

# Newrez Announcements



## Announcement 2023-049 Conventional Underwriting Guideline Updates

May 31, 2023

### Overview

Newrez LLC "Newrez" Approved Correspondent Clients; effective immediately, unless otherwise noted, for all loans in pipeline, the topics contained in this announcement will be updated in the Conventional Underwriting Guide for release on May 31, 2023, unless otherwise noted.

Newrez is aligning with the following topics in Freddie Mac Bulletin [2023-11](#) and Fannie Mae Announcement [SEL-2023-04](#).

Freddie Mac Bulletin 2023-11	Fannie Mae SEL-2023-04
<ul style="list-style-type: none"><li>• Real Estate Tax Abatements</li><li>• Federal Income Tax Installment Agreements</li></ul>	<ul style="list-style-type: none"><li>• Subordinate Financing</li><li>• Resale Restrictions</li><li>• Alternatives for Tax Filing Extension Documentation</li></ul>

Newrez will not purchase loans with shared equity and shared appreciation and therefore will not be aligning with Fannie Mae SEL-2023-04 shared equity and shared appreciation updates.

## **Real Estate Tax Abatement**

When there is a partial or complete real estate tax abatement on the property, or the borrower is exempt from real estate taxes, the reduced real estate tax amount may be used in the monthly housing expense calculation or exclude the real estate tax amount from the monthly housing expense calculation, as applicable.

The following must be documented in closed loan file:

- Evidence of the tax abatement or exemption showing a minimum of at least a five (5) year continuance after the Note date; and
- If the tax exemption is due to the borrower's age or disability, the five (5) year continuance is not required if the predetermined expiration date is not within five (5) years of the subject loan Note date.

Complete guidelines can be found in Chapter 1H Liabilities and Debt Ratios, 1H.1(a) Real Estate Tax Abatement

## **Federal Income Tax Installment Agreements**

The following documentation must be obtained:

- An approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due;
- Evidence the borrower is current on the payments associated with the tax installment plan. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.
- The payment amount can be excluded from the borrower's DTI ratio if there are 10 or fewer payments remaining.

Freddie Mac does not require one (1) months' payment prior to closing.

If a Notice of Federal Tax Lien has been filed, the lien must be paid off.

Complete guidelines can be found in Chapter 1H Liabilities and Debt Ratios, 1H.4(h)  
Federal Income Tax Installment Agreements

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### **Fannie Mae Announcement SEL-2023-04**

#### **Subordinate Financing**

The following clarification was added to the Subordinate Financing section in alignment with Fannie Mae:

- Subordinate liens must be:
  - Evidenced by a promissory note;
  - Reflected in a recorded mortgage, deed of trust, or other security instrument; and
  - Be clearly subordinate to the first mortgage lien.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1C Financing, 1C.4 Subordinate Financing

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#### **Resale Restrictions**

The resale restriction section of the Underwriting Guide was reformatted, consolidating requirements that are the same for each Agency and then distinguishing the differences. In addition, the following information was added or clarified in alignment with Fannie Mae updates:

- The definition of resale restrictions;
- There are no restrictions on the length of time that a resale restriction may remain in place; and
- Ineligible resale restrictions.

Complete guidelines can be found in Chapter 1D Property Types, 1D.4 Resale Restrictions

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## Alternatives for Tax Filing Extension Documentation

In alignment with Fannie Mae Announcement 2023-04, the following will be accepted in lieu of IRS Form 4868, *Application for Automatic Extension of Time to File U.S. individual Income Tax Returns*:

- Proof of e-filing IRS form 4868;
- Confirmation of electronic payments, including the confirmation number, of all or part of the estimated income taxes; or
- Review the total tax liability either reported on IRS Form 4868 or paid by the borrower and compare it with the borrower's tax liability from the most recent year obtained as a measure of income source stability and continuance. An estimated tax liability that is inconsistent with previous years may require the current tax returns in order to proceed.

In addition, when it is required to obtain a "No Transcripts Available" response from the IRS, borrower-provided evidence obtained directly from the IRS website that no transcripts are available for the applicable tax year may be obtained. These changes will prevent delays incurred as a result of IRS response times and accommodate options introduced by the IRS.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 11 Employment and Income, 11.1(g) Tax Returns

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## 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](https://www.newrez.com/correspondent)

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## Client Development

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