

Newrez Announcements



Announcement 2024-025 Underwriting Guideline Updates – Government

April 29, 2024

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

- Clarifications and/or corrections to the Newrez Guides as of April 29, 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.

USDA Updates

Newrez is aligning with the following two (2) updates as shown below:

- [GUS Changes and Updates on 04.01.2024](#) and
- [HB-1-3555 Revisions 05.05.2024](#)

Borrower Eligibility

Requirement removed for data entry in GUS to check for non-US citizen applicants for eligibility. Newrez updated this guideline as of February 28, 2024.

Complete details can be found in USDA Underwriting Guide, Chapter 4A, Eligibility, 4A.5(a) Eligible Borrowers

Transactions

- Clarified new construction documents must be part of the permanent loan file:
 - Certified plans and specifications
 - Required construction inspections
 - Thermal standards are met
- Updated One year Builder warranty requirements for acceptability.
- Expanded list of individuals and organizations with eligibility requirements to provide compliance and enforcement certifications.
- Added HUD Data Plate confirmation is an option to prove thermal standards for manufactured homes.

Complete details can be found in USDA Underwriting Guide, Chapter 4B, Transactions, in the following sections:

- 4B.5 New Construction
 - 4B.5(b) Thermal Standards for New Construction
-

Property Types

A new section titled Accessory Dwelling Units references the physical design features that are permitted to support multi-generational households. No rental income may be sourced from the ADU.

Clarified minimal income from producing land on a residential site include the following eligible examples:

- Windmill,
- Billboard, or a
- Cell tower

Complete guidelines can be found in the USDA Underwriting Guide Chapter 4D, Property Types in the following sections:

- 4D.1(a)(i) Accessory Dwelling Unit
- 4D.4 Ineligible Property Type/Characteristics

Appraisal Requirements

Clarified the following photographs are required as part of the appraisal:

- Basements, including all finished and unfinished rooms.
- Attic and/or crawl space when it can be safely accessed without disturbing or moving items that obstruct access or visibility;
- Comparable sales, listings and/or pending sales utilized in the valuation analysis must include at least a front view of each comparable utilized.
- The HUD Data Plate and HUD Certification Label(s) for manufactured homes.
- Condominium projects should include photographs of the common areas and shared amenities.

The Water and Wastewater Disposal System Report was updated from maximum age of 150 days to 180 days to align with HUD 4000.1.

Complete details can be found in USDA Underwriting Guide, Ch. 4J Appraisal Requirements, in the following sections:

- 4J.9 Appraisal Attachments
- 4J.17(a) Individual Water Supply System (Well)

Credit

Expanded Non-traditional Credit Eligible Sources to include monthly subscription services, gym memberships, etc.

Complete details can be found in USDA Underwriting Guide, Ch. 4F, Credit, 4F.4 (c)
Acceptable Non-Traditional Credit

Assets

- Clarified most recent asset information available at loan application should be obtained.
- Foreign Asset requirements expanded:
 - Funds must be placed in a U.S. Federal or state regulated financial institution prior to closing.
 - Availability of funds must be verified, and all accompanying documentation must be converted to English, or a translation attached to each document and ensure the translation is complete and accurate.
- Gift Funds sent to closing must be verified by a copy of the disclosure showing receipt of the donor's funds.
- Updated funds borrowed against retirement funds may be used for funds to close but may not be used for reserves.
- Certificate of Deposit (CD) was added to Financial Institution Accounts as eligible funds for either cash to close or reserves.
 - If used for reserves, the current vested balance less applicable fees and/or penalties will determine the available funds for reserves.

Complete details can be found in USDA Underwriting Guide, Ch. 4G, Assets, in the following sections:

- 4G.3 (a) Financial Institution Accounts
 - 4G.3(h) Foreign Assets
 - 4G.3 (i) Gift Funds
 - 4G.3 (q) Retirement Accounts
-

Employment and Income

- Identified review of available tax transcripts must be completed prior to closing to confirm adjusted annual income.
- Expanded verbal confirmation of employment may be obtained using written and email verifications completed within 10 business days from the Note date
- Updated cumulative net family assets: Most recent asset information available at the time of loan application should be obtained when calculating income from assets.
 - Modified following sections to include Part-Time employment in title heading:
 - Base Pay, Part-Time Employment, Bonus, Overtime, and Commission
 - Part-Time Employment, Second Job or Multiple Jobs
- Clarified Social Security income received for minors may be used for qualifying income, if the income is expected to be received for at least 3 yrs. into the mortgage.
- Removed 2 yr. history for unreimbursed employee or business expenses. Expenses deducted from the annual income must also be deducted from repayment income.
- Update completed for both Annual Income and Adjusted Annual Income sections to show: Income must be considered for each adult household member for the previous 2 years.
- Eligible Childcare expenses for Adjusted Annual Income deductions been updated to clarify:
 - Borrowers who cannot provide evidence to support payments, deposits, or registration fees are ineligible for this deduction.
 - Childcare expenses are not permitted:
 - Childcare expense exceeds the earnings of the family member enabled to work are not permissible
 - If another adult household member is available to care for the child.
- Complete details can be found in USDA Underwriting Guide, Ch. 4I, Employment and Income, in the following sections:
 - 4I.1(f), Verbal Confirmation of Employment
 - 4I.3 Annual Income
 - 4I.3(a) Calculation of Annual Income
 - 4I.4 Adjusted Annual Income/Qualifying
 - 4I.4(b) Verification of Annual Income
 - 4I.5 Adjusted Annual Income

- 4I.6(b) Base Pay, Part-Time Employment, Bonus, Overtime and Commission
 - 4I.6 (c) Self-Employed Income
 - 4I.7 (cc) Social Security Income
 - 4I.7(hh) Unreimbursed Employee or Business Expenses
-

Newrez Underwriting Guide Updates

FHA Updates

Chapter 2I Employment and Income

- Expanded Verbal verification of Employment (VVOE) to accept:
 - Email VVOE from employer in email format with following is provided:
 - Employer email reverifying borrower employment within 10 calendar days prior to note date and
 - Email to include following:
 - Date;
 - Borrower full name and work title
 - Current employment status for borrower;
 - Borrower work email address for current employee;
 - Email address for Individual verifying employment.
 - Evidence must be provided to support the employer email address is accurate.
 - Clarified when using a third-party service to verify employment for a wage earner, the request must be ordered within 10 calendar days of the Note date and the employment information data (TWN “current as of” date) must be within 30 days of the date ordered.
- Clarified no income from commercial space from subject property may be included in Rental Income calculations.
- Updated Unacceptable Income Sources to include Restricted Stock Units

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

- 2I.1 (f) Verbal Confirmation of Employment
- 2I.5(a) Rental Income from Subject Property
- 2I.7 Unacceptable Sources of Income

VA Updates

No announcements issued for the month of April 2024.

Prior Agency Announcements

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

- n/a
-

Product Profile Releases and Overlay Matrix Updates

FHA Streamline

- Updated Eligible Property Types and removed condominiums requirements for:
- Must be unexpired on FHA's approved list.
- Site Condos do not require project approval.
- Newrez will not issue a DELRAP approval.

Removed Non-Warrantable condominiums from Ineligible Property Types

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

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](#).