

Newrez Announcements



Announcement 2022-053 Conforming Underwriting Guideline Updates

July 18, 2022

Overview

Newrez LLC "Newrez" Approved Correspondent Clients; Newrez is providing guideline clarifications as well as aligning with the below Agency announcements in Fannie Mae Announcements [SEL-2022-04](#) and [SEL-2022-05](#), Freddie Mac [2022-10](#) and [2201-36](#) outlined below. The changes announced in this announcement are effective immediately.

Topic	Current Guideline	New Guideline
1B Transactions 1B.2 Freddie Mac LPA Freddie Mac 2022-10	1B.7 Continuity of Obligation section LPA Transactions Loans with an acceptable continuity of obligation may be underwritten as either a rate and term or a cash-out refinance transaction based on the definitions in this Underwriting Guide. Continuity of obligation requirements do not apply when there is no existing mortgage on the subject property. <ul style="list-style-type: none"> At least one borrower on the refinance mortgage was a borrower on the mortgage being refinanced; or At least one borrower has been on title to and resided in the property for the last 12-month period and one of the following is documented: <ul style="list-style-type: none"> The borrower has paid the mortgage timely, including payments for secondary 	1B.7 Continuity of Obligation section removed, and the following information moved to 1B.2 Rate and Term Refinance Mortgage; 1B.2 (a) Freddie Mac LPA One of the following must be met: <ul style="list-style-type: none"> At least one borrower on the refinance mortgage was a borrower on the mortgage being refinanced; or At least one borrower has held title to and resided in the property for the most recent 12-months with evidence that the borrower has been making timely mortgage payments, including secondary financing payments, for the most recent 12 months; or At least one borrower recently inherited or was legally awarded the property (divorce or separation). See 1B.7 Inherited Properties.

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	financing, for the last 12 months; or <ul style="list-style-type: none"> ○ The borrower can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor. ● At least one borrower recently inherited or was legally awarded the property (divorce or separation). See 1B.8 Inherited Properties. 	
1B Transactions 1B.2 (b) Use of Funds Freddie Mac 2022-10	<ul style="list-style-type: none"> ● Receiving incidental cash back (see the Product Profiles for incidental cash back amount); and ● Prepayment penalties associated with the payoff of the existing mortgage. 	<ul style="list-style-type: none"> ● Receiving incidental cash back (see the Product Profiles for incidental cash back amount). Incidental cash back may be used to pay delinquent taxes; and ● Prepayment penalties associated with the payoff of the existing mortgage.
1B Transactions 1B.10 (b) Two-Closing Construction-to-Permanent Transactions 1B.10 (b)(i) Eligible Loan Purposes Fannie Mae SEL-2022-05	Two-closing construction-to-permanent mortgages are subject to the rate and term and cash-out refinance maximum LTV/CLTV/HCLTV ratios based on the property type, as applicable.	<ul style="list-style-type: none"> ● Two-closing construction-to-permanent mortgages are subject to the rate and term and cash-out refinance maximum LTV/CLTV/HCLTV ratios based on the property type, as applicable. ● For rate and term refinance transactions, cost overruns may be included in the new loan amount with documentation of the cost overruns that were incurred outside of the interim construction loan. Construction cost overruns must be paid directly to the builder at the permanent loan closing.
1C Financing 1C.4(a) Subordinate Financing Terms Fannie Mae SEL-2022-04	Unacceptable Subordinate Financing Terms <ul style="list-style-type: none"> ● The following are unacceptable <ul style="list-style-type: none"> ○ Mortgages with negative amortization 	Unacceptable Subordinate Financing Terms <ul style="list-style-type: none"> ● The following are unacceptable ● Mortgages with negative amortization, with exception of employer subordinate financing that has deferred payments
1C Financing 1C.4 (c) Community Seconds Fannie Mae SEL-2022-04	A Community Second mortgage is a second lien typically made by a federal, state, or local government agency, a nonprofit organization, and Federal Home Loan Bank under one of its affordable housing programs.	A Community Second mortgage is a second lien typically made by a federal, state, or local government agency, a nonprofit organization, and Federal Home Loan Bank under one of its affordable housing programs. Funds received from a Community Seconds mortgage may be used to fund all or part of the down payment

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		<p>and closing costs. The funds may not be provided by the property seller or any other interested party to the transaction.</p> <p>Eligible Community Seconds Providers:</p> <ul style="list-style-type: none"> • A federal agency, municipality, state, county, state or local housing finance agency, a nonprofit organization, a regional Federal Home Loan Bank, or an employer (see Employer Provided Subordinate Financing) • Any city, town, village, or borough of a state that: <ul style="list-style-type: none"> ○ has a local government and that has been created by a special legislative act; ○ has been otherwise individually incorporated or chartered pursuant to state law; or ○ is recognized as such under the constitution or by the laws of the state in which it is located. • A housing finance agency as defined in 24 C.F.R. §266.5; • A nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; • A regional Federal Home Loan Bank under one of its affordable housing programs; • An employer where a borrower is an employee; and • An Indian tribe on the most current list published by the Secretary of the Interior pursuant to 25 U.S.C.§5131.
<p>1D Property Types 1D.3 Group Home Fannie Mae SEL-2022-05</p>	<p>Group homes for people with disabilities are typically single-family homes with multiple residents, each living in a separate bedroom but sharing kitchen and/or plumbing facilities. Group homes are operated by a care provider and residents of the group home typically receive room, board, and supportive care.</p>	<p>Group homes are residential structures used for occupancy for people with disabilities are typically single-family homes with multiple residents, each living in a separate bedroom but sharing kitchen and/or plumbing facilities. Group homes are operated by a care provider and residents of the group home typically receive room, board, and supportive care.</p> <p>Group homes are not considered boarding houses.</p>

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1F Credit 1F.5 Inquiries and Undisclosed Liabilities Clarification	If new debt is revealed and the inclusion of the additional debt would increase the total DTI ratio to a level outside of the acceptable DU or LPA tolerances, the loan must be resubmitted to automated underwriting and the new findings must be followed.	If new debt or a monthly payment increase is revealed during the application process and before loan closing , and the inclusion of the additional debt expense would increase the total DTI ratio to a level outside of the acceptable DU or LPA tolerances, the loan must be resubmitted to automated underwriting and the new findings must be followed.
1F Credit 1F.7 (a) Waiting Period and Re-establishing Credit Clarification	Extenuating Circumstances not permitted	Added eligibility for Extenuating Circumstances when credit report is inaccurate. Extenuating Circumstances in B3-5.3-09 DU Credit Report Analysis for underwriting a loan with inaccurate credit or extenuating circumstances for eligibility.
1G Assets 1G.1(a) Foreign Assets Fannie Mae SEL-2022-04	<ul style="list-style-type: none"> Foreign assets may be used for down payment and closing costs, and reserves. The borrower's source of funds for the down payment and/or closing costs must comply with the Office of Foreign Assets Control (OFAC) Sanctions Programs for funds originating from countries with OFAC sanctions 	<ul style="list-style-type: none"> Foreign assets may be used for down payment, closing costs, and reserves. All asset documents must be completed in English or provide a complete and accurate translation. The borrower's source of funds for the down payment and/or closing costs must comply with the Office of Foreign Assets Control (OFAC) Sanctions Programs for funds originating from countries with OFAC sanctions.
1G Assets Freddie Mac 2022-10	NA	Prorated real estate tax credits contributed by the property seller in areas where real estate taxes are paid in arrears may not be considered when determining the funds required to be verified, except when the Closing Disclosure indicates that an escrow account is established and includes the portion of real estate taxes owed by the property seller for the period, they owned the property. In such cases, a prorated tax credit from the property seller offsets that portion of the charge for the establishment of the escrow account.
1G Assets 1G.4 (h) Cryptocurrency Fannie Mae SEL-2022-04	Cryptocurrencies (such as Bitcoin) are decentralized digital currencies that work without a central bank or administrator. Cryptocurrency is not an eligible asset; however,	Cryptocurrencies (such as Bitcoin) are decentralized digital currencies that work without a central bank or administrator. Cryptocurrency is not an eligible asset and cannot be used as an

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	<p>proceeds from the liquidation of cryptocurrency may be eligible for down payment, closing costs or reserves when all of the following requirements are met:</p> <ul style="list-style-type: none"> Document the trail of the cryptocurrency converted into U.S. dollars and transferred to the borrower's U.S. bank account. 	<p>earnest money deposit; however, proceeds from the liquidation of cryptocurrency may be eligible for down payment, closing costs or reserves when all of the following requirements are met:</p> <ul style="list-style-type: none"> Document the trail of the cryptocurrency converted into U.S. dollars and transferred to the borrower's U.S. bank account; and The funds are verified in U.S. dollars prior to closing.
<p>1H Liabilities and Debt Ratios 1H.4 (q) (i) Current Primary Residence Pending Sale Clarification</p>	<p>Qualify based on the new primary residence if one of the following are provided:</p> <ul style="list-style-type: none"> Executed, non-contingent sales contract for the current residence; Executed, contingent sales contract with evidence that the financing contingencies have been cleared or a lender's commitment to the buyer of the property pending sale. 	<p>Qualify based on the new primary residence if one of the following is provided:</p> <ul style="list-style-type: none"> Executed, non-contingent sales contract for the current residence; Executed, contingent sales contract with evidence that the financing contingencies have been cleared or a lender's commitment to the buyer of the property pending sale; or An executed buy-out agreement that is part of an employer relocation plan and either: <ul style="list-style-type: none"> The buyout is executed by the borrower; or The buyout is not executed, and the borrower has sufficient reserves to pay the monthly payment for the property pending sale until the expiration date of the buyout offer (in addition to product requirement reserves) and a signed statement from the borrower indicating their intention to accept the buyout agreement if the current primary residence is not sold prior to the expiration date of the buyout agreement.
<p>1I Employment and Income 11.14 (j) Foreign Income</p>	<p>Foreign income is income that is earned by a borrower (U.S. and non-U.S. citizens) employed by a foreign corporation or a foreign government and paid in foreign currency.</p> <p>All income must be translated into English</p>	<p>Foreign income is income that is earned by a borrower (U.S. and non-U.S. citizens) employed by a foreign corporation or a foreign government and paid in foreign currency.</p> <p>All income must be translated into English or provide a complete and accurate translation.</p>

Topic	Current Guideline	New Guideline
1I Employment and Income 1I.14. (ee) Survivor and Dependent Benefit Income	Continuance Survivor Benefits Received for Dependent Child - Evidence of three-year continuance is required Surviving Spouse - Evidence of continuance is not required	Continuance Survivor Benefits Received for Dependent Child - Evidence of three-year continuance is required (e.g., verification of beneficiary's age). Surviving Spouse - Evidence of continuance is not required.
1J Appraisal 1J.4 (f) Appraisal Waiver Options	N/A	<ul style="list-style-type: none"> • Freddie Mac ACE+ PDR is not permitted • Ineligible for ACE: added cash-out refinance transactions
Appraisal Product Profile	N/A	ACE+ PDR not permitted

Questions

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

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