

# Newrez Announcements



## **Announcement 2025-015 Underwriting Guideline Updates – Conforming Loans**

**February 27, 2025**

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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 February 27, 2025.
- 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

Unless otherwise noted, underwriting guidelines below are effective immediately and the Newrez Underwriting Guide reflects these changes with the February 27, 2025 release.

### Freddie Mac Bulletin [2025-1](#)

As of February 24<sup>th</sup>, eligibility for automated collateral evaluation (ACE) and ACE + PDR for LPA submissions and resubmissions has been expanded to permit:

#### **ACE**

- An ACE appraisal waiver offer may be accepted when adverse physical property conditions are minor.
- If a PDR (Property Data Report) has been obtained, the ACE Appraisal waiver may not be accepted.
- For Purchase transactions of a Primary residence or Second Home LTV/TLTV has increased to maximum 90% LTV/TLTV from previous 80% LTV/TLTV.

#### **ACE+ PDR**

- For Purchase transactions for a primary residence or second home, the maximum LTV/TLTV ratio is based on mortgage product/ program limits

#### **ACE or ACE+ PDR Appraisals**

- Texas 50(f)(2) mortgages are not eligible for ACE or ACE + PDR

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

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

## Rental Income

The requirements for use of rental income from a non-subject investment property or a 2-4 unit primary residence purchased or placed in service in the current calendar year have been updated as shown in chart below:

<b>Non-subject Investment Property or 2-4 Unit Primary Residence Purchased or Placed in Service in the Current Calendar Year</b>	
<b><u>Previous Requirement</u></b>	<b><u>Updated Requirements</u></b>
<ul style="list-style-type: none"> <li>• The lease must be used to determine the net rental income</li> <li>• If the property is not yet rented and the lease is not available, rental income may not be used to qualify.</li> </ul>	<p>The lease, <i>if available</i>, must be used to determine the net rental income.</p> <p>For a Non-Subject Investment Property</p> <ul style="list-style-type: none"> <li>• Guide Form 72, Small Residential Income Appraisal Report, or Form 1000, Single Family Comparable Rent Schedule, as applicable, may be used to document and calculate rental income when all of the following apply:               <ul style="list-style-type: none"> <li>○ Property was purchased on or up to 45 days before the Note Date of the subject transaction</li> <li>○ Lease is not available because the property is not yet rented</li> <li>○ Each borrower currently owns or rents a primary residence</li> <li>○ Net rental income is used only to offset the monthly payment, unless at least one borrower has a</li> </ul> </li> </ul>

	<p>minimum of one year of investment property management experience</p>
	<p><b><u>For a Non-subject 2-4 Unit Primary Residence</u></b></p> <ul style="list-style-type: none"> <li>• Form 72 may be used to document and calculate rental income when all of the following apply: <ul style="list-style-type: none"> <li>○ Property was purchased on or up to 45 days prior to the Note Date of the subject transaction</li> <li>○ Lease is not available because the property is not yet rented</li> </ul> </li> </ul>

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 11 Employment and Income, 11,12 (d) Partial of No History of Receiving Rental Income on Tax returns

**Rent Payment History Enhancement**

- Not eligible with Newrez. This has been added to the Overlay matrix.

**Note: The following updates will be released at future dates in the Newrez Underwriting Guide**

**Hybrid Appraisal Expansion**

Hybrid appraisals will no longer be limited to instances when an ACE + PDR must be upgraded to an appraisal.

Effective for LPA submissions and resubmission on or after April 7, 2025, hybrid appraisal eligibility has been expanded and a hybrid appraisal may be completed for the following property types:

- 1-unit properties, including PUDs or with an ADU and
- Condominium units, attached and detached

Hybrid appraisals will also be available for all transaction types (i.e., purchases, no-cash-out and cash-out refinance transactions).

**Property Eligibility**

Effective with application received dates on or after May 6, 2025, the appraisal requirements will include the following:

- Require that if detrimental conditions exist on the subject property site, the appraisal report must be completed “subject to” an inspection by a professional, and must file must include:
  - Evidence of the required repair, or
  - An inspection report that indicates the condition does not require repair
- Additional examples of deficiencies that indicate the property is in C5 or C6 condition
- Additional examples of minor repairs or deficiencies that allow an appraisal report to be completed “as is.”

## **Documentation Requirements for Verification of Completion**

Effective with application received dates on or after May 6, 2025, the file must contain the following, when an appraisal is completed “subject to” an inspection:

- The inspection report evidencing that the inspector has determined no repairs were required, or
- The inspection report and an invoice evidencing that all inspector required repairs have been completed.

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### **Fannie Mae Announcement [SEL-2025-01](#)**

Fannie Mae announced policy updates for January 11, 2025 for (DU) version 12.0 updates:

#### **Cash Flow Assessment with Bank statements**

- **DU 12.0:** Cash flow assessment will be completed for certain loan casefiles when a 12-month asset verification report is submitted regardless if the borrower has a credit score.
  - If using DU 11.0 Cash flow assessment completed where no borrower has a credit score.

#### **Positive Rent Payment History**

- **DU 12.0:** Rent Payment history evaluation was expanded to include certain additional borrowers paying rent, even if the borrower has had ownership interest in another property in the last three years.
- For certain casefiles, DU can consider a borrower’s rent payment history on a credit report, in addition to a 12-month third-party asset verification report.
  - With this update, borrowers are no longer required to have a credit score and must meet one of the following requirements:
    - Not have a mortgage or second lien appearing on their credit report,
    - Has no credit score, or
    - Have a limited credit history.

- **If using DU 11.0:** Positive rent payment history is only considered using a 12-month asset verification report for first time homebuyers purchasing a principal residence and require the borrower to have a credit score.

**Borrowers with Non-Traditional Credit**

**No Borrower has a credit score**

- **DU 12.0:** Expanded the types of loans eligible for these borrowers and updated the Selling Guide with the following requirements when

Borrower Credit Profile	Eligibility Requirements Applied
<ul style="list-style-type: none"> <li>● <u>No Borrower has a credit score</u></li> </ul> <p>At <b>least one</b> borrower has a minimum of one reported credit or installment account on their credit report.</p>	<ul style="list-style-type: none"> <li>● No limitations on loan purpose or occupancy. The loan application must meet standard eligibility guidelines.</li> <li>● Borrower’s reported credit will be used to complete risk assessment</li> </ul>
<ul style="list-style-type: none"> <li>● <u>No Borrower has a credit score</u></li> <li>● <b>No borrower has</b> at least one credit account or installment account reported on their credit report</li> </ul>	<ul style="list-style-type: none"> <li>● Property must be:               <ul style="list-style-type: none"> <li>○ a 1 to 4 unit, principal residence, and</li> <li>○ all borrowers <b><i>must</i></b> occupy the property.</li> </ul> </li> <li>● Must be a purchase or limited cash out refinance transaction.</li> <li>● Reserves may be required per DU decision.</li> </ul>

For each borrower without a credit score, nontraditional credit references are required. This may be completed manually or by providing a 12-month asset verification report, and obtaining a cash flow assessment through DU.

- **DU 11:** Only certain transactions are permitted when no borrower on the loan application has a credit score.

## **At least one borrower has no credit score and one borrower has a score**

- **DU 12:** These transactions will no longer be subject to limitations for loan purpose or occupancy and will now be subject to standard eligibility.
  - For these transactions, when the borrower with a credit score is contributing 50% or less of the qualifying income, DU will continue to require a nontraditional credit history for each borrower without a credit score.
    - This can be completed manually or
    - provide a 12-month asset verification report and obtaining a cash flow assessment through DU.
- **DU 11:** When one borrower on the loan application has no credit score and another borrower has a credit score, only certain transactions are permitted i.e. one-unit, principal residences.

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 1F, Credit, 1F.5(b) Number of Nontraditional Credit Sources Required

### **DU Validation Service – Military Income**

Military Income and Military Employment have been added as an eligible income type when using an asset verification report . This update is effective for all casefiles submitted and resubmitted on and after April 4, 2025.

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 1E, Underwriting, 1E.2(h) Validated Components and Documentation Requirements



## **Hybrid Appraisal Expansion**

DU version 12.0 will be updated the weekend of March 22, 2025 to include expanded eligibility for a hybrid appraisal. Loans that are eligible for a hybrid appraisal option will be identified through DU messaging.

The transaction must be a purchase, limited cash-out refinance, or cash-out refinance and include the following:

- Existing one-unit properties, including a condominium or unit in a PUD;
- Principal residence, second home or investment properties;
- Under construction properties;
- Existing properties with incomplete construction or renovation project; and
- Texas 50(a)(6) loans.

Note: Community land trusts, or other properties with resale price restrictions, which include loan casefiles using the Affordable LTV feature may be eligible for a hybrid appraisal option but those transactions are not eligible with Newrez and continue to be shown on the Overlay matrix.

When exercising a hybrid appraisals, there are specific procedures that need to be completed and are listed in this chapter.

- Note: A hybrid appraisal may be obtained, if a loan loses value acceptance + property data eligibility after submitting the property data collection to the Property Data API.
- The property data collection must be obtained in compliance with the Uniform property Dataset and submitted to Fannie Mae's Property Data API prior to loan closing.

The following property and/or transaction types are ineligible for Hybrid Appraisals:

- Two-to Four-Unit, Co-op and manufactured homes;
- Construction to Permanent financing, (Single-Close and Two-Close); or
- Proposed construction properties.

## **Appraisal Attachments**

Requirements were added for a floor plan and Footprint sketch with specific requirements for each including:

- Must be software-generated (not hand drawn) and include:
- All exterior dimensions, all levels of the dwelling, and
- Calculations that demonstrate how the square footage was determined.
- All interior walls, doorways, staircases, exterior ingress/egress, and labels for each room (only required for Floor Plan)

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

- 1J.4(d) Appraisal Attachments
- 1J.5(a) Hybrid Appraisal Eligible Property Types
- 1J.5(b) Exercising a Hybrid Appraisal
- 1J.5 (c) Ineligible Transactions

**Glossary** - Definitions released for Floor Plan and Footprint sketch

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## **Newrez Underwriting Guide Updates**

### **Conventional Updates**

#### **Chapter 1B Transaction Types**

- Updated Owner of record and Chain of Title to identify overlays for:
  - Transactions involving a double escrow are not permitted.
  - Transactions involving any sale or assignment of the sales contract are not permitted.
- Clarified maximum cash back on Rate and Term Refinance transactions applies to the borrower (or any other payee) which is limited to the greater of 1% or the new refinance mortgage or \$2,000 (LPA transactions)

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1B, Transaction Types, in the following sections:

- 1B.1(a) Owner of record and Chain of Title
- 1B.2 (c) Use of Funds

### **Chapter 1F Credit**

Non-Traditional Credit, loan eligibility requirements both for DU and LPA transactions were moved from the Product Profile to the Underwriting Guide.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1F, Credit, 1F.5(b) Number of Nontraditional Credit Sources Required

### **Chapter 1I Employment and Income**

Cannabis Business added to both income sections to identify overlay for employment or ownership is not permitted:

- Other Sources of Income and
- Unacceptable Sources of income

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

- 1I.13(e) Cannabis Business
- 1I.14 Unacceptable Asset Sources

### **Chapter 1J Appraisal Requirements**

Updates have been completed for following Chapters to align with agency guidelines for

- Appraisal Site Requirements
- Comparable Sale Requirements
- Cost Approach Requirements
- Cost Approach to Value

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 11J Appraisal Requirements, in the following sections:

- 1J.8 (q)(iii) Market Conditions Analysis/date of Sale and Time Adjustments
- 1J.8 (u)(i) Manufactured Housing Appraisal Site Requirements
- 1J.8(u)(ii) Manufactured Housing Appraisal Comparable Selection Requirements, Excluding MH Advantage
- 1J.8(u)(iv) Manufactured Housing Appraisal Cost Approach Requirements
- 1J.8(w) Cost Approach to Value
- 1J.8 (x) Income Approach to Value

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## Prior Agency Announcements

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

- n/a

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## Product Profile Releases and Overlay Matrix Updates

### Product Profiles Releases

- n/a

### Overlay Matrix

- Employment Ownership in a Cannabis Business is not permitted
- Owner of Record and Chain of Title
  - Double Escrows not permitted
  - Transactions involving any sale of assignment of the sales contract are not permitted.

## 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](http://Newrezcorrespondent.com)

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