

Newrez Announcements



Announcement 2024-068 SmartSeries Summary and Underwriting Guide Updates October 17, 2024

Newrez LLC "Newrez" Approved Correspondent Clients; effective with applications on or after October 17, 2024. The SmartEdge, SmartSelf Product, and SmartVest Summaries have been updated with the following:

Current Product Summary	New Product Summary
SmartEdge and SmartSelf	
Eligibility Matrix	Eligibility Matrix
Co-ops are an ineligible property type	<p style="color: red;">Co-ops – Non-Delegated Only</p> <ul style="list-style-type: none"> <li style="color: red;">• Primary and Second Home <li style="color: red;">○ Max LTV/CLTV 70%
Eligible Property Type	
Co-ops are an ineligible property type	<p style="color: red;">Cooperative (Co-op) – Non-Delegated Clients ONLY</p> <ul style="list-style-type: none"> <li style="color: red;">○ New York – 5 Boroughs (Bronx, Brooklyn, Manhattan, Queens, Staten Island) <li style="color: red;">○ Must be reviewed by Project Review Department
SmartSelf	
Maximum Cash Out	Maximum Cash Out
<ul style="list-style-type: none"> • Primary & Second home \$500,000 • Investment \$350,000 	<ul style="list-style-type: none"> <li style="color: red;">• LTV ≤ 60%: \$750,000 <li style="color: red;">• LTV > 60%: \$500,000

©2024 Newrez LLC. Information in this communication is a summary and may not be complete. Refer to Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines for the most up-to-date information. The information contained in Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines is for use by real estate and mortgage professionals only and not intended for distribution to consumers or other third parties.

SmartVest

Documentation - SmartVest

Refinance:

- The most recent lease agreement and *Single-Family Comparable Rent Schedule (Form 1007/1000)* is required to determine the monthly rent. An expired lease agreement that states that the lease becomes a month-to-month lease is permitted with proof of most recent month's rental payment to the borrower.
- If the lease agreement reflects market rents greater than those shown on *Single Family Comparable Rent Schedule (Form 1007/1000)*;
 - If the lease is within a 10% variance from the *Single-Family Comparable Rent Schedule (Form 1007/1000)* use the rental income amount on the lease;
 - If the lease is > 10% variance, use the rental income shown on the *Single-Family Comparable Rent Schedule (Form 1007/1000)*

Documentation – SmartVest

New:

- The most recent lease agreement and *Single-Family Comparable Rent Schedule (Form 1007/1000)* is required to determine the monthly rent. An expired lease agreement that states that the lease becomes a month-to-month lease is permitted with proof of most recent month's rental payment to the borrower.
- If the lease agreement reflects market rents greater than those shown on *Single Family Comparable Rent Schedule (Form 1007/1000)*;
 - If the lease is within a 10% variance from the *Single-Family Comparable Rent Schedule (Form 1007/1000)* use the rental income amount on the lease;
 - If the lease is > 10% variance, use the rental income shown on the *Single-Family Comparable Rent Schedule (Form 1007/1000)*
- **If the refinance transaction is a payoff of a construction to permanent loan, the subject transaction can apply the purchase guidelines, utilizing the 1007/1000 when there is no current lease agreement, if the Certificate of Occupancy was issued within ninety (90) calendar days of the application date and the appraisal supports the**

	subject property as new construction.
Multiple Mortgages to the Same Borrower <ul style="list-style-type: none"> All real estate owned must be disclosed on the application with the full PITIA 	Multiple Mortgages to the Same Borrower <ul style="list-style-type: none"> All real estate owned, along with any associated lien(s), must be disclosed on the application with the full PITIA <ul style="list-style-type: none"> No other liabilities are required to be on the 1003 (URLA)
SmartSeries Underwriting Guidelines	
4A.1(f) Cooperative Units (EDGE & SELF)	4A.1(f) Cooperative Units (EDGE & SELF)
N/A	<p>A co-op is a unit in a cooperative project.</p> <p>A cooperative project is a residential or mixed-use building wherein a corporation or trust holds title to the property and sells shares of stock representing the value of a single apartment unit to individuals who, in turn, receive a proprietary lease as evidence of title.</p> <p>A cooperative share loan is a loan secured by a co-op unit that finances (or refinances) the purchase of an ownership interest and the accompanying occupancy rights in a co-op housing corporation. It is secured by an assignment of the occupancy agreement and a pledge of the co-op shares.</p> <p>A cooperative corporation is a business trust entity that holds title to a co-op project and grants occupancy rights to particular</p>

©2024 Newrez LLC. Information in this communication is a summary and may not be complete. Refer to Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines for the most up-to-date information. The information contained in Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines is for use by real estate and mortgage professionals only and not intended for distribution to consumers or other third parties.

	<p>apartments or units to shareholders through proprietary leases or similar arrangements.</p> <p>For complete guidelines, classification information, and approval procedures, see the Project Review Department (PRD) guidelines.</p> <p style="text-align: center;"><u>Link to Project Review Department Information</u></p>
7A.4(e) Business Debt (EDGE & SELF)	7A.4(e) Business Debt (EDGE & SELF)
<p>Business debts for which the borrower is personally liable are included in the debt calculation up to the amount of the personal recourse. These debts include business paid personal debt unless proof of payment by the business is established. These debts may be excluded from the DTI calculation if a minimum of 12 months of consecutive canceled checks from the business are provided.</p> <p>If the account is new, it must be included in the DTI calculation, except when the new account took the place of an identical account that had at least a 12-month history of being paid for by the business. For example, the borrower has an auto lease that was paid for by their business for 12 months, and they are obtaining a new lease on a new auto. Proof of the first month's payment on the new debt must be included in the file.</p>	<p>Replaced current guidelines to align with Fannie Mae.</p> <p>When a self-employed borrower claims that a monthly obligation that appears on their personal credit report (such as a Small Business Administration loan) is being paid by the borrower's business, the lender must confirm that it verified that the obligation was actually paid out of company funds and that this was considered in its cash flow analysis of the borrower's business.</p> <p>The account payment does not need to be considered as part of the borrower's DTI ratio if:</p> <ul style="list-style-type: none"> • the account in question does not have a history of delinquency, • the business provides acceptable evidence that the obligation was paid out of company funds (such as 12

©2024 Newrez LLC. Information in this communication is a summary and may not be complete. Refer to Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines for the most up-to-date information. The information contained in Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines is for use by real estate and mortgage professionals only and not intended for distribution to consumers or other third parties.

months of canceled company checks), and

- the lender's cash flow analysis of the business took payment of the obligation into consideration. (Edge Only)

The account payment must be considered as part of the borrower's DTI ratio in any of the following situations:

- If the business does not provide sufficient evidence that the obligation was paid out of company funds.
- If the business provides acceptable evidence of its payment of the obligation, but the lender's cash flow analysis of the business does not reflect any business expense related to the obligation (such as an interest expense—and taxes and insurance, if applicable—equal to or greater than the amount of interest that one would reasonably expect to see given the amount of financing shown on the credit report and the age of the loan). It is reasonable to assume that the obligation has not been accounted for in the cash flow analysis. (Edge Only)
- If the account in question has a history of delinquency. To ensure that the obligation is counted only once, the lender should adjust the net income of the business by the amount of interest, taxes, or insurance expense, if any, that relates to the account in question. (Edge Only)

<p align="center">8A.5 Self-Employed Income - SmartEdge</p>	<p align="center">8A.5 Self-Employed Income - SmartEdge</p>
<p>All of the following documentation is required to verify and document self-employed income:</p> <ul style="list-style-type: none"> • Most recent two (2) years' individual income tax returns, including all applicable schedules; • Most recent two (2) years' business income tax returns, including all applicable schedules; • Year-to-date (YTD) profit and loss statement and Balance Sheet; <ul style="list-style-type: none"> ○ YTD Q1 P&L and Balance Sheet for loans with Note dates 5/1 to 7/31 ○ YTD Q2 P&L and Balance Sheet for loans with Note dates 8/1 to 10/31 ○ YTD Q3 P&L and Balance Sheet for loans with Note dates 11/1 to 1/31 ○ Full year P&L and Balance Sheet for loans with Note dates 2/1 to 4/30 and filed returns have not been provided ○ Borrower's that own >25% of the business are not required to provide a profit and loss statement or balance sheet if the income is positive and is not being used in the income qualification for the loan 	<p>All of the following documentation is required to verify and document self-employed income:</p> <ul style="list-style-type: none"> • Most recent two (2) years' individual income tax returns, including all applicable schedules; • Most recent two (2) years' business income tax returns, including all applicable schedules; • Year-to-date (YTD) profit and loss statement and Balance Sheet; <ul style="list-style-type: none"> ○ YTD Q1 P&L and Balance Sheet for loans with Note dates 5/1 to 7/31 ○ YTD Q2 P&L and Balance Sheet for loans with Note dates 8/1 to 10/31 ○ YTD Q3 P&L and Balance Sheet for loans with Note dates 11/1 to 1/31 ○ Full year P&L and Balance Sheet for loans with Note dates 2/1 to 4/30 and filed returns have not been provided ○ Borrower's that own >25% of the business are not required to provide a profit and loss statement or balance sheet if the income is positive and is not being used in the income qualification for the loan. <p align="center">Only one (1) year of personal federal and business tax returns are required if the</p>

©2024 Newrez LLC. Information in this communication is a summary and may not be complete. Refer to Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines for the most up-to-date information. The information contained in Newrez's Product Profiles, Newrez's Underwriting Guides, and agency guidelines is for use by real estate and mortgage professionals only and not intended for distribution to consumers or other third parties.

application indicates the borrower is self-employed with an ownership share of 25% or more, and the Start Date for all self-employed businesses is at least five (5) years prior to the application. If any of the borrower's self-employed businesses have a Start Date less than five (5) years, two (2) years of personal and business tax returns are required. The above YTD P & L requirements apply whether using one (1) or two (2) years tax returns.

6A.4(c) Business Assets - SmartVest

6A.4(c) Business Assets - SmartVest

Business assets are permitted based on the borrower's percentage of ownership in the business:

Business assets are permitted based on the borrower's percentage of ownership in the business:

Ownership	Eligible Amount of Assets
100%	May use 75% of the account balance.
≥25% and <100%	May use 75% of the account balance but must obtain written approval from all other owner(s) that the assets are eligible to be used by the borrower for the transaction.
< 25%	Assets held in a business account are not eligible.

Ownership	Eligible Amount of Assets
100%	May use 75% of the account balance. Note: 100% of the business assets may be used on the SmartVest Product.
≥25% and <100%	May use 75% of the account balance but must obtain written approval from all other owner(s) that the assets are eligible to be used by the borrower for the transaction.

	< 25%	Assets held in a business account are not eligible.
--	-------	---

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

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](#).