

# Newrez Announcements



## Announcement 2022-015 Conforming Underwriting Guide Updates January 25, 2022

### Overview

Newrez Approved Correspondent Clients: Newrez has removed or revised numerous underwriting guidelines outlined below. These changes are effective immediately.

Conforming Guideline Updates		
Topic	Current Guideline	New Guideline
<b>Owely Liens – Texas Only</b> Chapter 1B Transactions	The payoff of an owely lien may be treated as a no cash-out refinance transaction	<p>On loans where one owner wants to buy out the property interest of another owner(s), an owely of partition lien may be created to complete the transaction.</p> <p>With an owely lien, borrowers do not have to do a Texas Home equity 50(a)(6) loan. Instead, the Texas Constitution provides an alternative means to establishing a valid lien on homestead property under Section 50(a)(3)</p> <p><i>50(a)(3) an owely partition imposed against the entirety of the property by a court order or a written agreement of the parties to the partition, including a debt of one spouse in favor of the other spouse resulting from a division or award of a family homestead in a divorce proceeding.</i></p> <p>The payoff of an owely lien may be treated as a no cash-out refinance</p>

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		transaction, unless there is an existing Texas Home Equity Section 50(a)(6) lien. If there is an existing 50(a)(6) lien, the loan will be subject to either Section 50(a)(6) or 50(f)(2).
<b>Texas Agricultural Exemption</b> Chapter 1H Liabilities and Debt Ratios	Silent	An agricultural exemption is for agricultural landowners will have their property's taxes calculated based on productive agricultural value, as opposed to market value of the land.  For loans in Texas, agricultural exemptions must have been removed and evidence of roll back taxes from the tax assessor must be in the file. If roll back taxes are due, that debt must be included in the DTI ratio.
<b>Military Leave and Earnings Statement (LES)</b> Chapter 1I Employment and Income	Obtain one (1) of the following or follow DU or LPA: <ul style="list-style-type: none"> <li>• A completed Written Verification of Employment; or</li> <li>• Most recent paystub(s); and</li> <li>• Most recent two (2) years' W-2s</li> </ul>	Military base pay and entitlements <b>must be documented with the borrower's recent LES.</b>
<b>Verbal Confirmation of Employment for Military Personnel</b> Chapter 1I Employment and Income	<ul style="list-style-type: none"> <li>• <u>Fannie Mae DU</u>: Leave and Earnings Statement dated within 30 calendar days of the Note date</li> <li>• <u>Freddie Mac LPA</u>: Leave and Earnings Statement dated within 120 calendar days of the Note date</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Fannie Mae DU</u>: Leave and Earnings Statement dated within <b>120</b> calendar days of the Note date</li> <li>• <u>Freddie Mac LPA</u>: Leave and Earnings Statement dated within 120 calendar days of the Note date</li> </ul>
Appraiser Requirement for Gross Living Area Chapter 1J Appraisal	Silent	Appraisers <b>must follow the Square Footage-Method for Calculating: ANSI® Z765-2021</b> when measuring, calculating, and reporting the gross living area and non-gross living areas (basement, additional structures, etc.) of the subject property. Appraisals requiring interior and exterior inspections must follow this standard; interior and exterior appraisals without using this standard will not be acceptable.  The most common comparison for one-unit properties, <b>including units in PUD, condo projects</b> , is the above-grade gross living area and below-grade square footage.  <b>Detached structures with finished square footage must be reported on a</b>

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		different line in the adjustment grid and not included as part of the subject's reported gross living area.
Additional Requirements for New or Recently Converted Condos, Subdivisions, or PUDs Chapter 1J Appraisal	Silent	<p>Generally, a subdivision is considered new when there are limited or no resales or the builder or developer is involved in the marketing or sale of the properties.</p> <p>If the subject property is part of a newly built or recently converted condo project, subdivision, or PUD that has two (2) to 20 units and there are no closed or pending sales, the appraiser may use comparable sales from a competing project, subdivision, or PUD. The following applies:</p> <ul style="list-style-type: none"> <li>• Use competing projects, subdivisions, or PUDs of a similar size and type;</li> <li>• Explain why the comparable sales were chosen and demonstrate market acceptance; and</li> <li>• Describe how the condo project, subdivision, or PUD chosen compares to the subject property.</li> </ul> <p>If the subject property is not the first unit under contract in the condo project, subdivision, or PUD, the appraiser must include one (1) under contract sale from the subject's project, subdivision, or PUD as a supplemental exhibit.</p>

**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](http://Newrezcorrespondent.com)

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