

Newrez Announcements



Announcement 2023-070 Underwriting Guideline Updates

September 28, 2023

Newrez LLC "Newrez" Approved Correspondent Clients; effective immediately, unless otherwise noted, for all loans in pipeline for:

- Topics contained in this announcement have been updated in the Conventional Conforming, FHA, VA, and USDA Underwriting Guides as of 09.28.2023
- This memo also includes a summary of previously announced guidelines that have been incorporated into the Newrez Underwriting Guide.
- Released agency announcements which will be published in Newrez Underwriting Guide, October 30, 2023
- Summary of updated product releases or overlay updates.

Please use this announcement as guidance until all applicable underwriting guides are published.

Conventional Conforming Updates

Freddie Mac Minimum Credit Score Requirements

The minimum credit score of 580 is permitted with an LPA accept eligible. LPMI products and CHOICEHome still require a minimum 620. The Conventional Conforming Product Summary have been updated.

Chapter 1D Property Types

Modified Manufactured Home Condominium eligibility to reflect overlay:

- Manufactured home condominiums must be Fannie Mae PERS approved.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1D, Property Types, 1D.1(i)(i) Manufactured Housing Eligibility

Chapter 1I Employment and Income

Updated following for loans closed with LPA decision:

- IRS extension to include form 7004 as evidence of tax filing.
- Identified receipt of business tax transcripts are needed confirming no transcript available for 2022 when business returns are required.
- Removed income documentation requirement for Union Workers to obtain 2 years tax returns. (Freddie Mac only)

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1I, Employment and Income in following sections:

- 1I.1(h) Allowable Age of Individual Tax Returns
- 1I.13 (kk) Union Workers

Chapter 1J Appraisal Requirements

Added Proposed Construction to Ineligible grid for ACE + PDR Chart - LPA transactions.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1J, Appraisal Requirements, 1J.4(h) Value Acceptance + Property Data (DU) + PDR (LPA)

Government Underwriting Updates

VA

Chapter 3F Credit

Updated Significant Derogatory Credit Foreclosure requirements if foreclosure was finalized within the last 1 to 2 years to align with VA guidelines.

Complete guidelines can be found in the VA Underwriting Guide, Chapter 3F, Credit, 3F.8(a) Waiting Period Requirements

Policy Updates

Escrow Holdback Policy

The USDA policy is updated to permit a borrower to complete interior or exterior non-structural repairs on an existing dwelling without the assistance of a contractor.

Complete guidelines can be found in:

- Underwriting Guide, CH 8A Escrow Holdback Policy, USDA, 8A.7(a) Establishing an Escrow

Power of Attorney Policy

- The Policy has been updated to clarify that a Power of Attorney (POA) executed outside the United States must be:
 - Signed in a United States Military Base or
 - Signed in the United States Embassy in the foreign country where the POA is being signed.
- Removed statement for VA transactions stating a power of attorney may not be used for cash out refinance transactions unless it is required due to the Veteran-borrower being on active duty.

Complete guidelines can be found in Chapter 9A.8 Power of Attorney Policy.

Agency Announcements

Freddie Mac Bulletin [2023-18](#) and Fannie Mae [SEL-2023-08](#) were both released on September 6, 2023 and Newrez is aligning with the following topics below.

Freddie Mac Bulletin [2023-18](#)

All Student Loans

- An amount greater than \$0 must be included in the DTI ratio including loans with income-driven repayment plans. Additionally, when the credit report payment reflects zero, use of other documentation in loan file is permitted to determine the amount to be included in the DTI ratio.
- Student loans with Income Driven Repayment Plans, effective October 30, 2023:
 - Guidelines have been added for student loans in income driven repayment plans where documentation in the file indicates that the borrower must recertify their income and/or that the borrower's payment will increase prior to or on the first mortgage payment due date. In those instances, the DTI must include a payment that is:
 - The greater of the current payment of 0.50% of the outstanding loan balance or
 - The documented future payment amount if greater than the current payment or
 - The future payment amount that is less than or equal to the current payment, provided that the file contains documentation that the borrower has recertified their income and the future payment amount has been approved.

LPA feedback messages for these requirements will be updated in the future.

Newrez Underwriting Guide, Chapter 1H Liabilities and Debt ratios will be updated with this information.

No Cash Out Mortgages

- Proceeds from a no-cash out refinance have been updated to identify the payoff of the first mortgage may include:
 - A balance deferred under a loss mitigation plan and
 - Any costs or fees associated with the satisfaction and release of the first mortgage which would include late fees and prepayment penalties.

Cash-out refinance Mortgages

- Title held by a limited liability company or a limited partnership, will require the transfer of title into the Borrower's name to be completed **on** or before the Note date, and
- The seasoning requirement of 12 months for the first lien mortgage being paid off with proceeds does not apply to:
 - Construction Conversion or
 - Manufactured home is being converted to legally classified real property under state law.

Newrez Underwriting Guide, Chapter 1B, Transaction Types will be updated with this information.

Manufactured homes – Title Seasoning

For cash out refinance transactions secured by a manufactured home, the following seasoning timelines are required:

- If loan proceeds are paying off a mortgage, borrower must have owned both the land and manufactured home for 12 months or more prior to the note date.
- If property is owned free and clear, and one borrower has been on title for at least 6 months prior to the note date.

LPA feedback messages for these requirements will be updated in the future.

Newrez Underwriting Guide, Chapter 1D, Property Types will be updated with this information.

Fannie Mae Announcement [SEL-2023-08](#)

Unless otherwise noted, underwriting guidelines below are effective immediately and the Newrez Underwriting Guide will be updated to reflect these changes with the October 30, 2023 release.

Gift Funds and Gifts of Equity

Updated guidelines to allow an acceptable donor who is also the seller of the subject property to be eligible if they are not affiliated with another interested party to the transaction.

Gift funds may also be donated from an estate of an acceptable donor or a trust established from an acceptable donor.

Newrez Underwriting Guide, Chapter 1G, Assets, will be updated with this information.

Trust Income

Trust funds used for downpayment, closing costs or reserves must be subtracted from the total funds to determine if the income meets the Continuity of Income Requirements.

Identifying the treatment of variable and fixed trust payments:

- Variable trust payments require a minimum of 24-month history of receipt and must be documented with two years of tax returns.
- Fixed trust payments require a minimum of 12-month history of receipt or longer to be considered stable monthly income. If a borrower is unable to document a 12-month history, the following requirements must be met:
 - Trust documentation reflects fixed payments,
 - The borrower is not the grantor of the trust, and
 - At least one payment must be received prior to loan closing.

In either case, the file must contain proof of current receipt of the income and documented with a current bank statement or equivalent documentation.

If addition, when eligible employment related assets are liquidated and placed in a trust within 12 months of the loan’s application date, must comply with Employment Related Assets for Loan Qualifying.

Newrez Underwriting Guide, Chapter 11, Employment and Income will be updated with this information.

3D Printed Homes

3D Printed homes are not an eligible property type and remain ineligible as reflected on the Overlay matrix.

Below is a summary of previously announced updates that have been incorporated into the Newrez Underwriting Guide.

Newrez Guide	Topic	Newrez Announcement	Agency Announcement
1E.4(b) Validation Components and Documentation Requirements	LPA Asset and Income Modeler (AIM)	2023-65	Freddie Mac Bulletin 2023-16
1H.4(h) Federal Income Tax Installment Agreements	IRS installment agreements pending IRS approval	2023-65	Freddie Mac Bulletin 2023-16
1I13(a) Alimony and Child Support Income	Expanded documentation for verification of alimony, child support or separate maintenance income	2023-65	Freddie Mac Bulletin 2023-16

Product Profile and Overlay Matrix Releases

- **Product Profiles Releases**
 - **Overlay Matrix Update**
 - Manufactured condominiums require Fannie Mae PERS approval
 - For USDA transactions, borrower is not permitted to complete interior or exterior repairs on an existing dwelling.
 - Minimum conforming credit score requirement is 580.
-

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](#).