

# Newrez Announcements



## Announcement 2024-047 Underwriting Guideline Updates – Government

**July 30, 2024**

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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 as of July 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.*

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### FHA 4000.1 Updates

FHA released [FHA INFO 2024-30](#) as of May 20, 2024 with updated to Single Family Housing Handbook 4000.1 for the following updates effective 08.19.2024. Updates have been completed to the following chapters:

## Financing

No cash out refinance transaction updated to include properties acquired through non-monetary transactions within 12 months of case number assignment date use the current property value.

Complete Guidelines can be found in FHA Underwriting Guide, Ch. 2C, FHA Financing, 2C.1 Determining Adjusted Value

## Property Types

- Title for Single Family property modified to Single-Family/One-Unit as shown in 4000.1
- Definition of ADU was expanded to reflect:
  - Single habitable living unit with means of separate ingress and egress that meets the minimum requirements for a living unit.
  - An ADU, is a private space that is subordinate in size to the one-unit single family dwelling
  - For any Single-Family residential property with two or more units, a separate dwelling unit must be considered as an additional unit.
- Manufactured Housing link created to Federal Register for Manufactured Construction and Safety Standards

Complete guidelines can be found in the FHA Underwriting Guide, Ch 2D Property Types, in following sections:

- 2D.1(a)Single -Family Residence/One Unit Property
- 2D,1(h) Accessory Dwelling Unit
- 2D.1(i)(i) Manufactured Housing Eligibility

## Employment and Income

- Clarified:
  - If income documents not provided in English, a complete and accurate translation must be completed.
  - Tax Return refers to a U.S. federal income tax return or, for Borrowers who

reside in Puerto Rico, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, or American Samoa and who are not required to file U.S. federal income taxes, must obtain the equivalent tax filing for the territory (a territory tax return).

- Added One Unit or One Unit with an Accessory Dwelling Unit to Income grid for rental properties
- Tax returns
  - Net Rental Income - If a property has been owned for less than two years, apply the following:
    - Annualize the rental income for the length of time the property has been owned; and
    - Document the date of acquisition using the deed, closing disclosure or similar legal document.
- Boarder Income -Clarified a renter of an ADU is not a Boarder.
- Title to reflect Manual UW for following guidelines:
  - Rental Income from Subject property
  - Boarder Income

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

- 2I.1 (c) Income Documentation - Paystubs
- 2I.1 (g) Tax Returns
- 2I.2 (c) History of Receipt, Employment Gaps
- 2I.5(a) Rental Income from Subject Property (Total and Manual)
- 2I.5 (c) Treatment of Income or Loss
- 2I.6 (d) Boarder Income (Total and Manual)

## **Appraisal Requirements**

The following updates were completed:

- If the Appraiser is being utilized to provide evidence of completion of repair(s) or condition(s) noted in the original appraisal report, [Fannie Mae Form 1004D/Freddie Mac Form 442](#) must be used.

- If the subject property has a water source that includes a mechanical chlorinator or is served by springs, lakes, rivers, sand-point wells or artesian wells, the Property is not eligible for FHA mortgage insurance.

Complete guidelines can be found in the FHA Underwriting Guide, Ch 2J Appraisal Requirements, in the following sections:

- 2J.9 (i) Repair Requirements
- 2J.9(j)(iii) Individual Water Supply Systems (Wells)

### **Re-inspection for Disasters**

Added guidance that the appraiser may, at their discretion, perform a remote observation of the property.

- 7A.5 FHA Inspection Requirements

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## VA 26-24-14 Updates

VA released [Circular 26-24-14](#) permitting Veterans to pay Buyer-Broker Charges as part of purchase transaction.

These charges include commissions and any other broker-related fees, subject to:

- Purchase area prohibits the following:
  - Listing brokers from setting buyer-broker compensation through multiple listing postings; or
  - Buyer-broker compensation can't be established by or flow through the listing broker.
- Buyer-broker charges are not included in the loan amount.
- Buyer-broker charges paid or to be paid by the Veteran are to be considered in determining liquid assets for closing.
- Invoices are not required to support the buyer-broker charge; however,
  - Closing disclosure must reflect total amount paid by Veteran in Section H ("Other") on lines 1 through 3 on the closing disclosure, and
  - Buyer-broker representation agreement is considered part of the sales

contract and must be retained in the loan file and uploaded when requesting the appraisal.

Note: The buyer-broker charges may be paid by the veteran or seller. If paid by seller, this is not treated as a seller concession.

Complete Guidelines can be found in VA Underwriting Guide, Ch. 3C, VA Financing, 3C.1(a) Itemized Fees and Charges

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## Newrez Underwriting Guide Updates

### **VA Employment and Income**

Clarified verbal confirmation of the borrower's current employment status is required for each wage earner borrower when using alternative documentation in lieu of a written VOE.

Complete Guidelines can be found in VA Underwriting Guide, Ch. 3I Employment and Income, 3I.1(f) Verbal Confirmation of Employment

### **USDA Property Types**

The following property types have been added to the Ineligible property types:

- Mixed Use
- Two to Four Unit Property

Complete Guidelines can be found in USDA Underwriting Guide, Ch. 4D Property Types, 4D.4 Ineligible Property Types/Characteristics

### **VA Disaster Policy**

The Disaster Policy for VA loan transactions impacted by a disaster has been updated to remove requirement for VA Form 26-0286, VA loan Summary in stacking order.

Complete guidelines can be found in the Disaster Policy, 7A.6 VA Inspection Requirements

## 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

- FHA Purchase and FHA Standard Refinance Product Profiles: removed West Virginia max 50% DTI restriction.
- USDA Purchase and Rate & Term Refinance and USDA Streamlined Refinance Product Profiles: removed West Virginia max 50% DTI restriction.

### Overlay Matrix Updates

- n/a
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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/newrezcorrespondent.com)

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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](#).