

# Newrez Announcements



## **Announcement 2022-065** **Conforming Underwriting Guide Updates** **August 22, 2022**

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### **Overview**

Newrez LLC “Newrez” Approved Correspondent Clients Newrez, The Conforming Underwriting Guide has been updated with guidance from Freddie Mac Bulletins 2022-11, 2022-15, and 2022-16 and Fannie Mae SEL-2022-07. The changes announced in this announcement are effective immediately.

#### Freddie Mac Bulletin [2022-11](#)

- Properties with an ADU
- New requirements for using rental income from an ADU on a 1-unit primary residence
- Leasehold non-monetary default provisions

#### Freddie Mac Bulletin [2022-15](#)

- Rent payment history
- Manufactured homes

#### Freddie Mac Bulletin [2022-16](#)

- Properties with age-based resale restrictions

#### Fannie Mae [SEL-2022-07](#)

- Lender-funded grants
- Verbal verification of employment alternative

## **Properties with an Accessory Dwelling Unit (ADU)**

Freddie Mac expanded the requirements of accessory dwelling units (ADUs) to allow 1-unit primary residence with rental income used for qualification and two and three-unit properties with an ADU. All ADU guidelines apply with the additional clarifications:

- The ADU may, but is not required to, include access to the primary dwelling. It is not an ADU if it can only be accessed through the primary dwelling, or the area is open to the primary dwelling with no expectation of privacy.
- Kitchen must have at minimum, a cooking area that may include a stove, microwave, hot plates, toaster oven, or air fryer. A stove is not required to be considered an ADU.

In addition, the ADU definition and eligibility has been moved to the Property Types chapter from the Appraisal chapter. Appraisal requirements remain in the Appraisal chapter.

## **One-unit Primary Residence ADU with Rental Income**

Rental income generated from an ADU on a 1-unit primary residence with an ADU will be permitted when qualifying a borrower for a purchase or a rate and term refinance provided the following are met:

- The ADU must comply with zoning and land use requirements (legal, legal non-conforming or no zoning).
- The appraisal report must support the ADU's marketability and include at least one (1) comparable sale with a rented ADU.
- An automated collateral evaluation (ACE) appraisal waiver is not permitted.
- The appraiser's rental analysis must include a minimum of three (3) comparable rentals that support the market rent of the ADU, and at least one of the comparable rentals must be a property with an ADU.
- The ADU rental income used to qualify must not exceed 30% of the total stable qualifying monthly income.
- At least one (1) of the qualifying borrowers must participate in a landlord education program or have had previous landlord experience.

[Form 92 Net Rental Income Calculations](#) has been updated to incorporate the calculation and eligibility requirements for the use of rental income from an ADU on a subject one (1) unit primary residence.

Rental income from a 1-unit ADU has been added to the Employment and Income chapter; Rental Income from a one-unit ADU.

The loan must be registered in a Freddie Mac product. When delivering a loan with rental income generated from a 1-unit primary residence with an ADU, IFI J66 must be listed on the Transmittal Summary.

### **Leasehold Non-monetary Default**

Removed the following requirement: The lease must not contain default provisions allowing forfeiture or termination of the lease, except for nonpayment of the lease rents.

### **Rent Payment History**

LPA will retrieve and assess the verification report obtained by the Correspondent Client that includes the depository account(s) from which a borrower pays rent to determine if it can identify a rent payment history. When LPA identifies a history of recurring rent payments (a positive rent payment history), the history will be included in the LPA credit assessment when the following requirements are met:

- Property is a primary residence
- At least one borrower with a rent payment history must:
  - Have a usable Credit Score, as determined by LPA;
  - Be a first-time homebuyer; and
  - Have been renting for a minimum of 12 months with a monthly rent payment of at least \$300 that is paid from the depository account(s) in the verification report

Correspondent Clients currently utilizing LPA asset and income modeler offerings will be able to take advantage of this flexibility.

## Manufactured Homes

Freddie Mac provided clarification that Home Possible loans with an Affordable Second secured by a manufactured home is eligible.

- The Newrez Home Possible product currently allows manufactured homes with an Affordable Second on a manufactured home; maximum 95% CLTV with an Affordable Second
- Manufactured homes on a leasehold estate are not eligible.

## Properties with Age-based Resale Restrictions

Properties with age-based resale restrictions are now eligible for an Automated Collateral Evaluation (ACE).

Note: Properties with income-based resale restrictions remain ineligible for an ACE.

## Lender-Funded Grants

Newrez will not be participating in offering lender-funded grants at this time.

## Verbal Verification of Employment Alternative

When employment has not been validated through Day 1 Certainty, verification of employment ten (10) days prior to closing may now be verified using an email exchange with the borrower's employer subject to the following:

- Must be for a borrower who is not self-employed;
- Due diligence must be conducted to confirm the email address for the employer is accurate; and
- Ensure the email is from the employer's work email address and includes the following:
  - Borrower's name;
  - Name, title, and work email address of the individual contacted at the employer;
  - Date of contact; and
  - Borrower's current employment status.

## 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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## 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](#).

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