

Newrez Announcements



Announcement 2024-019 Underwriting Guideline Updates – Government

April 1, 2024

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

- Clarifications and/or corrections to the Newrez Guides as of 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.

Newrez Underwriting Guide Updates

FHA Updates

Chapter 2A Eligibility

Loans to Trust procedures moved to opening paragraph from Inter Vivos revocable Trust procedures.

Complete guidelines can be found in the FHA Underwriting Guide, Chapter 2A, Eligibility, 2A.14 Loans to Trusts

Chapter 2C 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, 2C.3 (c) Buydown Account and Funds

Chapter 2F Credit

Manual Underwriting Clarifications completed for following:

- Non-Traditional Credit Titles expanded to include Manual Underwriting for reference.
- Added new section for Evaluating Credit History/Manual Underwriting.
- Expanded Pre-Foreclosure/Short Sale to include examples of extenuating circumstances and documentation required.
- Clarified disputed derogatory credit with more than \$1,000 in debt must have a monthly payment included in the DTI.
- Undisclosed debt was clarified to include the monthly payment amount (regardless of amount) in the borrower's debt for Manual Underwrite
- Business Credit Report is required for all Corporations and "S" Corporations

Complete guidelines can be found in the FHA Underwriting Guide, Chapter 2F Credit in following sections:

- 2F.2 (a) Business Credit Reports/Manual
- 2F.5 Nontraditional Credit/Manual Underwrite
- 2F.6 (b) Undisclosed Debt Other than a Mortgage
- 2F.8 (c) Refer and Manual Underwrite/Downgrade Waiting Period
- 2F.8 (d) (ii) Refer and Manual Underwrite/Downgrade

Chapter 2G Assets

Manual Underwriting Clarifications completed for following:

- Reserve Requirements/Manual – Expanded Title to identify table added to guide to show Required Reserves based on Underwriting decision:
 - Total decision: 1 month PITI after closing for 1-to-2-unit properties.
 - Total or Manual UW: 3 months PITI after closing for 3 to 4 properties.
- Interested Party Contributions, clarified Premium Pricing Credits are excluded from the 6% limit.
- New section added Titled as Real Estate Tax Credits/Manual with guidelines regarding use of funds to meet MRI

Complete guidelines can be found in the FHA Underwriting Guide, Chapter 2G Assets in the following sections:

- 2G.2 Reserve Requirements/Manual
- 2G.3(a) Interested Party Contributions
- 2G.4(q) Real Estate Tax Credits/Manual

Chapter 2H Liabilities and Debts

The following was updated for documents to be included in file for either AUS or Manual UW:

- Signed divorce decree with child support requirements
- Clarified for Non-borrowing Spouse in community property states, DTI ratio does not include obligations specifically excluded by state law

Clarified following for loans underwritten manually:

- Collection accounts with manual underwriting requirements
- Disputed Accounts (Derogatory or Non-Derogatory)

Complete guidelines can be found in the FHA Underwriting Guide, Chapter 2H Liabilities and Debts in the following sections:

- 2H.2 Monthly Obligations/Manual
- 2H.2(a)(ii) Child Support
- 2H.2(d) Collection Accounts/Manual Underwrite
- 2H.2(g) Disputed Accounts/Manual Underwrite
- 2H.2(o) Non-borrowing Spouse Debt in Community Property States

Chapter 2I Employment and Income

Manual Underwriting Updates:

- Expanded/clarified Income documentation for Manual Underwrite
 - Employment by a Family-Owned Business and
 - Requirements added for Calculation of Effective income for salaried or hourly borrowers
- Created new category in Stable Monthly Income titled: Temporary Leave - Reduction in Income

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

- 2I.2 Stable Monthly Income
- 2I.2 (c) History of Receipt
- 2I.1(f)(i) Commission Income/Manual
- 2I.4(d) Income Documentation/Manual Underwrite
- 2I.6(a) Alimony and Child Support Payments
- 2I.6(f) Disability Benefits

VA Updates

Chapter 3A Eligibility

Loans to Trusts section, removed duplicate requirements already contained in section titled Inter-Vivos revocable Trust requiring trusts to be approved by legal for non-delegated transactions.

Complete guidelines can be found in the VA Underwriting Guide, Chapter 3A, Eligibility, 3A.18 Loans to Trust

Chapter 3C 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 VA Underwriting Guide, Chapter 3C Financing, 3C.3 (c) Buydown Account and Funds

Chapter 3J Appraisal Requirements

Clarified for properties with private roads: a recorded easement or recorded right of way from the property to the public road must be in loan file.

Complete guidelines can be found in the VA Underwriting Guide, Chapter 3J, Appraisal, 3J.14(a) Access to the Site

USDA Updates

Chapter 4C Financing

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

Complete guidelines can be found in the USDA Underwriting Guide Chapter 4C, Financing, 4C.3 (c) Buydown Account and Funds

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 profile Releases and Overlay Matrix Updates for VA loan transactions:

QM Rebuttable Presumption

- ≥ 620 Credit Score
 - AUS Approve
 - Max 43% DTI or minimum 120% VA Residual Income
 - < 620 Credit Score
 - AUS Approve
 - Maximum 43% DTI
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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](#).