

Newrez Announcements



Announcement 2024-033 Underwriting Guideline Updates – Conforming Loans

May 30, 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 May 30, 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 [2024-6 and 2024-B](#) and Fannie Mae [SEL-2024-03](#) were both released on May 1, 2024 and Newrez is aligning with the following topics below.

Fannie Mae [SEL-2024-03](#) and Freddie Mac [2024-B](#)

First Generation Homebuyer

Both have released a new borrower type, A First-Generation Homebuyer, and is eligible for both Fannie Mae and Freddie Mac loan transactions. The implementation of this is optional and is currently under review. Additional guidance will be provided at a later date.

Reconsideration of Value

Both Fannie Mae and Freddie Mac have developed a framework for lenders to review and respond to borrower-initiated reconsideration of value (ROV). Our policy and procedures now include steps for the borrower to appeal an appraisal when they believe the opinion of value

- Is unsupported,
- Is deficient due to unacceptable appraisal practices, or
- Reflects prohibited discriminatory practices.

A disclosure must be provided at time of loan application and when appraisal report is received, and include the requirements for reviewing and responding to both the borrower(s) and appraiser. The disclosure must be clear that only one-borrower initiated ROV is permitted per appraisal.

After a loan is closed, an ROV request is no longer permitted to be submitted by the borrower.

Complete guides can be found in the Newrez Underwriting Guide Chapter 1J.8

Reconsideration of Value

Effective: Lenders are encouraged to implement these policies immediately but must do so for loans with applications dated on or after Aug. 29, 2024.

Uniform Instruments

Both Fannie Mae and Freddie Mac have published additional State-specific Multistate 30-day Average SOFR ARM instruments incorporating all State-specific required authorized changes and adding a State-Specific tagline. The GSE's have updated to incorporate the State Specific, 30-day Average SFR Notes and Rider to incorporate these changes for the following:

- Multistate Adjustable-Rate Note – 30 day Average SOFR (Form 3441)
- Multistate Fixed/Adjustable Rate Note – 30 day Average SFR (Form 3442)
- Multistate Adjustable-Rate Rider – 30 day Average SOFR (Form 3141)
- Multistate Fixed /Adjustable-Rate Rider – 30 day Average SOFR (Form 3142)

These instruments are available for immediate use; however, must be used for any Mortgages with Note dates on or after November 1, 2024

Additional information may be reviewed through [Freddie Mac Exhibit 4A](#)

Freddie Mac Bulletin [2024-6](#)

Attorney Opinion of Title Letters

Newrez does not permit as shown on Overlay matrix.

Credit Report Inquiries

Inquiries shown on a credit report must be identified on subsequent credit reports (i.e. the credit report must be a hard pull)

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 1F. Conforming Credit, 1F.6 Inquiries and Undisclosed Liabilities

Reserves

When processing multiple applications for the same borrower, the same assets may be used to meet the reserve requirements for each Mortgage transaction.

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 1G, Conforming Assets, 1G.2 Reserve Requirements

Large Deposits

The only acceptable sources of large deposits will be limited to the following:

- The borrowers income,
- Funds awarded to the borrower (e.g. disaster relief funds, lottery winnings, court-awarded settlement) provided the source is not an interested party to the real estate of mortgage transactions, and
- Funds derived from the eligible asset types shown in the Freddie Mac Selling Guide sections 5501.3(b) and 5501.3(c).

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 1G, Conforming Assets, 1G.3 Asset Sources

LPA Assessment Updates

- As of May 5, 2024 for new requests or resubmissions, requirement at least one borrower on the transaction to have a usable credit score to consider Borrower cash flow.
- For cash flow eligibility requirement, if positive cash flow is identified and no Borrower has a credit score, the feedback message will indicate that no additional payment references need to be documented.

Trended Credit Data in Credit Reports

As of 8/4/2024 for new LPA submission, trended credit data will be required to be included in credit reports submitted to LPA.

Trended credit data is expanded credit information reflecting historical Tradeline data such as balances, scheduled payments and actual payments reported for each month over an extended period of time.

The Trended Credit Data updates will be included in the Newrez Underwriting Guide July 30, 2024 release.

Fannie Mae Announcement [SEL-2024-03](#)

Fannie Mae announced updates to the following:

Manufactured Housing — Affidavit of Affixture

Clarified if the manufactured home was previously converted from personal property to real property in accordance with applicable law, the Affidavit is not required, unless applicable law requires a new Affidavit

Complete guides can be found in the Newrez Underwriting Guide Chapter 1D. Conforming Property Types, 1D.1(j) (vi) Affidavit of Affixture

Housing Choice Voucher Program (Section 8)

Expanded requirements to reflect: History of income receipt is not required for any period or time prior to application date or after application date to be considered stable income. Also provided additional clarification that because this income is nontaxable, an adjusted gross income for the borrower should be developed using non-taxable income guidelines

Complete guides can be found in the Newrez Underwriting Guide Chapter 1I. Conforming Employment and Income, 1I.13(m) Housing Choice Voucher Program (Section 8)

Trust Income

Updated guidelines for fixed and variable payments for documentation requirements and timeline for receipt of income.

- Allow a letter from the accountant or attorney who reviewed the trust documents (when the trust is not available or when the borrower is the trustee).
- Trusts created in the previous 12 months using a borrower's eligible employment-related assets may still be used as stable income but must meet the income calculation and all other requirements for employment used as qualifying income.
- For variable trust income, two years individual federal income tax returns or the most recent two years federal income tax returns for the trust are permitted.

Complete guides can be found in the Newrez Underwriting Guide Chapter 1I. Conforming Employment and Income, 1I.13(jj) Trust Income

Community Land Trust Eligibility for Manufactured Homes

Community land trusts remain ineligible as shown on the Overlay matrix.

Registration of Co-op Share Loans with MERS

The exclusion that co-op share loans cannot be registered with Mortgage Electronic Registration Systems, Inc (MERS) has been removed. We are not adopting due to the impact of selling loans from our servicing portfolio.

Fannie Mae has announced the Income Calculator is now available through [Fannie Mae Income Calculator](#) a free web interface. Refer to Fannie Mae's Income Calculator page for additional information.

Complete guides can be found in the Newrez Underwriting Guide, Chapter 1I Employment and Income, 1I.1(i) Income Analysis Forms

Newrez Underwriting Guide Updates

Conventional Updates

Chapter 1B Transaction Types

Updated subchapter name from Conflict of Interest (Dual Capacity) to Dual Capacity

Complete guidelines can be found in the Conventional Underwriting Guide, Ch 1B Conforming Transactions, 1B.1(c) Dual Capacity

Chapter 1C Financing

Overlay identified for Principal Curtailment may not exceed the lesser of \$2,500 or 2% of the original loan amount of the subject loan.

Complete guidelines can be found in the Conventional Underwriting Guide, Ch 1C Financing, 1C.7 Principal Curtailments

Chapter 1D Property Types

Links added to Fannie Mae and Freddie Mac condominium eligibility and warranty requirements for condominium properties.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1D, Property Types, 1D.1 (d) Condominium.

Chapter 1G Assets

Relocated Minimum Borrower Contribution grids for required borrower investment of their own funds from underwriting guide to specific product summary.

Complete guidelines can be found in the Conventional Underwriting Guide, Chapter 1G, Assets, 1g.1(a) Minimum Borrower Contribution

Chapter 9A Power of Attorney Policy

Added an overlay for Ineligible Agents under a POA for Freddie Mac Purchase transactions to include: Any real estate agent with a financial interest in the transaction (or any person affiliate with such real estate agent).

Complete guidelines can be found in the Newrez Power of Attorney Policy, Ch 9A, 9A.3((b), Freddie Mac

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
1J.4 (g) Value Acceptance (Appraisal Waiver) and ACE (Automated Collateral Evaluation) 1J.4(h) Value Acceptance + Property Data (DU) and ACE+PDR (LPA)	Requirements for Providing Estimated Values in LPA	<u>2024-012</u>	Freddie Mac Bulletin 2024-1
1J.4(d) Appraisal Attachments	Appraisal Photographs: additional interior photos required for all living areas, including all gathering rooms and finished and unfinished basement areas.	<u>2024-012</u>	Freddie Mac Bulletin 2024-1

Product Profile Releases and Overlay Matrix Updates

- **Product Profiles Releases**

- Conforming, HomeReady and Home Possible: added clarification to borrower's investment required from own funds and if gifts permitted after borrower investment has been met.

- **Overlay Matrix Update**

- Conflict of Interest renamed as Dual Capacity
 - Same as UW Guide Chapters 1B, 2B, 3B and 4B
- Principal Curtailment – Clarified for confirming loans, the lesser of 2% of loan amount or \$2,500 max is for rate and term refinances.
- Power of Attorney – Added for Freddie Mac Purchase transactions to include: Any real estate agent with a financial interest in the transaction (or any person affiliate with such real estate agent) is not permitted.
- Housing Choice Voucher Program – Section 8
 - Housing Choice Voucher payments are only allowed if funds are sent directly to the borrower.
 - The Housing Authority may not pay the mortgage lender directly.

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.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](#).