

# Newrez Announcements



## Announcement 2024-027 Closed End Second Product Summary and Guidelines Updates April 29, 2024

Newrez LLC "Newrez" Approved Correspondent Clients; effective with applications on or after April 29, 2024, the following enhancements have been made to the Product Summary and Underwriting Guides for the Closed End Second Product.

Summary Section	Current Policy	NEW Enhanced Policy
# 4 - Eligible First Lien	1 <sup>st</sup> lien must be seasoned a minimum of 12 months	1 <sup>st</sup> lien must be seasoned a minimum of <b>6</b> months
#12 – Assets and Reserves	<p>No asset verification unless required for:</p> <ul style="list-style-type: none"> <li>• Cash to Close, Payoff of Debt or Assets – most recent 2 months statements required</li> <li>• Utilizing assets as an income source</li> </ul> <p>No reserve verification required</p>	<p>No asset verification <b>is required</b> unless <b>assets are</b> required for:</p> <ul style="list-style-type: none"> <li>• Cash to close; or</li> <li>• Payoff of Debt; or</li> <li>• Utilizing assets as an income source (i.e., capital gains or dividends and interest</li> </ul> <p><b>When assets are required, the most recent two (2) months statements are required.</b></p> <p><b>Reserves are not required</b></p>

<p>#22 – Ineligible Property Types</p>	<p>List of ineligible Property Types</p>	<p>REMOVED</p> <p>Refer to Guide 2A.5 for detailed list of ineligible property types</p>
<p>#23 – Payment History</p>	<ul style="list-style-type: none"> <li>• Inclusive of all liens regardless of position</li> <li>• Applies to all mortgages on all financed properties</li> <li>• Must have a minimum 24 month payment history with 0x30x24 <ul style="list-style-type: none"> <li>○ Borrowers without a 24 month housing history are ineligible</li> </ul> </li> </ul>	<p>New section # 22 – Payment History</p> <ul style="list-style-type: none"> <li>• Inclusive of all liens regardless of position</li> <li>• Applies to all mortgages on all financed properties</li> <li>• <b>At least one of the borrowers must</b> have a minimum <b>12-month</b> payment history with <b>0x30x12</b></li> </ul> <p>When the existing lien is not seasoned for 12 months, the prior mortgage or rent history is required to complete the full 12-month payment history.</p> <p>When no borrower on the application has a 12-month housing history, the application is ineligible.</p>
<p>#29 – Title Insurance Requirements</p>	<p>Title Insurance Requirements</p>	<p>REMOVED</p> <p>Refer to guide section 1A.4(g) for title requirements</p>

Underwriting Guide Updates	Current Policy	NEW Enhanced Policy
1A.2 Age of Documents	<p>Current Policy Remains</p> <ul style="list-style-type: none"> <li>Appraisal products (effective date) must be no older than 180 days from Note Date. After 120 days, a 1004-D, Update of Value, is acceptable with three (3) additional comparables</li> </ul>	<p>Current Policy's remain with the following update</p> <ul style="list-style-type: none"> <li>Appraisal products (effective date) must be no older than 180 days from Note Date. After 120 days, <b>an acceptable 1004-D, recertification of value is required.</b></li> </ul>
1A. (d) Spousal Property Rights	Silent	<p><b>Non-Borrower Spouse</b></p> <p><b>All owners of the homestead and their spouses must consent to the extension of credit by executing the deed of trust. Non-borrower spouses, regardless of their ownership interest in the homestead property, have the right to cancel a loan transaction.</b></p>
3A.1 Minimum Tradeline Requirements	Silent	<p><b>Borrower no permitted to open a new tradeline after application to meet the minimum tradeline requirement.</b></p>
3A.2 Disputed Tradelines	Silent	<p><b>Disputed tradelines do not need to be resolved/removed from the credit report</b></p>
3A.4 Housing Payment	<ul style="list-style-type: none"> <li>0x30x24</li> <li>If borrower's mortgage is less than 24 months,</li> </ul>	<ul style="list-style-type: none"> <li>0x30x<b>12</b></li> <li>If borrower's mortgage is less than <b>12</b> months, prior rental housing <b>or</b></li> </ul>

	<p>prior rental housing history required.</p> <ul style="list-style-type: none"> <li>• Borrowers without a 24 month housing history are ineligible</li> </ul>	<p>prior mortgage history required.</p> <ul style="list-style-type: none"> <li>• Borrowers without a 12 month housing history are ineligible</li> </ul>
3A.5 Credit Events	Judgements, Garnishments & liens (including tax liens): Must be paid off at, or prior to closing if subject lien will be adversely impacted by not paying the debt	Judgements and liens (including tax liens): Must be paid off at, or prior to closing.
3A.5 Credit Events	Forbearance Agreements: must be seasoned for 7 years from application date unless the borrower-accepted forbearance was never used.	<p>Forbearance Agreements: Borrower(s) must have completed/exited the forbearance agreement and made no less than 4 months acceptable payments prior to the application date.</p> <p>The 12-month housing history requirement would include pre-forbearance and post-forbearance payments. The months during forbearance are not considered in meeting the 12-month requirement.</p> <p>No waiting period required if the borrower(s) accepted but did not use the forbearance plan.</p>
3A.5 Credit Events	Bankruptcy – must be seasoned for 7 year from application date	<p>Bankruptcy – must be seasoned for 4 year from application date</p> <p>Foreclosure or Pre-Foreclosure (120+ days delinquent) – must</p>

	<p>Foreclosure or Pre-Foreclosure (120+ days delinquent) – must be seasoned for 7 years from application date</p> <p>Deed-in-Lieu of Foreclosure – must be seasoned for 7 years from application date</p> <p>Short Sale: must be seasoned for 7 years from application date.</p> <p>Notice of Default (NOD): must be seasoned for 7 years from application date.</p>	<p>be seasoned for 4 years from application date</p> <p>Deed-in-Lieu of Foreclosure – must be seasoned for 4 years from application date</p> <p>Short Sale: must be seasoned for 4 years from application date.</p> <p>Notice of Default (NOD): must be seasoned for 4 years from application date.</p>
4A.1 Verification of Mortgage (VOM)	24 months	<p>REMOVED</p> <p>Refer to Product Summary section 22</p>
4A.1 Revolving Debt	<p>Revolving debt may be paid off to qualify before or at closing. Documentation must be provided to evidence the revolving debt has been paid off in the closing package.</p>	<p>Revolving debt may be paid off to qualify before or at closing. Documentation must be provided to evidence the revolving debt has been paid off in the closing package (i.e., evidence of the debt being paid off and 2 months assets. If paid off at closing, the debt payoff must be reflected on the final Closing Disclosure).</p>

4A.2 Installment Debt	Installment debts with less than 10 months remaining can be excluded from the DTI unless the amount of debt affects the borrower's ability to pay the mortgage during the months immediately after closing.	Installment debts with less than 10 months remaining can be excluded from the DTI.
4A.2 Installment Debt	Real Estate owned by the borrower where the borrower is not on the Note may be excluded from the DTI with 12 months canceled checks showing another party is making the payments. Property tax, insurance and HOA dues on the property must be documented and the full amount included in the DTI.	Real Estate owned by the borrower where the borrower is not on the Note may be excluded from the DTI.  Property tax, insurance and HOA dues on the property must be documented and the full amount included in the DTI.
6.1.4 Gap of Employment	<ul style="list-style-type: none"> <li>Extended gaps of employment, 6 months or greater, require a documented 2-year work history prior to the absence, and</li> <li>The borrower must be employed with their current employer for a minimum of 6 months to include the income for qualifying purposes.</li> </ul>	<p>Moved the bullet</p> <p>Extended gaps of employment, 6 months or greater, require a documented 2-year work history prior to the absence, and</p> <ul style="list-style-type: none"> <li>The borrower must be employed with their current employer for a minimum of 6 months to include the income for qualifying purposes.</li> </ul>
7A.1 General Requirements	Taxpayer consent form signed by all borrowers.	Borrowers Authorization for signed by all borrowers.

7A.2 Tax Transcripts	Example of tax years required 2021, 2022 and 2023	Updated example dates to reflect current year requirements 2022, 2023, 2024
7A.3 Verbal Verification of Employment (VVOE) Requirements	VVOE should cover at least the most recent 2 years of borrower's employment/income history.  <ul style="list-style-type: none"> <li>• If the borrower has had multiple employers over the past 2 years, a VVOE with all employers is required.</li> </ul>	Verbal Verification of Employment (VVOE) is required for all borrowers with qualifying income.
7A.7 Salaried Income	<ul style="list-style-type: none"> <li>• Most recent 30 days' paystubs with year-to-date earnings.</li> <li>• VVOE for the most recent 2-year period to meet section 7a.3</li> </ul>	<ul style="list-style-type: none"> <li>• Most recent YTD paystub with year-to-date earnings of no less than 30 days.</li> <li>• VVOE for all borrowers with qualifying income.</li> </ul>
7A.8 Fluctuating Hourly, Variable Hourly and Part-Time Income	<ul style="list-style-type: none"> <li>• Most recent 30 days' paystubs with year-to-date earnings.</li> </ul>	<ul style="list-style-type: none"> <li>• Most recent YTD paystub with year-to-date earnings of no less than 30 days.</li> </ul>
7A.9 Commission Income	<ul style="list-style-type: none"> <li>• Most recent 30 days' paystubs with year-to-date earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Most recent YTD paystub with year-to-date earnings of no less than 30 days.</li> </ul>
7A10 Overtime and Bonus Income	<ul style="list-style-type: none"> <li>• Most recent 30 days' paystubs with year-to-date earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Most recent YTD paystub with year-to-date earnings of no less than 30 days.</li> </ul>
7A.11 Alimony, Child Support, Separate Maintenance	<ul style="list-style-type: none"> <li>• 2 years' tax transcripts. See specific requirements under Tax Transcripts section.</li> </ul>	<ul style="list-style-type: none"> <li>• 2 years' tax transcripts. See specific requirements under Tax Transcripts section. <ul style="list-style-type: none"> <li>○ Not required for Child Support</li> </ul> </li> </ul>

<p>7A.12 Borrowers Employed by a Family Member</p>	<ul style="list-style-type: none"> <li>• Most recent 30 days' paystubs with year-to-date earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Most recent YTD paystub with year-to-date earnings of <b>no less than 30 days.</b></li> </ul>
<p>7A.17 Foreign Income</p>	<ul style="list-style-type: none"> <li>• Most recent 30 days' paystubs with year-to-date earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Most recent YTD paystub with year-to-date earnings of <b>no less than 30 days.</b></li> </ul>
<p>7A.18 K-1 Income/Loss on Schedule E of the 1040's</p>	<p>Current Policy Remains</p>	<p>In addition to Current Policy:</p> <p><b>K-1 losses do not need to be considered in qualifying when ownership in the business is less than 25%.</b></p>
<p>7A.19 Non-Taxable Income</p>	<p>Current Policy Remains</p>	<p>In addition to Current Policy:</p> <p><b>Note: The Requirements for Tax Returns and Transcripts does not apply to Child Support or Military Rations/Quarters.</b></p>
<p>7A.34 Trust Income</p>	<p>Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years.</p> <p>Evidence of receipt of trust income must be documented. If received other than monthly or quarterly, age of documentation requirements do not apply. A copy of the trust agreement or trustee statement must show the following:</p> <ul style="list-style-type: none"> <li>• Total amount of borrower designated trust funds.</li> </ul>	<p>Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years <b>and have been received for no less than six (6) months prior to the application date.</b></p> <p>Evidence of receipt of trust income must be documented. If received other than monthly or quarterly, age of documentation requirements do not apply. A copy of the trust agreement or trustee statement must show the following:</p>



	<ul style="list-style-type: none"> <li>• Terms of payment.</li> <li>• Duration of trust.</li> <li>• Evidence trust is irrevocable.</li> </ul>	<ul style="list-style-type: none"> <li>• Total amount of borrower designated trust funds.</li> <li>• Terms of payment.</li> <li>• Duration of trust.</li> <li>• Evidence trust is irrevocable.</li> </ul>
8A.3 Secondary Valuation Requirements	A secondary valuation product is no longer required however based on underwriter discretion, a secondary valuation product may be required to support value.	REMOVED

**Questions**

If you have any questions regarding any information in this announcement, please feel free to contact your regional sales manager or client manager.

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