

Newrez Announcements



Announcement 2024-018 Underwriting Guideline Updates – Conforming Loans

April 1, 2024

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 April 1, 2024
- 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 [2024-3](#) and Fannie Mae [SEL-2024-02](#) were *both* released on March 6, 2024 and Newrez is aligning with the following topics below.

Freddie Mac Bulletin [2024-3](#)

Uniform Loan Delivery Dataset (ULDD)

The following have been updated and implemented:

- Bathroom Count
- Property Valuation Amount
- Total Monthly Proposed Housing Expense Amount
- Credit Score Provider Name

The updates to ULDD has a phase 4a effective September 4, 2024 will be for:

- Automated Collateral Evaluation (ACE)
- ACE + PDR – removing J44 code
- ACE + PDR upgrade to hybrid - J44 to be added

Manufactured home

The closing protection letter requirements have been removed for mortgages secured by a manufactured home, except for states where insured closing protection letters are not allowed per State Law or regulations, lenders may still obtain an insured closing protection letter, if desired.

Fannie Mae Announcement [SEL-2024-02](#)

Fannie Mae announced updates to the following:

DU Validation Service

The DU validation service has been expanded to offer an additional report option for validating income and employment. The validation of income and employment can now be completed using an eligible asset verification report as part of the DU validation service. While there are no lender eligibility requirements to use this new functionality, each client/lender must opt-in to participate for this additional service. This service will be available for new casefiles that reference an eligible third-party asset verification report.

- Delegated Clients using their own DU: Enhancement is available as soon as clients opt-in.
- Non-Delegated Clients or Delegated Clients using Newrez DU: Newrez opt-in is pending and this enhancement will be available once finalized.

Employment and income can now be validated using an eligible asset verification report, through the DU Validation service. Each Client must have a relationship with an approved vendor who provides the asset verification report. The asset verification report must be in closed loan file and contain at least 12-months data from the borrower's checking and/or savings account(s) and must be ordered from an approved third-party vendor. Additional information may be obtained from [DU Validation Service Report Vendors & Approved Vendor Tools](#). Use of this option offers relief of enforcement of some representations and warranties that apply to loans with DU validation of income and/or employment.

The following income types are eligible for validation:

- Wage income and employment (non-self-employed): base, bonus, overtime and commission.
- Non-wage income: alimony, child support, disability, pension, social security and VA benefit (non-education).

Income Validation

When the amount of income that has been provided on the DU loan application is supported (and employment is able to be validated for wage income types), DU will issue a message indicating the income is validated and the asset verification report will satisfy the documentation requirements for the validated income. Note that in certain cases, DU finding messages may indicate that additional documentation is required.

Employment Validation

When employment information is supported by the asset account data (and income is able to be calculated by DU), a DU will issue a message indicating the employment is validated.

- This message will provide a “Close by Date”. If the loan closes by the “Close by Date,” the employment validation report satisfies the 10-day VVOE, Verbal Verification of Employment requirements.
- If the loan does not close by the “Close by Date” shown on the report, the 10-day VVOE requirements must be satisfied using one of the current approved methods, or
- A supplemental deposit-based verification report from the same vendor source who provided the initial report may be manually reviewed to satisfy this requirement. If the asset report vendor offers this, a manual review for the employment reverification purpose and asset account details without deposit amounts and account balances; however, relief from reps and warrants will not be offered for this manual verification method.

Note: Supplemental asset reports are not provided by each of the asset report vendors.

Asset Verification Report

The full asset verification report, containing the entirety of the data provided to DU must be retained in the loan file or maintain on-going access to the full report in accordance with Fannie Mae’s Electronic Records, Signatures and Transactions (Selling Guide A2-4.1-03). In either case, an asset verification report reflecting a minimum of 30 days of asset account activity (or 60 days for purchase transactions) must be retained in the loan file.

Quality Control

When income or employment is validated by the DU validation service using an asset verification report, the following applies:

- The pre-funding and post-closing quality control flexibilities related to the DU Validation service apply, and
- Clients/lenders are not required to obtain tax transcripts for a borrower when all of the borrower's income was validated by the DU validation service.

A signed 4506C will be required, if qualifying income was used for loan approval outside of validation service.

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 1E, Underwriting, 1E.2(f) DU Validation Service

Newrez Underwriting Guide Updates

Conventional Updates

Chapter 1A Eligibility

- New section titled, Loans to Trust, identifies eligibility and ineligibility requirements, including:
 - Borrower documentation if property is being removed from a trust to facilitate closing
 - Pre-approval requirements by Newrez legal team for Non-delegated Clients for all trust requests

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1A, Eligibility, 1A.13 Loans to Trust

Chapter 1B Transaction Types

Added clarification to Buyout of an Owner's Interest (Fannie Mae DU loans) that the borrower who acquires sole ownership of the property is limited to incidental cash back of the lesser of 2% of the loan amount or \$2,000.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1B Transaction Types, 1B.5 Buyout of an Owner's Interest

Chapter 1C Financing

Overlay identified: A split buydown is not permitted when the borrower pays for any portion of the funds

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1C Financing, 1C.3 (c) Buydown Account and Funds

Chapter 1G Assets

Gift donors identified for DU transactions as: donor, trustee or authorized representative of the estate.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1G Assets, 1G.3(l) gift Funds

Chapter 1I Employment and Income

Updated calculating rental income for DU and LPA sections to reflect: When multiple sources of statement of documents are provided to reverify income, evaluation must be completed regarding the qualifying rental income, which must be documented in the loan file, typically on the 1008 and Income Calculation Worksheet.

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

- 1I.11 Rental Income – Fannie Mae DU
- 1I.12 (e) Calculating Monthly Qualifying rental Income or Loss

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
11.13(jj) Trust Income	Trust Income	2024-12	Freddie Mac Bulletin 2024-1
11.12(b) Rental Income from a One Unit Primary with an ADU	ADU Rental Income	2023-076	Freddie Mac Bulletin 2023-19

Product Profile Releases and Overlay Matrix Updates

- **Product Profiles Releases**

 - Conforming, HomeReady, Home Possible and BorrowSmart: Nevada Condo and PUD HOA due restrictions (overlays) have been removed.
 - SmartEdge: clarified that loans must be submitted to DU/LPA but loan must be manually underwritten and documented accordingly to the Smart Series Underwriting Guidelines. DU/LPA documentation level cannot be followed.

- **Overlay Matrix Update**

 - Removed Nevada Condo and PUD HOA due restrictions (Profile update as well)
 - Added Fannie Mae Homepath loans which exercise flexibilities for IPCs and/or LLPAs are not eligible.
 - Added Split buydowns are not permitted when the borrower pays for any portion of the funds (no change to existing guideline but added as an overlay to the matrix).
 - Added Purchase Loan Restrictions where loans originated with an agency variance or term of business are ineligible for purchase.

- Removed 4506C requirement when all income is validated through DU Validation Service.
 - When using DU validation service, a complete asset verification report with at least 12 months data must be in the loan file.
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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](https://www.newrez.com/correspondent)

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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](#).