

Newrez Announcements



Announcement 2024-043 SmartSeries Underwriting Guide Updates June 27, 2024

Newrez LLC "Newrez" Approved Correspondent Clients; effective with applications on or after June 27, 2024. The Smart Series Underwriting Guide has been updated as follows:

Current Policy	New Policy
Section 2A.3 Cash Out Refinance Mortgage	Section 2A.3 Cash Out Refinance Mortgage
<ul style="list-style-type: none">One (1) borrower must have held title to the subject property for at least six (6) months preceding the Note date of the new loan, with the following exceptions:<ul style="list-style-type: none">There is no waiting period with documentation and verification that the borrower was legally awarded the property (divorce, separation, dissolution of a domestic partnership) or acquired the property through an inheritance.	<ul style="list-style-type: none">One (1) borrower must have held title to the subject property for at least six (6) months preceding the Note date of the new loan, with the following exceptions:<ul style="list-style-type: none">There is no waiting period with documentation and verification that the borrower was legally awarded the property (divorce, separation, dissolution of a domestic partnership) or acquired the property through an inheritance. (refer to 2A.4 Refinances to Buy Out an Owner's Interest)

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<p>Section 8A.6(b)(iii) Conversion of a Primary Residence</p>	<p>Section 8A.6(b)(iii) Conversion of a Primary Residence (Smartedge and SmartSelf)</p>
<p>Section 6A.4(h) Gift funds</p>	<p>Section 6A.4(h) Gift funds</p>
<p>Donors:</p> <p>Acceptable gift donors are any of the following:</p> <ul style="list-style-type: none"> • Child, parent, or grandparent <ul style="list-style-type: none"> ○ Child is defined as a son, stepson, daughter, or stepdaughter; ○ A parent or grandparent includes a step-parent/grandparent or foster parent/grandparent. • Spouse, fiancé, or domestic partner (domestic partner must live with borrower) • Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption • Foster child • Brother, stepbrother, sister, stepsister • Aunt or uncle • Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower <p>Ineligible Donors</p> <ul style="list-style-type: none"> • Cousin • Close family friend <p>Have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction</p>	<p>Donors:</p> <p>A gift can be provided by:</p> <p>A relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or</p> <p>A non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative, or godparent.</p> <p>The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.</p>

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Section 6A.4(m) Retirement Accounts

Added new verbiage:

If the borrower is 59 ½ or older and using retirement asset(s) for the down payment and/or closing costs and the value of the retirement asset (as determined above) is at least 20% more than the amount of funds needed for the down payment and closing costs, no documentation of the borrower's actual receipt of funds realized from the sale of liquidation is required. Otherwise, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented.

Section 8A.4(a) Military Income

Military personnel may be entitled to different types of pay in addition to their base pay. Hazard or flight pay, rations, clothing allowance, quarters allowance and proficiency pay may be counted as income if:

- The income verified as regular and continuous;
- Is typical for the position held; and
- There is evidence of probability of continuance of this income, in writing.

A Leave and Earnings Statement (LES) may be used in lieu of paystub.

Borrowers called to active duty before loan closing must be qualified based on the borrower's military income. The date that the in-service borrower is scheduled to be released from active duty must be verified via a LES, VOE, or Officer's orders. If the separation

Section 8A.4(a) Military Income

Military personnel may be entitled to different types of pay in addition to their base pay. Flight or hazard pay, rations, clothing allowance, quarters' allowance, and proficiency pay are acceptable sources of stable income, as long as the Client can establish that the particular source of income will continue to be received in the future. To verify military base pay and entitlements, the company must obtain the borrower's most recent Leave and Earnings Statement (LES).

Income paid to military reservists while they are satisfying their reserve obligations also is acceptable if it satisfies the same stability and continuity tests applied to secondary employment.

<p>date is within 12 months of the projected loan closing, the file must include one (1) of the following:</p> <ul style="list-style-type: none"> • Documentation that the service member has re-enlisted or extended his/her period of active duty beyond 12 months of the projected closing date; and • Verification of civilian employment following release from active duty. <p>For borrowers with a Reservist or National Guard obligation, an assessment should be performed to determine the impact of activation on the borrower's income.</p>	
<p>Active Duty</p> <p>Borrowers called to active duty before loan closing must be qualified based on the borrower's military income. The date that the in-service borrower is scheduled to be released from active duty must be verified via a LES, VOE, or Officer's orders.</p> <p>If the separation date is within 12 months of the projected loan closing, the file must include one (1) of the following:</p> <ul style="list-style-type: none"> • Documentation that the 	

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<p>service member has re-enlisted or extended his/her period of active duty beyond 12 months of the projected closing date.</p> <ul style="list-style-type: none"> • Verification of civilian employment following release from active duty. 	
<p>Military Reservists and National Guard Not Called to Active Duty</p> <p>Use military Reserve or Guard income to qualify. Follow Second-job employment requirements.</p>	
<p>Military Reservists and National Guard Called to Active Duty</p> <p>If one (1) of the borrowers is on active duty or has been called to active duty after the loan application has been taken and is in process, provide documentation regarding the temporary assignment (orders supporting the assignment including duration).</p> <ul style="list-style-type: none"> • If the loan is a primary residence rate and term refinance and the mortgage payment is not changing or is decreasing, use the borrower's current employment and income. 	

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<ul style="list-style-type: none"> For all other transactions, use the lesser of the Reservist or Guard pay or current employment income sources 	
<p>Section 8A.7(f) Disability- Long Term</p> <p>Long-term disability payments (Veterans disability compensation benefits, Social Security Disability Insurance (SSDI), etc.) may be treated as acceptable, stable income if there is two (2) year history of receipt.</p> <p>Documentation concerning the nature of the disability may not be requested or the medical condition of the borrower may not be questioned.</p> <p>Obtain a copy of the benefit letter or benefits statement to determine:</p> <ul style="list-style-type: none"> The income source; The borrower's current eligibility for the disability benefits; The payment amount and frequency of the disability payments; and If there is a contractually established termination or modification date. <p>Document with all of the following:</p> <ul style="list-style-type: none"> Most recent two (2) years' W-2s or 1099s; and 	<p>Section 8A.7(f) Disability- Long Term Income</p> <p>Documentation concerning the nature of the disability may not be requested or the medical condition of the borrower may not be questioned.</p> <p>Obtain a copy of the borrower's disability policy or benefits statement from the benefits payer (insurance company, employer, or other qualified disinterested party) to:</p> <ul style="list-style-type: none"> The borrower's current eligibility for the disability benefits, The amount and frequency of the disability payments, and If there is a contractually established termination or modification date <p>Generally, long term disability will not have a defined expiration date and must be expected to continue. The requirement for re-evaluation of benefits is not considered a defined expiration date.</p> <p>If a borrower is currently receiving</p>

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<ul style="list-style-type: none"> • Current evidence of receipt (pay statement, direct deposit, etc.). 	<p>short term disability payments that will decrease to a lesser amount within the next three years because they are being converted to long term benefits, the amount of the long term benefits must be used as income to qualify the borrower.</p> <p>See section 8A.7(s)(iii) Verification of Social Security Disability requirement.</p>
<p>NA</p>	<p>Section 8A.7(s)(iii) Verification of Social Security Disability</p> <p>Obtain a copy of one of the following to evidence the borrower's social security disability benefits.</p> <ul style="list-style-type: none"> • SSA Award letter, • SSA-1099, • Most recent signed federal income tax returns (or tax transcripts), or • Proof of current receipt
<p>Section 9 Appraisal Requirements</p> <p>Added: Private Road maintenance agreement is not required</p>	

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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.

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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](#).