

Newrez Announcements



Announcement 2023-011
January 18, 2023

Government Underwriting Guideline Updates

Newrez LLC "Newrez" Approved Correspondent Clients; effective immediately, for all loans in pipeline, updates have been made as a result of recent USDA Updates to [HB-1-3555](#). In addition, the Newrez Underwriting Guide has been updated with other miscellaneous government updates and clarifications.

Delinquent Federal Debt

All borrowers must be screened using HUD's Credit Alert Interactive Voice Response System (CAIVRS) except those borrowers financing a Streamlined-Assist or Streamlined Refinance.

CAIVRS will return the following results:

- A: Approved by CAIVRS (no issues exist)
- B: Multiple cases from one or more Federal agencies
- C: Claim filed
- D: Default on loan
- F: Foreclosure of loan
- J: Judgment filed

The only acceptable result is A: Approved by CAIVRS (no issues exist). Borrowers with delinquent Federal non-tax debt are not eligible for a USDA loan until the debt is paid in full or a release of liability is documented.

Complete guidelines can be found in the USDA Underwriting Guide, Chapter 4A Eligibility, Section 4A.1(a) Delinquent Federal Non-Tax Debt (CAIVRS).

Appraisal Validity

The effective date of the appraisal report must not be more than 180 days of the Note date (previously 150 days). Appraisals that are older than 180 days as of the Note date may be eligible for an appraisal update.

The validity period of an appraisal report can be extended only one time with an Appraisal Update Report. The appraisal may be expired at the time the appraisal update is requested. However, when the original appraisal is subsequently updated, the appraisal is valid for no greater than one year from the effective date of the original appraisal report at loan closing. The purpose of an appraisal update request is to determine if the property has declined in value since the effective date of the original appraisal. An update is not eligible to support a higher appraised value of the property.

Complete guidelines can be found in the USDA Underwriting Guide, Chapter 4A Eligibility, Section 4A.2 Documentation Standards and Age.

Credit

Non-Federal Judgments

Added that open and unpaid non-federal judgments are eligible when the borrower is not delinquent and has a payment arrangement with the creditor and has made regular and timely payments for the three (3) months prior to application date. The borrower may not prepay scheduled payments in a lump sum to meet the three (3) months timely payments requirement.

This update clarifies that the borrower cannot be delinquent, not previously specified.

Court-Ordered Child Support

Below highlights the current and new guideline. A distinction is made between delinquent court ordered child support payments that are and are not subject to an administrative offset.

Current Guideline	New Guideline
<p>Delinquent court ordered child support must meet one (1) of the following:</p> <ul style="list-style-type: none"> • Must have an approved repayment agreement with three (3) timely payments made prior to closing; • The arrearage is paid in full; or • A release of liability is documented. 	<p>Delinquent court ordered child support, subject to the collection by an administrative offset (allows for federal payments in order to collect past due child support) must meet one (1) of the following:</p> <ul style="list-style-type: none"> • Must have brought payments current prior to closing; • The debt is paid in full; or • A release of liability is documented. <p>Delinquent court ordered child support not subject to an administrative offset is eligible if one of the following is met:</p> <ul style="list-style-type: none"> • There is an approved repayment agreement in place with 3 timely payments made prior to closing • The arrearage is paid in full prior to closing or • A release of liability is documented.

Complete guidelines can be found in the USDA Underwriting Guide in Chapter 4F Credit, Section 4G.3(f) Delinquent Credit.

Chapter 11, 12 or 13 Bankruptcy

Added “discharged” to completed plans to provide further distinction between dismissed plan and added guidance on plans completed 12 months or more and less than 12 months.

- **Completed/Discharged Plan – GUS Accept/Accept with Full Documentation files:** No credit exception is required.
 - **Completed/Discharged Plan (12 months or more) - GUS Refer, Refer with Caution, and manually underwritten files:** No credit exception required.
 - **Completed/Discharged Plan (less than 12 months) - GUS Refer, Refer with Caution, and manually underwritten files:** Credit exception required from USDA
-

Appraisal Requirements

Multiple Parcel Requirements

Clarified that when multiple parcels are not adjoined, the parcel without a residence must be non-buildable (such as waterfront properties where the parcel without the residence provides access to the water) and the entire property will contain only one (1) dwelling but may have non-residential, non-income producing buildings, such as a garage.

Accessory Dwelling Unit (ADU)

Clarified that an ADU should support household members and not create potential rental income.

Individual Water Supply System (Well)

Updated the requirement that a valid water test from the local health authority or a lab qualified to conduct water testing in the jurisdictional state or local authority must be obtained and that the water analysis report must be no greater than 150 days old as of the Note date.

Complete guidelines can be found in the USDA Underwriting Guide in Chapter 4J Appraisal Requirements:

- Section 4J.13(c) Multiple Parcels
- Section 4J.14(b) Accessory Dwelling Unit (ADU)
- Section 4J.17(a) Individual Water Supply System (Well)

Condominium Requirements

Removed ineligible condominium requirements and added clarification that condominium projects with ineligible characteristics listed under HUD/FHA, VA, Fannie Mae or Freddie Mac are ineligible.

Government Guideline Updates and Clarifications

FHA Updates	
Topic and Chapter	Update and Clarification
Chapter 2C Financing 2C.3(c) Buydown Account and Funds	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 the borrower pays any portion of the funds.
Chapter 2E Underwriting Section 2E.1(b) Maximum Number of Financed Properties	The FHA and VA Underwriting Guide has been updated with the maximum number of borrowers allowed for submission to DU or LPA. <ul style="list-style-type: none"> • Up to four (4) borrower may be on a loan application and submitted to DU. • Up to five (5) borrowers may be on a loan application and submitted to LPA.
VA Updates	
Chapter 3C Financing 3C.3(c) Buydown Account and Funds	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 the borrower pays any portion of the funds
Chapter 3E Underwriting Section 3E.2(a) and 3E.2(b)	The FHA and VA Underwriting Guide has been updated with the maximum number of borrowers allowed for

©2023 Newrez LLC. Information in this communication is a summary and may not be complete. Refer to Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines for the most up-to-date information. The information contained in Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines is for use by real estate and mortgage professionals only and not intended for distribution to consumers or other third parties.

Maximum Number of Financed Properties	<p>submission to DU or LPA.</p> <ul style="list-style-type: none"> Up to four (4) borrower may be on a loan application and submitted to DU. Up to five (5) borrowers may be on a loan application and submitted to LPA.
3F Credit 3F.7(a) Significant Derogatory Credit Waiting Period	<p>Chapter 7 Bankruptcy</p> <ul style="list-style-type: none"> If the bankruptcy was > 1 year and < 2 years from discharge date, both of the following must be met: <ul style="list-style-type: none"> The bankruptcy was caused by extenuating circumstances; and The borrower must have acceptable re-established credit
3I Employment and Income 3I.6(i) Future Income	<p>Non-Delegated Clients: Employment must begin within 90 days after signing the Note (previously 60 days)</p>
3J Appraisal Requirements 3J.14(a) Access to the Site	<p>Updated to no longer require a private road maintenance:</p> <ul style="list-style-type: none"> An ongoing maintenance agreement from a homeowners' association (HOA) or a joint maintenance agreement from the owners of properties accessed by the private road or shared driveway is not required for properties with private roads and shared driveways. Instead, evidence of a recorded permanent easement or recorded right-of-way from the property to a public road is required.
USDA	
Chapter 4G Assets 4G.3(f) Down Payment Assistance	<p>Clarified that Newrez must review and approve all down payment assistance programs for Non-Delegated Clients.</p>