

Newrez Announcements



Announcement 2024-053

Underwriting Guideline Updates – Conforming Loans

August 29, 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 August 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.

Agency Announcements

Freddie Mac Bulletin [2024-10](#) was released on August 7, 2024 and Newrez is aligning with the following topics below.

Employment and Income

IRS Form 8821

Use of IRS Form 8821 is now an acceptable alternative to IRS form 4506-C. Using IRS Form 8821 in lieu of IRS Form 4506-C to obtain tax transcripts from the IRS through a third-party service provider using a direct connection to the IRS may reduce fulfillment time (often same day versus weeks) and reduce costs.

Self Employed Income:

- Permitting self-employed history of less than two years may be considered if,
 - The borrower has a combined two-year history of receipt of income from the current self-employment and the prior job in the same or similar occupation or industry, and
 - The qualifying income must be determined by using the lesser of the stable monthly income from the new business or the stable monthly income earned in the previous occupation.
 - The borrower's federal income tax returns must reflect at least one year of self-employment income.
- Business structure changes: Adding guidance and requirements to address business structure changes (e.g., the Borrower's business structure changed from a sole proprietorship to an S-corporation), including requiring that there must be no change in the Borrower's percentage of ownership interest in order for the current and prior business structures to be considered the same business.

Base Pay (Salary or Hourly) Fluctuating Income – LPA transactions updated

- When income is derived from fluctuating hourly earnings, the borrower must have at least a 12-month history of employment.

Employment by a Relative or Any Interested Party to the Transaction:

- Permitting the use of the Internal Revenue Service (IRS) wage and income transcript for the most recent year in lieu of the tax returns, and
- Specified that the documentation must validate the prior year earnings from current employment and support the current income level. If the current income level is not supported, the Client may use the validated income amount from the prior year as qualifying income.

Social Security Retirement Income:

Current Policy	New Policy
<p>Document with one (1) of the following:</p> <ul style="list-style-type: none">• Social Security Award letter;• Most recent individual income tax return;• SSA-1099; or• Evidence of receipt.	<p><u>Document with one (1) of the following:</u></p> <ul style="list-style-type: none">• Social Security Award letter;• Form 1099-SSA;• Pages 1 and 2 of the Borrower’s most recent federal individual income tax returns (or pages 1-3 if filing 1040-SR). If the tax returns were filed jointly with an individual who is not a Borrower on the transaction, the Client must obtain additional documentation supporting the amount of Social Security income used for qualifying, or• Evidence of receipt.

Social Security Disability Income:

Current Policy	New Policy
<p>Document with one (1) of the following:</p> <ul style="list-style-type: none">• Social Security Award letter;• Most recent individual income tax return;• SSA-1099; or• Evidence of receipt.	<p><u>Document with one (1) of the following:</u></p> <ul style="list-style-type: none">• Social Security Award letter;• Form 1099-SSA;• Pages 1 and 2 of the Borrower's most recent federal individual income tax returns (or pages 1-3 if filing 1040-SR). If the tax returns were filed jointly with an individual who is not a Borrower on the transaction, the Client must obtain additional documentation supporting the amount of Social Security income used for qualifying, or• Evidence of receipt.

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 11 Employment and Income in the following sections:

- 11.1(b) IRS Form 8821
- 11.4 Self Employed Income
- 11.4(c) Analysis of Borrower's Business Income
- 11.3(b) Base Pay (Salary or Hourly) Fluctuating Income – LPA transactions updated
- 11.14 (g) Employment by a Relative or Any Interested Party to the Transaction
- 11 14 (cc) and (dd) Social Security Retirement Income and Disability

Fannie Mae Selling Guide [SEL 2024-05](#) was released on August 7, 2024 and Newrez is aligning with the following topics below and are effective immediately.

Assets:

Rent Credit for Option to Purchase:

Current policy states that rent credit, which is determined by calculating the difference between the market rent and the actual rent paid for the last 12 months, can be credited towards the downpayment or minimum borrower contribution under a documented rental/purchase agreement. The policy has been updated to permit more than 12 months' rent credit to be used as long as all other requirements are met.

Additionally, the documentation requirements have been expanded to include:

- Rent verification documentation, including bank statements or other reasonable methods evidencing the rental payments over the term of the agreement; and
- Minimum terms outlined in the rental/purchase agreement.

Rent-back credit – New Policy

A rent-back credit is an amount paid by the property seller to the borrower in exchange for allowing the seller to stay in the home for a specified period of time after closing. While rent-back credit to the borrower paid by the seller is permissible as part of the sale, it cannot be used as an eligible source of funds for closing costs, down payment, or reserves.

Additionally, the loan must be underwritten without any consideration of the rent-back credit and must document that the borrower had sufficient funds for the transaction from eligible sources.

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 1G Assets in the following sections:

- 1G.3(t) Rent Credit with Option to Purchase
- 1G.3(u) Rent-back Credit

Income

The process for obtaining a tax transcript has been updated to allow use of IRS Form 4506-C or an alternative IRS form.

Complete guidelines can be found in the Newrez Underwriting Guide, Chapter 11 Employment and Income in section 11.1(a) IRS Form 4506-C.

Newrez Underwriting Guide Updates

Conventional Updates

Chapter 1G Assets

Sale of Real Estate 1G.3(w)

Added a new documentation option – Final Sellers ALTA Settlement Statement fully executed.

Bridge Loan 1G.3(c)

Updated to require a copy of the executed Note verifying the terms of the bridge loan in addition to the Closing Disclosure verifying the proceeds from the bridge loan.

Removed:

- Closing Disclosure verifying the proceeds from the sale or refinance of the borrower's real property; or
- Executed buy out agreement that is part of an employer relocation loan that takes responsibility for the outstanding mortgage.

Chapter 1J Appraisal

Value Acceptance + Property Data (DU) and ACE + PDR (LPA) 1J.4(h)

Added non-arm's length transactions to the ineligible list for LPA ACE + PDR

Chapter 1B Conforming Transactions

Dual Capacity 1B.1(c)

Removed the policy that permitted Loan Officers who are appropriately licensed in the states of CA or FL to also act as the buyer's agent.

Chapter 1F Credit

Housing Payment History 1F.7

Updated Mortgage Delinquency grid for Freddie Mac LPA to remove the following bullet:

- If there are any late mortgage payments that are not recognized by LPA, the loan must be resubmitted to LPA. If that is not possible, the loan is not eligible.

Policy Updates

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

Product Profiles Releases

- Conforming – Updated Mortgage Payment History to align with guide update

Overlay Matrix Update

- Removed Dual Capacity exception for FL and CA loan officers

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)

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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](#).