

Newrez Announcements



Announcement 2023-081 Underwriting Guideline Updates – Conforming Loans

November 30, 2023

Newrez LLC "Newrez" Approved Correspondent Clients; this announcement contains the following information:

- Most recent agency announcements, effective immediately for all loans in the pipeline, unless otherwise noted.
- Clarifications and/or corrections to the Newrez Guides as of 11.30.2023
- This memo also includes a summary of:
 - Previously announced guidelines have now been incorporated into the Newrez Underwriting Guide.
 - Updates to the Product Summaries and/or Overlay Matrix.

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

Agency Announcements

Freddie Mac Bulletin [2023-22](#) and Fannie Mae [SEL 2023-10](#) were both released on November 1, 2023 and Newrez is aligning with the following topics below.

Freddie Mac Bulletin [2023-22](#)

Unless otherwise noted, underwriting guidelines below are effective immediately and the Newrez Underwriting Guide reflects these changes with the November 30, 2023, release.

Timeshare Obligations

- Timeshare loans are considered installment debt and timeshare loans are not considered housing payments, regardless of how they are reported on a credit report (e.g. as a mortgage).
- Timeshare loans in foreclosure are not applicable for foreclosure recovery time periods for reestablishment of credit.
- Timeshare maintenance fees are not required to be included in the DTI and timeshare ownership is not considered an ownership interest in residential property.

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 1F.7 Housing Payment History, Chapter 1H Liabilities and Debt Ratios, 1H.4(K) Installment Debt and Chapter 10 Glossary.

Income Updates

Written Income Analysis

As a reminder and best practice, Freddie Mac emphasizes the importance of documenting the income analysis and calculations (income worksheet) which may aid in any future secondary reviews.

All Newrez Clients can access an income worksheet under Job Aids on the Newrez Correspondent website via <https://www.newrezcorrespondent.com/> or the Correspondent Client can utilize other valid income worksheets.

Fluctuating Earnings

Freddie Mac has expanded the 12-month minimum employment history for fluctuating hourly earnings to permit prior salaried employment in a similar industry or job type that had an income level consistent with the current income level based on the income trend analysis. The required minimum 12-month history must be derived from either:

- Current fluctuating hourly employment, or
- A combination of current and prior fluctuating hourly employment, or
- A combination of current fluctuating hourly employment and prior salaried employment in a similar industry or job type that had an income level consistent with the current income level.
- Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 11, Employment and Income, 11.3(b) Base Pay (Salary or Hourly)

Employment Income History, Earnings Types and Income Calculation Specificity Updates.

Updates for general requirements and guidance with employed income calculations and fluctuating employment earnings calculation methods and trend analysis, will be effective December 30, 2023. The Newrez Underwriting Guide will be updated at that time.

Unacceptable Appraisal Practices

For mortgage applications dated on or after January 30, 2024, the list of unacceptable appraisal practices have been expanded to include the following:

- Provide “working class” and “inner city” as examples of terminology that could indicate underlying bias
- Inclusion of statements, references or comparisons to crime rates or statistics, in the analysis or appraisal report
- Confirm the scope of work for some appraisals do not require a personal inspection of comparable properties
- Development of opinion of value based on factors from local, state, or federal law designates as discriminatory is unacceptable.

Complete guides can be found in the Newrez Underwriting Guide Chapter 1J.2

Unacceptable Appraisal Practices

Fannie Mae Announcement [SEL 2023-10](#)

Fannie Mae announced updates to the following:

Employment Offers or Contracts (Future Employment)

Fannie Mae DU options 1 and 2 for future employment remains ineligible as reflected on the Overlay Matrix.

Shared Appreciation

Shared appreciation remains ineligible as reflected on the Overlay Matrix.

Newrez Underwriting Guide Updates

Conventional Updates

Chapter 1H Liabilities and Debt

- For Freddie Mac LPA loan student loans added following to identify monthly payment. If the monthly payment reported on credit report is 0%, use .5% of the outstanding balance as reported on credit report.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1H, Liabilities and Debt, 1H.4(t) Student Loans

Chapter 1I Employment and Income

- Clarified if DU validates income, not required to determine if borrower is employed by a family member or interested party to the property sale or purchase.
- Removed reference to status of income for non-taxable income documents.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1I, Employment and Income, 1I.1(J) When Tax returns are Required

Chapter 1J Appraisal Requirements

Identified for LPA transactions, rental income from an illegal ADU may not be used for loan qualification. .

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1J, Appraisal Requirements, 1J.7 (I)(ix) Accessory Dwelling Units (ADU)

Prior Agency Announcements

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

Newrez Guide	Topic	Newrez Announcement	Agency Announcement
1I.12 (b) Rental Income Primary Residence w/ an ADU	Documentation for Rate & Term refinance Lease Agreements	2023-76	Freddie Mac Bulletin 2023-19
1I.12 (d) Partial or No History of Rental Income	Documentation requirements for receipt of 2 months payments	2023-76	Freddie Mac Bulletin 2023-19
1J.4 (b) Desktop Appraisal	Mixed Use properties are not eligible	2023-76	Freddie Mac Bulletin 2023-19
1D.1(i)(i) Manufactured Housing	Manufactured Housing Eligibility	2023-76	Fannie Mae SEL 2023-09
1I.4(a) Self Employed Income	Verification of Self Employed Income	2023-76	Fannie Mae SEL 2023-09
1J.4(a) Appraisal report Forms	Value Acceptance + Property Data	2023-76	Fannie Mae SEL 2023-09

Product Profile Releases and Overlay Matrix Updates

- **Product Profiles Releases** – n/a
 - **Overlay Matrix Update** – n/a
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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

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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](#).