

Newrez Announcements



Announcement 2023-067 Smart Series Updates September 25, 2023

Newrez LLC "Newrez" Approved Correspondent Clients; effective with applications on or after September 25, 2023. The Smart Series Product Summaries have been updated to remove the highlighted requirements in the tables below.

SmartSelf Updates

Self- Employed Borrowers Previous	Self- Employed Borrowers Current
<ul style="list-style-type: none">• At least one borrower must meet the definition of self-employed:<ul style="list-style-type: none">○ A borrower with a 25% or greater ownership interest in a business is considered self-employed○ Borrower earns a majority of their income (51% or more) from their self-employment and use their self-employed income for qualification• Borrower must be self-employed for a minimum of two years with business	<ul style="list-style-type: none">• At least one borrower must meet the definition of self-employed:<ul style="list-style-type: none">○ A borrower with a 25% or greater ownership interest in a business is considered self-employed○ Borrower earns a majority of their income (51% or more) from their self-employment and use their self-employed income for qualification• Borrower must be self-employed for a minimum of two years with business

<p>income being used to qualify</p> <ul style="list-style-type: none"> • Borrower must complete the Smart Product Business Impact and Continuity 	<p>income being used to qualify</p>
<p>Business Bank Statement Previous</p>	<p>Business Bank Statement Current</p>
<ul style="list-style-type: none"> • If the borrower maintains separate bank accounts for personal and business or a borrower uses the same account for both personal and business purposes “combined,” and uses business bank or “combined” statements for qualifying • Gross deposits will be multiplied by a 50% expense factor to determine a net deposit number and divide by 12 or 24 months, depending on the number of bank statements provided • The underwriter must use the information on the Bank Statements (not required for 1099s) and the Smart Product Business Impact and Continuity Attestation completed by the borrower to assess if additional information is needed to validate if the appropriate expense factor (+/- 50% or 70%) is being used 	<ul style="list-style-type: none"> • If the borrower maintains separate bank accounts for personal and business or a borrower uses the same account for both personal and business purposes “combined,” and uses business bank or “combined” statements for qualifying • Gross deposits will be multiplied by a 50% expense factor to determine a net deposit number and divide by 12 or 24 months, depending on the number of bank statements provided • The underwriter must use the information on the Bank Statements (not required for 1099s) to assess if additional information is needed to validate if the appropriate expense factor (+/- 50% or 70%) is being used

SmartSelf Updates, continued

Business Bank Statement Previous	Business Bank Statement Current
<p>Capital Intensive Industries</p> <ul style="list-style-type: none"> • Gross deposits will be multiplied by a 70% expense factor to determine a net deposit number • Confirmation from the CPA or licensed third-party tax preparer (PTIN) to identify the actual business expense percentage if it is less than 70%. The lowest acceptable expense factor for qualifying in these industries is 15% <ul style="list-style-type: none"> ○ Automobile manufacturing or dealerships ○ Construction (e.g., New Home Builders, etc.) ○ Manufacturing (food industry such as ownership in a store, store chain, restaurant, delicatessen, food supplier, etc.) ○ Telecommunication ○ Transportation (e.g., Trucking, Uber/Lyft, etc.) ○ Medical centers (> 20 employees) 	<p>Capital Intensive Industries</p> <ul style="list-style-type: none"> • Gross deposits will be multiplied by a 70% expense factor to determine a net deposit number • Confirmation from the CPA or licensed third-party tax preparer (PTIN) to identify the actual business expense percentage if it is less than 70%. The lowest acceptable expense factor for qualifying in these industries is 15% <ul style="list-style-type: none"> ○ Automobile manufacturing or dealerships ○ Construction (e.g., New Home Builders, etc.) ○ Manufacturing (food industry such as ownership in a store, store chain, restaurant, delicatessen, food supplier, etc.) ○ Telecommunication ○ Transportation (e.g., Trucking, Uber/Lyft, etc.) ○ Farming & agricultural

<ul style="list-style-type: none"> ○ Farming & agricultural <p>Underwriter to provide commentary on the Expense Worksheet of their analysis</p>	<p>Underwriter to provide commentary on the Expense Worksheet of their analysis</p>
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SmartEdge and SmartSelf Updates

Non-Occupant Co-borrower Previous	Non-Occupant Co-borrower Current
Occupying borrower must be employed and contribute to qualifying income	Occupying borrower must contribute to qualifying income

SmartEdge, SmartSelf and SmartVest Updates

Appraisals Previous	Appraisals Current
<p>One of the following secondary valuation tools is required:</p> <p>Collateral Desktop Analysis (CDA)</p> <ul style="list-style-type: none"> • A CDA from Clear Capital is required to support the value of the appraisal and is not used to determine value <ul style="list-style-type: none"> ○ If the CDA returns a value that is “Indeterminate” or lower than the appraised value and exceeds a 10% tolerance, a second full appraisal must be provided 	<p>Secondary Valuation Requirement:</p> <p>One of the following is required as a secondary valuation to the appraisal to support the value but is not used to determine the actual value:</p> <ul style="list-style-type: none"> • Collateral Desktop Analysis (CDA) from Clear Capital • Appraisal Risk Review (ARR) from Pro Teck • Consolidated Collateral Analysis (CCA) from Consolidated Analytics • If any of these secondary valuations returns a value that is “Indeterminate” or lower than the appraised value and

	<p>exceeds a 10% tolerance, a second full appraisal must be provided</p> <p>Two Appraisals Required</p> <ul style="list-style-type: none">• Appraisals must be completed by two independent companies but can be from the same AMC• The LTV will be determined by the lower of the two appraised values as long as the lower appraised appraisal supports the value conclusion• Any inconsistencies between the two appraisal reports must be addressed and reconciled <p>If the two appraisals are completed “subject to,” only one 1004D is required based on the appraisal being used to determine value</p> <p>A secondary valuation is not required</p>
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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

Newrez Fort Washington Operations 877-700-4622

Newrez Fort Washington Registration Desk/NT Desks 866-396-4622

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](#).