates

- Primary Residence Purchase Transaction
 - 1-4 units: \$1,500,000 to 85% LTV/CLTV with 720 credit score
 - Investment Property Purchase and Rate & Term Refi:
 - 75% LTV/CLTV to \$1M with 720 credit score (increased from 70% LTV/CLTV)
 - A CPA letter is required if the expense factor is less than 50%. The lowest acceptable expense factor for qualifying is **15%** (previously 25%).
 - For Capital Intensive Industries, confirmation from the CPA or licensed third-party tax preparer must identify the actual business expense percentage if it is less than 70%. The lowest acceptable expense factor for qualifying in these industries is **15%** (previously 50%).
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SmartEdge Product Updates

- Primary Residence Purchase Transaction
 - 1-4 units: \$1,500,000 to 85% LTV/CLTV with 720 credit score
 - The maximum cash out for an LTV ≤ 60% is \$750,000 (previously \$1M).
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SmartVest Product Updates

The maximum cash out for an LTV ≤ 60% for one loan or multiple loans where all loans have LTV/CLTV ≤ 60% is \$750,000 (previously \$1M).

All Smart Series Products

For consistency with other products, the following topics were moved to the Smart Series Underwriting Guide. In addition, there is now a “Smart Series Underwriting Guide” which is separate from the Underwriting Guide for Conforming, FHA, VA and USDA loans. Both Underwriting Guides will be located in the Information Center of the Correspondent website.

- Section 1 Eligibility
 - Ability to Repay
 - Net Tangible Benefit
 - Age of Documentation
 - Vesting Options
 - Section 5 Credit: Significant Derogatory Credit
 - Section 6 Assets:
 - Minimum Down Payment and Reserves
 - Section 9 Appraisals:
 - HPML: remove second appraisal requirement
 - Escrow Wavier
 - Section 10 Closing Functions: Power of Attorney
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Smart Series Underwriting Updates and Clarifications

Topic	Current Guideline	New Guideline
Product Summary Updates		
<p>Product Summary Maximum Cash Out Section</p>	<p>Maximum cash out amount includes:</p> <ul style="list-style-type: none"> • Debt consolidation • HELOCs with draws within the past 12 months • Cumulative for all properties simultaneously being financed, not each individual loan <p>SmartVest</p> <ul style="list-style-type: none"> • Business debt consolidation • Business HELOCs with draws within the past 12 months 	<p>The maximum cash out is now determined by the amount of cash out reflected on the Final Closing Disclosure, after any debt payoff.</p>
<p>Product Summary Appraisals Section</p>	<p>If the appraiser indicates that the market is soft or declining, a 5% reduction to the maximum LTV and a second appraisal is required.</p>	<p>If the appraiser indicates that the market is soft or declining, a 5% reduction to the maximum LTV is required.</p>

Topic	Current Guideline	New Guideline
Smart Series Underwriting Guideline Updates		
Section 1A.3 Assumable Mortgages	Fixed rate loans are not assumable.	The Note holder must give consent and may be subject to a full credit review. Fixed rate loans are not assumable.
Section 3A.4(c) Buydown Account and Funds	Silent	A split buydown is permitted when the buydown funds are paid by the lender, seller and/or third parties. A split buydown is not permitted when any portion of the funds are paid by the borrower.
Section 4A.4 Ineligible Property Types	Silent	Added <ul style="list-style-type: none"> • Properties located in a Coastal Barrier Resource System (CBRS) • Condo with deed restrictions

Topic	Current Guideline	New Guideline
Smart Series Underwriting Guideline Updates		
Section 5A.5(c) Nontraditional Trade Line Requirements	SmartEdge permits nontraditional credit references	SmartEdge and SmartSelf <ul style="list-style-type: none"> • May supplement traditional trade line references with

	to supplement traditional tradeline requirements.	<p>nontraditional references. The borrower must have at least one (1) traditional trade line reference and a total of three trade line references.</p> <p>SmartVest</p> <ul style="list-style-type: none"> • Must meet traditional trade line reference requirements. Nontraditional references are not permitted.
Section 5A.8 Derogatory Credit - Forbearance	<ul style="list-style-type: none"> • The borrower(s) may not have any mortgages in active forbearance. • A minimum of 12 months reserves is required for any forbearance exited within the last 90 days from application date. 	The borrower(s) may not have any mortgages in active forbearance.
Section 6A.1(a) Minimum Borrower Contribution	All occupancy types: Gift funds not permitted for reserves.	Gift funds are permitted for reserves.
Section 6A.4(a) Financial Institution Accounts	Silent	A Verification of Deposit may be used to verify a Certificate of Deposit when statements are not available.

Topic	Current Guideline	New Guideline
Smart Series Underwriting Guideline Updates, cont.		
Section 6A.4(b) Large Deposits (SmartEdge)	Refinance transactions <ul style="list-style-type: none"> • Documentation or an 	SmartEdge and SmartVest Refinance transactions

and SmartVest)	explanation for large deposits are not required.	<ul style="list-style-type: none"> Documentation or an explanation for large deposits are not required, unless there is an indication that the deposit is from a new obligation that has not been disclosed.
Section 6A.4(p) 1031 Exchange	Silent	1031 Exchange assets are not an acceptable source of funds for reserves.

Questions

If you have any questions regarding any information in this announcement, please feel free to contact your regional sales manager or client manager.

Newrezcorrespondent.com

Newrez Fort Washington Operations 877-700-4622

Newrez Fort Washington Registration Desk/NT Desks 866-396-4622

Client Development

We offer a comprehensive training curriculum on Newrez products and processes, to keep your staff informed of the latest developments in products, technology solutions, compliance issues and process improvements. Each of these programs is offered by our training and development staff on a monthly basis and is updated regularly to reflect recent changes in the industry. Visit our [training site](#).