



Announcement 2023-010

January 18, 2023

Conventional Conforming Underwriting Guideline Updates

Newrez LLC "Newrez" Approved Correspondent Clients; effective immediately unless otherwise noted, for all loans in pipeline, we are aligning with the below topics from Freddie Mac Bulletin [2022-25](#) and Fannie Mae Announcement [SEL-2022-10](#).

Freddie Mac Bulletin [2022-25](#)

Gift and Gift of Equity

Additional flexibility is being provided by allowing a trust established by a related person and an estate of a related person as eligible donors of gift funds and gifts of equity. A gift letter must be signed by a trustee or the authorized representative of the estate and indicate the gift fund or gift of equity were provided by a trust established by an acceptable donor. The fully completed gift letter must include the mailing address and telephone number of the trustee or authorized representative, as applicable.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1G Assets, Section 1G.3(b) Gift Funds.

Court-Ordered Assignment of Debt

Court-ordered assignment of debt may be excluded from the DTI ratio. The guideline has been updated to remove the requirement that the debt must be secured in order to exclude it from the DTI ratio.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1H Liabilities and Debt Ratios, Section 1H.5(f) Court-Ordered Assignment of Debt.

Property-Related Contingent Expenses

Guidelines for contingent liabilities have been expanded to permit exclusion of property-related expenses (e.g., taxes, insurance HOA dues, etc.) from the DTI ratio with documentation confirming that a party other than the borrower has been making timely payments for the most recent 12 months and the party making the payments is not an interested party to the transaction.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1H Liabilities and Debt Ratios, Section 1H.5(o) Mortgage Debt Paid by Others.

Temporary Leave

The Underwriting Guide has been updated to clarify that temporary leave guidelines do not extend to employer-initiated actions such as furloughs and layoffs, regardless of whether there is a projected “return to work” date. A reminder that income resulting from a furlough, layoff, or other employer-initiated action is not eligible to be used as qualifying income unless it is associated with seasonal employment.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1I Employment and Income, Section 1I.13(hh) Temporary Leave.

Definition of “Related Person”

The definition of “Related Person” has been expanded to include unrelated individuals with close, family-like ties to the Borrower. This update expands eligible donors of gift funds and gifts of equity used as a source of funds.

Single-Wide Manufactured Homes

Single-wide manufactured homes no longer require a date of manufacture not more than ten (10) years from the date of the appraisal. Single-wide must have been built on or after June 15, 1976 and comply with all other manufactured home guidelines.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter ID.1(h) Property Types, Section 1D.1(h) Manufactured Housing.

Business Assets

A cash flow analysis is not required if the self-employed borrower's income **is not being used** to qualify. Evidence the borrower is an owner of the account must still be verified and the assets must be documented using standard guidelines.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 11 Employment and Income, Section 1G.3(d) Business Assets.

Temporary Leave

The Underwriting Guide has been updated to clarify that temporary leave guidelines do not extend to employer-initiated actions such as furloughs and layoffs, regardless of whether there is a projected "return to work" date. A reminder that income resulting from a furlough, layoff, or other employer-initiated action is not eligible to be used as qualifying income unless it is associated with seasonal employment.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 11 Employment and Income, Section 1I.13(hh) Temporary Leave.

Appraisal Waivers

To provide greater clarity, the list of ineligible transactions for Appraisal Waivers and Desktop Appraisals have been updated to specifically reflect that properties with resale price restrictions are not eligible.

This includes deed restrictions that supersede market pricing at the time of sale of the property. Properties with other deed restrictions that do not restrict the future sales price of the property but have deed restrictions based on other criteria, such as borrower income or age, are eligible for a desktop appraisal or appraisal waiver.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter IJ Appraisal Requirements, Section 1J.4(g) Appraisal Waiver Options.

Gift Letters

Gift letter requirements have been updated to specify the actual or the maximum dollar amount of the gift and the requirement that gift letters must specify the date the funds were transferred has been removed.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter IG, Assets, Section 1G.3(b) Gift Funds.

Electronic Consent Based Social Security Number Verification

When data integrity issues pertaining to the borrower's Social Security number (SSN) exist, Form SSA-89 *Administration Authorization for the Social Security Administration (SSA) To Release Social Security Number (SSN) Verification*, direct validation of the borrowers SSN with the Social Security Administration is often used. The Social Security Administration has introduced a new service for validating Social Security numbers – the electronic Consent Based Social Security Number Verification (eCBSV) Service. With consent from the individual, eCBSV allows permitted entities to verify if an individual's Social Security number, name, and date of birth combination matches Social Security records. Lenders may use the eCBSV service to validate Social Security numbers and must retain evidence in the loan file.

Lender-Funded Grants

Newrez does not provide lender-funded grants. Additional information regarding Correspondent client funded grants will be announced at a later date.

Underwriting Guideline Updates and Clarifications

| Topic and Chapter | Guideline |
|---|--|
| Chapter 1A Eligibility 1A.8(c) Non-Permanent Resident | Updated R-1 Temporary Religious Worker Visa EAD is not required |
| Chapter 1B Transactions 1B.10(b)(i) Two-Close Cash-out Refi | Two-close cash-out refinance transactions are not permitted on a manufactured homes. |
| 1C Financing 1C.3(c) Buydown Account and Funds | <ul style="list-style-type: none">• 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. |
| 1C Financing 1C.8(a) Escrow/Impounds | Primary Residence Escrow Waiver in California: <ul style="list-style-type: none">• LTV ≤ 90% (previously < 90%) |
| 1D Property Types 1D.1(f) ADU | Freddie Mac LPA <ul style="list-style-type: none">• Clarified that the borrower cannot qualify with any rental income from a 2-unit or 3-unit ADU |
| 1D Property Types 1D.1(h)(v) Titling the MH as Real Property | Removed “for New Construction” in the below sentence <ul style="list-style-type: none">• Evidence that motor vehicle title has been (or will be) purged or surrendered is required. The closing agent (or title company) to confirm actions taken to assure that the manufactured home has been permanently affixed to the land and that the lien is recorded is required for all loans. |

Underwriting Guideline Updates and Clarifications, cont.

| Topic and Chapter | Guideline |
|---|---|
| 1D Property Types 1D.6 Ineligible Property Types | Removed geodesic homes and earth homes as ineligible. |
| 1G Assets 1G.3(b) Gift Funds | Clarified the following: <ul style="list-style-type: none"> • Gift funds are permitted for primary residence and second homes for down payment provided the minimum borrower investment for the Loan Program is met: • Gift funds may be used for down payment, closing costs, and reserves; and • Gift funds are not permitted for investment properties. |
| Section 1G.3(d) Business Assets. | To align with Agency guidelines, “majority owner” of the business account is being replaced with “owner” of the business account. |
| 1H Liabilities and Debt Ratios 1H.4(h) Federal Income Tax Installment Agreements | Updated: <ul style="list-style-type: none"> • The payment amount can be excluded from the borrower’s DTI ratio if the agreement meets the terms in <i>Debt Paid by Others (Non-Mortgage)</i> or <i>Installment Debt</i> sections of the Guide. |
| 1I Employment and Income 1I.13(g) Employment by a Relative | Updated the Freddie Mac requirements to the following: <ul style="list-style-type: none"> • Follow LPA documentation requirements; and • Most recent one (1) year individual income tax return (previously 2 years). |

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](#).