

Newrez Announcements



Announcement 2023-088

Underwriting Guideline Updates - Conforming and Government

December 28, 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 effective immediately
- This memo also includes a summary of:
 - Previously announced guidelines that 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 [2023-24](#) released December 6, 2023, Fannie Mae [LL-2023-09](#) released November 28, 2023 and [SEL-2023-11](#) released on December 13, 2023.

2024 Conforming Loan Limits: Refer to Newrez Announcement 2023-83 previously issued for details.

10 Day Pre-Closing Verification Updates

Use of alternatives to the VVOE is currently under review. Additional guidance will be provided at a later date.

Cash-Out Refinance Transactions

A requirement has been added that all borrowers must occupy the property for cash out refinance transactions when it is secured by a primary residence. This applies to all loans purchased by Newrez on or after February 15, 2024.

Newrez Underwriting Guide, Chapter 1B Transaction Types has been updated with this information.

Market Condition Adjustments

Content added to identify acceptable data sources that may be used to support market condition adjustments. In addition to market date (comparable listings and pending or closed sales) other acceptable sources could include but are not limited to:

- Home price indices
- Multiple listing services
- Public records
- Commercial services

Newrez Underwriting Guide, Chapter 1J Appraisal Requirements has been updated with this information.

Condominium Unit Mortgage Webpage

Freddie Mac will provide additional details on their Condominium Unit Mortgage webpage by February 26, 2023, to detail how an authorized representative of an HOA may contact Freddie Mac to inquire:

- Whether a project has received a “Not Eligible” status, and/or
- How to appeal a “Not Eligible” status.

GreenChoice Mortgages

GreenChoice mortgages remain ineligible as reflected on the Overlay Matrix.

Shared Equity Homeownership Programs

Shared equity remains ineligible as reflected on the Overlay Matrix.

Community Land Trust Mortgages

Community Land Trust properties remain ineligible as reflected on the Overlay Matrix.

eMortgages and Remote Online Notarization

Newrez does not permit eMortgages and remote Online Notarization.

Fannie Mae [LL-2023-09](#)

2024 Conforming Loan Limits: Refer to Newrez Announcement 2023-83 previously issued for details.

Fannie Mae Announcement [SEL 2023-11](#)

Unless otherwise noted, underwriting guidelines below are effective immediately and the Newrez Underwriting Guide will be updated to reflect these changes with the January 2024 release.

Income Calculator

- Fannie Mae has introduced a new tool to assist with determining monthly qualifying income for self-employed borrowers.
- Use of this underwriting tool is currently under review by Newrez and we will provide additional guidance at a later date.
- For more information, refer to Fannie Mae's Income Calculator website [Income calculator](#)

Verification of Employment Alternatives

Use of alternatives to the VVOE is currently under review. Additional guidance will be provided at a later date.

Restricted Stock Units and Restricted Stock

This income has been added as eligible sources and may be used as qualifying income. To be considered, the restricted stock must have vested and been distributed to the borrower without restrictions. Guidelines for history of receipt can vary depending if income is performance-based awards or time-based awards.

All of the following must be documented:

- Evidence the stock is publicly traded;
- The current vesting schedule identifying past and future vesting;
- A brokerage or bank statement showing receipt of the distribution from the previous year(s) and, at a minimum, the number of vested shares or the cash equivalent;
- A completed VOE (Form 1005) that reflects distributions, or the borrower's most recent paystub showing receipt of the income; and
- The borrower's IRS W-2 forms for the most recent two-year period.

The restricted stock income calculation method will vary if the income is received in the form of shares or cash and the length of time the borrower has been receiving compensation.

Nontaxable Income Adjustments

Before grossing up income to qualify, documentation must be provided to support that the income is non-taxable. Clarification provided that additional documentation to support that the income is nontaxable is not required for the following:

- Child Support: the full amount of qualifying child support income is non-taxable and can be grossed up according to guidelines.
- Social Security Income:—15% of the total social security income is always non-taxable and can be grossed up according to guidelines

Newrez Underwriting Guide 1I Employment and Income, will be updated with this information.

Shared Equity Program List

Shared appreciation remains ineligible as reflected on the Overlay Matrix.

Sale of Mortgages and Remote Online Notarization

Newrez does not permit eMortgages or remote online notarization.

Newrez Operations Guide has been updated to reflect this.

Attorney Title Opinion Letters

Attorney Opinion Letters are not acceptable for all transactions

Newrez Underwriting Guide Updates

Chapter 1B Underwriting

Updated Non-Arm's Length transaction to identify if the seller is a corporation, partnership, or any other business entity, ensure the borrower is not an owner of the business entity selling the subject property. This is also same content as shown in Ch 1J.6:

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1B, Transactions, 1B.1(b) Non- Arm Length Transactions

Chapter 1F Credit

- Removed requirements stating all borrowers must have a credit score in Selection of Credit Score section.
- Clarified for Delinquent Credit – Past Due Accounts: Follow LPA for Freddie Mac LPA loans.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1F, Credit, in following sections:

- 1F.4 (a) Selection of Credit Scores
- 1F.8 (c) Delinquent Credit

Chapter 1I Employment and Income

Identified requirements for Amended tax returns filed prior to or after the application date are an overlay

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1I, Employment and Income, 1I.1(g) Tax Returns

Chapter 1J Appraisal Requirements

Updated ACE+ PDR requirements with following:

- Removed cash out refinance as eligible for ACE
- Identified the following for ACE + PDR Reports:
 - The ACE + PDR report cannot be more than 120 days old as of the note date.
 - The PDR effective date may be no more than 12 months prior to note date.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1J, Appraisal Requirements, in following sections:

- 1J.4(g) Value Acceptance (Appraisal Waiver) and ACE (Automated Collateral Valuation)
- 1J.4(h) Value Acceptance+ Property Data(DU) and ACE + PDR (LPA)

FHA Updates

Chapter 2F Credit

Removed requirement stating all borrowers must have a credit score in Selection of Credit Scores.

Complete guidelines can be found in the FHA Underwriting Guide Chapter 2F, Credit, 2F.4(a) Selection of Credit Scores

Chapter 2G Assets

Removed overlay and clarified Business funds/assets may be used to support both Borrower's MRI and reserves.

Complete guidelines can be found in the FHA Underwriting Guide Chapter 2G, Assets, 2G.4(b) Business Funds

Chapter 2I Employment and Income

- Identified requirements for Amended tax returns filed prior to or after the application date are an overlay.
- Updated Alimony Payments for Court Ordered Payments to reflect:
 - If the payments have not been consistently received for the most recent three (3) months, the average of the income from the prior 2 years must be developed for effective income.
 - Additional guidelines updated for both court ordered or voluntary payments, including Alimony, Child Support or Maintenance Income have been received for less than two years:
 - The average, over the time of receipt, must be used as effective income (when having less than a 24 month average history is documented).

Complete guidelines can be found in the FHA Underwriting Guide Chapter 2I, Employment and Income in the following sections:

- 2I.1(g) Tax returns
- 2I.6(a) Alimony and Child Support Payments

VA

Chapter 3F Credit

Removed requirement stating all borrowers must have a credit score in Selection of Credit Scores.

Complete guidelines can be found in the VA Underwriting Guide, Chapter 3F, Credit, 3F.4 (a) Selection

Chapter 3I Employment and Income

Identified requirements for Amended tax returns filed prior to or after the application date are an overlay.

Complete guidelines can be found in the VA Underwriting Guide, Chapter 3I, Credit, 3I.1(g) Tax Returns

USDA

Chapter 4C Financing

Clarified the executed temporary buydown agreement must be retained in loan file.

Complete guidelines can be found in the USDA Underwriting Guide, Chapter 4C, Financing, 4C.3(a) Buydown Agreement

Chapter 4F Credit

Removed requirement stating all borrowers must have a credit score in Selection of Credit Scores.

Complete guidelines can be found in the USDA Underwriting Guide, Chapter 4F, Credit, 4F.3 Selection and Validation of Credit Scores

Chapter 4H Liabilities and Debt Ratios

Clarified following per USDA Notice:

- Documents must be provided to support a payment amount used for the Total Debt Ratio that is different than what is reflected on the credit report.
- If a balloon or deferred payment is due within 12 months of note date, the underwriter must evaluate complete loan application to support borrower's repayment ability.

Complete guidelines can be found in the USDA Underwriting Guide, Chapter 4H, Liabilities and Debt Ratios in following sections:

- 4H.3 Debt to Income Ratios
- 4H.4(d) Ballon or Deferred Payments

Chapter 4I Employment and Income

Identified requirements for Amended tax returns filed prior to or after the application date are an overlay.

Complete guidelines can be found in the USDA Underwriting Guide, Chapter 4I, Employment and Income. 4I.1(g) Tax Returns

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
11.3 (o)	Income Reported in IRS Form 1099	2023-81	Freddie Mac Bulletin 2023-22
11.3(b) Base Pay	Fluctuating Income – LPA transactions	2023-81	Freddie Mac Bulletin 2023-22
11.4 Self Employed Income	Self-employed income less than 2 years	2023-76	Fannie Mae SEL 2023-09
11.11(d) Calculating Monthly Qualifying Rental Income or Loss	Expanded chart to include rental income from subj. or non-subj property	2023-76	Fannie Mae SEL 2023-09

Product Profile Releases and Overlay Matrix Updates

Product Profiles Releases

- Updated Conforming product Summary to identify LPA transactions do not permit Cash Out refinances secured by a primary residence.

Overlay Matrix Updates

- Requirements for Amended tax returns filed prior to or after the application date have been added to the Overlay matrix for:
 - Conforming
 - FHA
 - VA
 - USDA
- Maximum loan amounts for USDA financing have been increased to:
 - Maximum \$766,550 loan amount for Continental U.S.
 - Maximum \$1,148,825 loan amount for Hawaii
- Manufactured Housing for Conforming loans identifies:
 - A manufactured home is ineligible with deed restrictions or leasehold unless PERS approved CONDO or PUD Project (DU)
 - A manufactured home is ineligible with Leasehold (LPA)
- Removed overlay for FHA transactions when Business Assets are being used for Non-Delegated Correspondent transactions.

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](https://www.newrez.com/newrezcorrespondent)

Newrez Operations 877-700-4622

Newrez 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](#).