

Newrez Announcements



Announcement 2022-089 **Underwriting Guideline Updates** **November 30, 2022**

Overview

Newrez LLC "Newrez" Approved Correspondent Clients; effective immediately, for all loans in pipeline, updates have been made as a result of Freddie Mac Bulletin [2022-23](#) and FHA Mortgagee Letter [2022-17](#). In addition, other miscellaneous guideline updates have been made.

The following updates align with Freddie Mac Bulletin [2022-23](#):

- LPA Credit Assessment Enhancement
- Credit Card Cash Reward Points

Newrez does not allow the following and therefore will not update per Freddie Mac 2022-23:

- Community Land Trusts

The following update aligns with FHA Mortgagee Letter [2022-17](#)

- Positive Rental Payment History Using TOTAL Mortgage Scorecard
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LPA Credit Assessment Enhancement

LPA will now consider the borrower's history of managing their finances outside of traditional credit reporting and automated underwriting. The assessment will identify transaction patterns and changes in borrower's bank accounts. If a positive cash flow is identified through asset verification, it may impact the assessment and upgrade Risk Class from Caution to Accept. This feature will provide opportunities to qualify more borrowers through LPA.

The following is needed to use this feature:

- At least one (1) borrower must have a usable credit score as determined by LPA; and
 - At least 12 months of account data is transmitted to LPA.
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Credit Card Reward Points

Credit card reward points are an eligible source of funds for the borrower when the points are redeemed for cash. The following must be obtained when the funds are not yet deposited in the borrower's account:

- Evidence of the borrower's ownership of the reward points and the cash value; and
- Evidence the reward points are redeemed for cash prior to closing, which may be a direct transfer of the cash to the settlement or closing agent.

If reward points were redeemed for cash and deposited in borrower's account prior to closing, follow guidelines posted Conventional Underwriting Guidelines, Chapter 1G Assets, 1G.4(g) Credit Card Reward Points.

FHA Positive Rental Payment History

Newrez is aligning with FHA Mortgagee Letter ML [2022-17](#), Positive Rental Payment History.

A loan may be submitted to TOTAL indicating a Positive Rental Payment History for the following:

- Purchase transaction;
- At least one (1) borrower is a first-time homebuyer;
- Borrower has a minimum 620 credit score; and
- At least one (1) borrower has a satisfactory 12-month rental payment history with a monthly payment of at least \$300

A copy of executed rental or lease agreement is required and one (1) of the following:

- 12 months canceled rent checks;
- 12 months bank or payment service statements documenting rent paid;
- Landlord reference from a rental management company; or
- Written verification of rent from a landlord with no identity of interest. If the borrower is renting from a family member, the following is required:
 - Copy of executed rental or lease agreement; and
 - 12 months canceled checks or bank statements with satisfactory rental payment history.

Chapter 2F Credit 2F.7 (a) Positive Rental Payment History Using TOTAL Mortgage Scorecard has been updated with this information.

Underwriting Guide Updates and Clarifications

The following clarifications have been made and are effective immediately.

Topic and Chapter	Guideline Update or Clarification
Conventional Underwriting Guideline Updates	
Chapter 1A Eligibility 11.8(c) Non-Permanent Resident Alien	R-1 Temporary Religious Worker: No longer requires an Employment Authorization Document (EAD).
Chapter 1A Eligibility	<ul style="list-style-type: none">• Added Eligible Providers of Homeownership Education Providers for Fannie Mae DU and Freddie Mac LPA.

11.10(f)(i) Homeownership Education and Housing Counseling Options	<ul style="list-style-type: none"> This information will be removed from the applicable Product Summaries in a future release.
Chapter 1C Financing 1C.3(b) Terms of the Buydown	Updated the terms of the buydown to allow for a buydown period not greater than 36 months.
Chapter 1C Financing 1C.3(c) Buydown Account and Funds	<p>Clarified that the buydown may be funded by any of the following:</p> <ul style="list-style-type: none"> The seller; The Client (not Newrez); Borrower (must come from borrower's own funds and assets must be documented); or Any other interested party.
Chapter 1C Financing 1C.4 Community Seconds 1C.5 Affordable Seconds	<ul style="list-style-type: none"> Eliminated Provider's Share in Appreciation in Value (Equity Sharing) The Overlay Matrix will be updated.
Chapter 1D Property Types 1D.1(h)(i) Manufactured Housing Eligibility	<ul style="list-style-type: none"> Removed the requirement that the manufactured home must be classified and titled as real estate <i>at application</i>. The manufactured home and land must be titled as real estate. The title agent will initiate the process to convert the property to real property.
Chapter 1G Assets 1G.4(h) Credit Card Reward Points	Added the requirement that the file must contain evidence of the borrower's ownership of the reward points and their cash value.
Chapter 1G Assets 1G.4(k) Gift Funds	Clarified that gift funds are permitted for a primary residence and second home. Gift funds are not permitted on an investment property.
FHA Underwriting Guideline Updates	
Chapter 2A Eligibility 2A.5 Credit Alert Interactive Voice Response System (CAIVRS)	Added CAIVRS information to the Eligibility chapter
Chapter 2A Eligibility 2A.10 Document Age	<p>The appraisal validity period is being clarified to identify case number assignment date:</p> <ul style="list-style-type: none"> The appraisal validity period is 180 days for case numbers assigned on or after June 1, 2022. Case numbers assigned prior to June 1, 2022 appraisal validity period is 120 days.

Chapter 2B Transactions 2B.12 Solar and Wind Technologies (Delegated Clients Only)	Removed 203(h) as eligible program type for Solar and Wind Technologies.
Chapter 2C Financing 2C.3 Temporary Interest Rate Buydowns	<p>Clarified that the buydown funds may come from any of the following:</p> <ul style="list-style-type: none"> • The seller; • The Client (not Newrez); • The borrower (must come from borrower’s own funds and assets must be documented); or • Any other interested party.
Chapter 2F Credit	<p>Clarified waiting periods for:</p> <ul style="list-style-type: none"> • Significant derogatory credit event. • Manual underwrite/downgrade due to credit event examples.
Chapter 2I Employment and Income 2I.3 Base Pay, Bonus, Overtime, Commission, and Tip Income and other applicable sections	<p>Added Tip Income to Base Pay, Bonus, Overtime section and updated with the following requirements: Follow TOTAL or obtain one (1) of the following:</p> <ul style="list-style-type: none"> • Most recent paystub and a completed Written Verification of Employment or Direct, Third-Party Verification (TPV); or • Most recent year-to-date paystub(s) and two (2) years’ W-2s.
Chapter 2I Employment and Income 2I.6(f) Disability Benefits	<p>Clarified guidelines by disability type:</p> <ul style="list-style-type: none"> • Social Security Disability • VA Disability • Private Disability
Chapter 2I Employment and Income 2I6(i) Expected Income	<p>Update guidelines to reflect that the employer must verify and document the existence and amount of expected income, in writing, and that it is guaranteed to begin within 60 days of the Note date and for expected retirement income, verify the amount and that it is guaranteed to being within 60 days of the Note date.</p>
Chapter 2I Employment and Income 2I.6(j) Foreign Income Earned by a U.S. Citizen	<p>Income from a foreign source is acceptable when:</p> <ul style="list-style-type: none"> • The income is reported on the borrower’s most recent (2) years’ individual income tax returns; and • Income paid in foreign currency must be converted into U.S. currency and deposited into a U.S. or State regulated financial institution. • Use standard income documentation based on the source and income type.

<p>Chapter 2I Employment and Income 2I.6(v) Temporary Help Services</p>	<p>Follow TOTAL or obtain one (1) of the following:</p> <ul style="list-style-type: none"> • Most recent paystub and a completed Written Verification of Employment or Direct, Third-Party Verification (TPV); or • Most recent year-to-date paystub(s) and two (2) years' W-2s.
<p>VA Underwriting Eligibility Guidelines</p>	
<p>Chapter 3A Eligibility 3A.15(a) Joint Loans Occupancy Requirements</p>	<p>Added clarification that any borrower on a joint loan who does not use entitlement for the loan (such as a non-Veteran), does not have to intend to occupy the property.</p>
<p>Chapter 3B Transactions 3B.6 Installment Land Contracts</p>	<ul style="list-style-type: none"> • Clarified that an installment land contract may be considered a purchase (contract must be recorded) or refinance transaction. • Updated the maximum loan amount calculation.
<p>Chapter 3C Financing 3C.3 Temporary Interest Rate Buydown</p>	<p>Clarified that the buydown funds may come from any of the following:</p> <ul style="list-style-type: none"> • The seller; • The Client (not Newrez); • The borrower (must come from borrower's own funds and assets must be documented); or • Any other interested party.
<p>USDA Transactions</p>	
<p>Chapter 4C Financing 4C.3 Temporary Interest Rate Buydowns</p>	<p>Buydown funds may come from:</p> <ul style="list-style-type: none"> • The seller; • The Client (not Newrez); or • Any other interested party. <p>The borrower may not provide the buydown funds.</p>

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

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