Dream Big Product Profile

Matrices

Owner Occupied						
20, 25 and 30 Year Fixed Rate						
Purchase - 20, 25 and 30 Year Fixed Rate						
Loan Amount	Units	FICO	LTV/CLTV/HCLTV	DTI	Reserves[4]	Max Cash-Out
$3,000,000[1,2]	1	740	70%	43%	18 Months	N/A
				38%	15 Months	
$2,000,000[5]	1	680	80%	43%	12 months	
	2	720	75%			
$1,500,000[3]	1-2	700	90%[2]	43%	18 Months	
				40% FTHB		
	1-2	700	80%	43%	15 Months	
$1,000,000	1-2	680	90%[2]	43%	12 months	
				40% FTHB		
	1	680	80%	43%	6 months	
	2	700	80%		9 Months	
		680	70%		6 months	
Rate & Term Refinances - 20, 25 and 30 Year Fixed Rate						
Loan Amount	Units	FICO	LTV/CLTV/HCLTV	DTI	Reserves[4]	Max Cash-Out
$3,000,000[1,2]	1	740	70%	43%	18 Months	N/A
				38%	15 Months	
$2,000,000[5]	1	680	80%	43%	12 months	
	2	720	75%			
$1,500,000[3]	1-2	700	80%	43%	15 Months	
$1,000,000	1	680	80%	43%	6 months	
	2	700	80%		9 Months	
		680	70%		6 months	
Cash-Out Refinances - 20, 25 and 30 Year Fixed Rate						
$2,000,000	1-2	700	80%	43%	18 months	$300,000
$1,000,000	1-2	680	80%		12 months	$250,000
15 Year Fixed Rate and ARMs						
Purchase and Rate & Term Refinances - 15 Year Fixed Rate and ARMs						
$2,500,000[1,2]	1	740	70%	43%	18 Months	N/A
				38%	15 Months	
$2,000,000[5]	1	700	80%	43%	12 months	
$1,500,000	1	700	80%	43%	9 Months	
$1,000,000	1	700	80%	43%	6 Months	

Cash-Out Refinance - 15 Year Fixed Rate and ARMs						
$2,500,000	1	740	60%	43%	18 months	$750,000
$1,500,000	1	720	75%		12 months	$500,000
$1,000,000	1	740	80%		12 months	$500,000
	1	720	75%		6 months	$500,000
		700	70%			$250,000

(1) First Time Homebuyer not permitted

(2) Max LTV/CLTV 85% when gift funds are utilized

(3) FTHB max LTV/CLTV 85% unless CA, NJ, NY & CT

(4) First Time Homebuyer and/or Multiple Financed properties may require additional reserves

(5) FTHB requires 740 Minimum FICO

Second Home[1,2] Purchase and Rate & Term Refinances - 20, 25 and 30 Year Fixed Rate Only						
Loan Amount	Units	FICO	LTV/CLTV/ HCLTV[5]	DTI	Reserves[4]	Maximum Cash Out
$2,500,000	1	740	60%	43%	18 Months	N/A
$1,500,000		720	80%		15 Months	
$1,000,000		740	85%	40%	15 Months	
$1,000,000		720	80%	43%	9 Months	
$750,000		700	70%		6 Months	
Second Home Cash Out - 20, 25 and 30 Year Fixed Rate Only						
Loan Amount	Units	FICO	LTV/CLTV/ HCLTV[5]	DTI	Reserves [4]	Max Cash Out
$2,000,000	1	740	60%	43%	24 Months	$750,000
$1,500,000		740	70%		18 Months	$500,000
$1,000,000		720	65%		12 Months	$500,000
Investment Property[1,2] Purchase and Rate & Term Refinances - 20, 25 and 30 Year Fixed Rate Only						
Loan Amount[1,2]	Units	FICO	LTV/CLTV/ HCLTV[5]	DTI	Reserves [4]	Max Cash Out
$2,000,000	1-4	720	75%	43%	18 Months	N/A
$1,500,000	1-4	700	75%	43%	12 Months	

(1) First Time Homebuyer not permitted

(2) No Gift Funds

(3) FTHB max LTV/CLTV 85% unless CA, NJ, NY & CT

(4) First Time Homebuyer and/or Multiple Financed properties may require additional reserves

(5) Subordinate financing not permitted on second homes and investment properties

(6) FTHB requires 740 Minimum FICO

(7) Max LTV/CLTV 85% when borrower(s) retaining or converting current primary residence

Back to Top

Quick Links

Back to Top

Back to Top

Back to Top

Section 1: Program Summary	
1.1 Program Summary	
Program Summary	The Dream Big is designed for borrowers with strong credit, reserves and disposable income. Due to the strong credit characteristics associated with this type of borrower, the Dream Big provides for more flexible financing solutions.
1.2 Underwriting	

Underwriting	All loans will be manually underwritten but are also required to be run through DU or LPA and must receive an Approve/Ineligible or Accept/Ineligible. The AUS decision is used from an informational standpoint and is not to be considered an eligibility or decision tool.
	
	Loans scoring Approve/Eligible or Accept/Eligible are only permitted in the following circumstances:
	• Agency high-balance loans with:
	  ○ A documented price benefit to the borrower; or
	  ○ Refinance transactions paying off a seasoned non-purchase money second lien that meets the requirements of section 2.9 Rate & Term Refinances that would otherwise be rendered a cash-out refinance under Fannie Mae/Freddie Mac requirements; or
	  ○ Non-Warrantable condominiums
	
	The DU/LPA findings are required to be updated and imaged throughout the process by the NewRez underwriter and loan level data is required to match the loan file at clear to close
	
	Successful Loan Score Card submission must be retained in the loan file.

1.3 Ability to Repay and Qualified Mortgage Rule	
Ability to Repay and Qualified Mortgage Rule	No mortgage loan may be originated under NewRez's Dream Big program unless the loan qualifies as a "Qualified Mortgage" eligible for safe harbor protection under the CFPB's "Qualified Mortgage Rule" (12 CFR Part 1026.43).
Section 2: Program Eligibility	
2.1 Minimum Loan Amounts	

Minimum Loan Amounts	• Minimum loan amount is $453,101
	  • Loans meeting agency eligibility are not permitted unless one of the following are met. No other agency eligible loans will be considered.
	• Agency high-balance loans with
	  ○ Documented price benefit to the borrower; or
	  ○ Refinance transactions paying off a seasoned non-purchase money second lien that meets the requirements of section 2.9 Rate & Term Refinances that would otherwise be rendered a cash-out refinance under Fannie Mae/Freddie Mac requirements; or
	  ○ Non-Warrantable condominiums

2.2 Eligible Terms and Programs	
Eligible Terms & Programs	See Loan Programs table below

Loan Programs

Term	Product Name
15 Year Fixed	Dream Big 15 Yr Fixed
20 Year Fixed	Dream Big 20 Yr Fixed
25 Year Fixed	Dream Big 25 Yr Fixed
30 Year Fixed	Dream Big 30 Yr Fixed
5/1 ARM	Dream Big 5/1 ARM
7/1 ARM	Dream Big 7/1 ARM
10/1 ARM	Dream Big 10/1 ARM

Back to Top

2.3 ARM Characteristics

ARM Characteristics

<table>
<tr><th>Characteristic</th><th colspan="4">LIBOR ARM</th></tr>
<tr><td>Index</td><td colspan="4">LIBOR – The average of interbank offered rates for 1-year U.S. dollar-denominated deposits in the London market (LIBOR) as published in The Wall Street Journal.</td></tr>
<tr><td>Margin</td><td colspan="4">2.25%</td></tr>
<tr><td>Life Floor</td><td colspan="4">The floor is the margin.</td></tr>
<tr><td rowspan="4">Interest Rate Caps</td><td>Product</td><td>First</td><td>Subsequent</td><td>Lifetime</td></tr>
<tr><td>5/1</td><td>2%</td><td>2%</td><td>5%</td></tr>
<tr><td>7/1</td><td>5%</td><td>2%</td><td>5%</td></tr>
<tr><td>10/1</td><td>5%</td><td>2%</td><td>5%</td></tr>
<tr><td rowspan="3">Change Date</td><td>5/1</td><td colspan="3">The first Change Date is the 61th payment due date. Subsequent Change Dates are every twelve</td></tr>
<tr><td>7/1</td><td colspan="3">The first Change Date is the 85th payment due date. Subsequent Change Dates are every twelve</td></tr>
<tr><td>10/1</td><td colspan="3">The first Change Date is the 121st payment due date. Subsequent Change Dates are every twelve (12) months thereafter.</td></tr>
<tr><td>Conversion</td><td colspan="4">Not Available.</td></tr>
</table>

Qualifying Rate:
5/1 ARM: Greater of the note rate plus 2% or the fully indexed rate
7/1 & 10/1 ARM: Greater of the note rate or the fully indexed rate

2.4 Assumable

Assumable

- Fixed rate loans are not assumable
- 5/1, 7/1 and 10/1 ARMs are assumable after the initial fixed rate period ends

2.5 Convertible

Convertible

Loans are not convertible

2.6 Eligible Transactions

Eligible Transactions

- Purchase
- Rate & Term (Limited Cash-out) Refinance
- Cash-out Refinance

2.7 Combined LTV "CLTV"

Combined LTV

The combined loan to value "CLTV" is determined by calculating (1) the original loan amount of the first mortgage, (2) the full portion of any HELOC secured against the subject property irrespective of whether any funds have been withdrawn, and (3) the unpaid principal balance of all other subordinate financing, by the lower of the property's sales price or appraised value.

2.8 Purchases

Purchases

A purchase money transaction is one in which the proceeds are used to finance the acquisition of a property or to finance the acquisition and rehabilitation of a property. In order to determine eligibility, the following requirements must be satisfied:

- A copy of the fully executed purchase contract and all attachments or addenda is required
- Proceeds from the transaction cannot be used to give the borrower cash back other than an amount representing reimbursement for the borrower's earnest money deposit, overpayment of a fee or a legitimate pro-rated real estate tax credit when real estate taxes are paid in arrears
- Refer to Property Flips/Rapid Appreciation for additional requirements

2.9 Refinances (General)

Refinances (General)

Borrower(s) must meet the Continuity of Obligation as defined in section 2.10

- All refinance transactions must pass the NewRez Net Tangible Benefit Test.
- Short pay-off's (short refinances) where a new loan is originated resulting in a forgiveness

Back to Top

	of a portion of principal and/or interest on the first or second mortgage are not permitted. • The refinance of a previously modified mortgage is not permitted unless 24 months have passed since the modification and the borrower has a 0x30x24 mortgage history. • Refer to Property Flips/Rapid Appreciation for additional requirements
2.10 Rate & Term Refinances	

Rate & Term Refinances	Rate-Term Refinances consist of the following transaction types:
	• Pay-off of the current mortgage to include principal balance plus accrued interest, and any required prepayment penalty, only. (Other costs such as late fees and past-due amounts may not be paid with the new loan proceeds.)
	• Pay-off of subordinate financing is permissible provided the subordinate lien meets the loan seasoning requirements (must be seasoned a minimum of 12 months and, if a home equity line of credit, have zero draws within the past 12 months); junior liens do not have to be part of the original purchase transaction
	• Refinances where the borrower receives incidental cash-back (amounts limited to the lesser of 1% of the loan amount or $5,000)
	• A co-owner is completing an equity buy-out due to a divorce and all of the following criteria are met:
	  ○ The property was jointly owned by all parties for at least the 12 months preceding the date of the mortgage application.
	  ○ A written agreement signed by all parties is required stating:
	    ▪ the terms of the property transfer, and
	    ▪ the disposition of the proceeds from the refinance
	  ○ The borrower who retains sole ownership of the property may not receive any cash proceeds from the refinance.
	
	Standard loan fees (e.g., closing costs on the new mortgage; prepaid finance charges, such as interest, taxes, insurance, etc.; and points) may be included in the refinance transaction.
	
	The current appraised value is used to calculate the LTV regardless of length of time the borrower has owned the subject property. See Rapid Appreciation for additional information.
	Note: For refinances in Texas, a copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50(a) (6).

2.11 Cash-out Refinances (including Debt Consolidation)	
Cash-out Refinances	The amount of a Cash-Out Refinance may include the present first mortgage loan payoff, subordinate liens (if applicable), closing costs and additional cash in hand to the Borrower. Requirements: • Borrower must have 12-month minimum ownership at the time of loan application in order to base LTV on current appraised value; otherwise the lesser of purchase price or current appraised value will be used. • A letter of explanation is required on all cash-out refinances • Maximum cash in hand and debt consolidation combined may not exceed amounts referenced in the eligibility matrices. • Payoff of a HELOC is included in maximum cash-out if the HELOC is less than 12 months old or any draws in excess of $5000 have been taken out in the last 12 months • Cash-back proceeds may be used to pay existing debts; all revolving debt must be paid off in order to be excluded from qualifying ratios • Cash-back proceeds may not be used to meet reserve requirements
2.12 Continuity of Obligation	
Continuity of Obligation	**Continuity of obligation is met when any one of the following exists:** • At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.

Back to Top

	• The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor. • The loan being refinanced and the title to the property are in the name of a natural person or a limited liability company (LLC) as long as the borrower was a majority owner of the LLC prior to transfer. In order to close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrower(s) • The borrower has recently inherited, or was legally awarded, the property (divorce, separation, or dissolution of a domestic partnership). • The borrowers are eligible for Delayed Financing **Unacceptable Continuity of Obligation** All other refinance transactions that do not meet the continuity of obligation requirements must comply with the following LTV, CLTV, HCLTV ratio restrictions regardless of the occupancy of the property. The LTV, CLTV, HCLTV ratios must be based on the current appraised value. **Months on Title** / **Eligibility Requirements**: < 6 months — Ineligible ≥ 6 months, < 24 months — Limited to 50% LTV/CLTV/HCLTV ratios ≥ 24 months — No additional restrictions
2.13 Inherited Property	
Inherited Property	Inherited or awarded properties are permitted under both cash out and rate and term programs provided the borrower has recently inherited, or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership. Appropriate legal documentation is to be provided to support the inheritance. If the subject property was inherited less than 12 months prior to loan application, the transaction is deemed a rate and term refinance and is subject to the following requirements: • Proceeds must be used to buy-out the documented equity interest of others. Equity owners must be paid at settlement. • The subject property must have cleared probate and the property must be owned in the Borrower's name. • Current appraised value is used for LTV/CLTV/HCLTV determination. • In order to complete a cash-out transaction following standard program guidelines, the borrower must have a 12-month minimum ownership at the time of loan application.
2.14 Delayed Financing	
Delayed Financing	Permitted with the following restrictions: • No longer than 6 months has elapsed since the original cash acquisition of the property; measured from the loan application date • Must be underwritten as a rate & term refinance; a price adjustment will apply • The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for a rate and term refinance based on the lesser of the purchase price or the current appraised value) • Property must have been purchased with cash using the borrower(s) own funds ○ Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable if the following requirements are met:

Back to Top

	▪ The borrowed funds are fully documented ▪ The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction • Closing Disclosure/Settlement Statement from the original purchase and documentation to show the down payment and closing costs used for the purchase were from the borrower's own funds (no borrowed, gift or shared funds)
2.15 Subordinate Financing	
Subordinate Financing	• New subordinate financing is permitted up to a maximum LTV/CLTV/HCLTV of: o 90% for 1 unit primary residence properties. o 80% for 2 unit primary residence properties o subordinate financing is not permitted on second homes and investment properties • The Re-subordination of existing subordinate financing will be allowed so long as the maximum CLTV/HCLTV does not exceed the maximum LTV permitted by the program matrix The pay-off of an existing subordinate lien with the borrower's own funds is also permitted. The following requirements apply to the terms of the subordinate financing: • The subordinate financing must be recorded and clearly subordinate to the new mortgage; title must indicate the lien is in second position • If there is an outstanding balance at the time of closing, the payment on the subordinate financing must be included in the calculation of the borrower's debt to income ratio. • Subordinate financing must be reviewed to ensure that there are no terms that restrict prepayment. Terms that restrict prepayment are not permitted as acceptable secondary financing. Terms that require payment of certain closing costs that were waived upon origination of the subordinate lien loan are not considered a restriction of prepayment. • The source of the secondary financing is not a natural person except when the natural person is the seller of the subject property. • Negative amortization is not allowed. The scheduled payments must be sufficient to cover at least the interest due. If the subordinate financing is a home equity line of credit: • The CLTV ratio is calculated by adding the amount drawn on the HELOC (not the credit limit unless the full amount has been drawn) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the value of the mortgaged premises. • The HCLTV ratio is calculated by adding the full HELOC credit limit to the first mortgage amount, plus any other subordinate financing, and dividing the sum by the value of the mortgaged premises. • The terms of a HELOC may not provide for a balloon or call option within the first five years after the note date of the new first mortgage If the subordinate financing is a closed end subordinate lien: • Maturity date or amortization basis of the junior lien must not be less than five years after the note date of the first lien mortgage, unless the junior lien is fully amortizing • The loan cannot have a balloon or call option within five years of the date of the Note If the subordinate financing is from the borrower's employer: • The financing terms may provide for the employer to require full repayment of the debt if the borrower's employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing. In all instances, the following items are required:

Back to Top

	• A copy of the signed subordinate note or direct verification from the lien holder verifying all items detailed above must be obtained. • A copy of the unsigned subordination agreement prior to closing. • A copy of the executed subordination agreement at closing.
2.16 Land Contracts (Installment Land Contract or Contract/Bond for Deed)	
Land Contracts	When the proceeds of a loan are used to pay off the outstanding balance on an installment land contract that was executed within 12 months preceding the date of the loan application, the transaction will be considered a purchase transaction. When the installment land contract was executed 12 months or more before the date of the loan application, the transaction will be considered a rate and term refinance. The following requirements apply: • Purchase or Rate and Term Refinance of a Primary Residence Only • Land sale contracts must be recorded or notarized; a copy of the of contract and notice of payoff(s) are required; must not be a foreclosure bail-out or distress sale • The seller under a land sale contract must deed to the purchaser at or prior to closing • The Closing Disclosure/Settlement Statement at closing must indicate that all liens on title have been paid in full. • The estate or interest insured in the title insurance policy is Fee Simple • The title insurance policy ensures full title protection to the lender • The title insurance policy states that title to the security property is vested in the purchaser under the land sale contract. • The title insurance policy must not list any exceptions arising from the land sale contract. • Twelve (12) full months of payment history must be verified with 12 months cancelled checks or equivalent financial documentation (bank statements, wire transfers, etc.) ○ If the land contract was executed less than 12 months prior to the date of the loan application, the borrowers previous housing payment history (covering 12 months) must also be verified in addition to all payments made on the land contract.
2.17 Payoff of Construction Financing	
Construction to Permanent Financing	• All transactions will be treated as Rate and Term Refinances • Borrower must have legal title to the land prior to application and be named as the borrower on the construction financing • LTV/CLTV/HCLTV will be based on the as-completed appraised value regardless of the length of time the borrower has owned the lot • Underwriting reserves the right to ask for additional documentation for use in the completion of the cost analysis when warranted • In all cases, a new note and mortgage for the refinance of the construction financing must be created and the mortgage recorded. Single- close construction-to-perm financing is not available, therefore modifications of existing construction loans are not permitted • A Certificate of Occupancy from the applicable government authority at or prior to closing unless a Certificate of Occupancy is not required by the applicable local government. If the subject property is not complete per the plans and specifications at the time of the appraiser's inspection an Appraisal Update and/or Completion Report (442) must be obtained prior to loan approval.
2.18 Payoff Demands	
Payoff Demands	Payoff demand statements are required to ensure the current lien is paid in full prior to closing. The expiration date of the statement must be reviewed. A loan may not move to closing if the payoff will expire prior to funding. If the statement contains an expiration date, the underwriter must verify the date is after the funding date.

Back to Top

	If the statement does not contain an expiration date, the underwriter must verify a per diem amount is listed. The per diem should be applied to the payoff amount to cover proceeds through the funding date; it can be used for an unlimited number of days; unless otherwise specified in the payoff letter. A payoff demand statement is considered expired when: • The document instructs the associate to void after a specified date; or • The interest accrued amount on the statement signals the borrower will be past-due when the new loan funds; o The borrower must make a mortgage payment prior to closing to avoid a late payment on the credit; and The borrower must provide evidence the payment has been made and the updated payoff demand must reflect that a payment has been made.
2.19 Maximum # of Financed Properties	
Maximum # of Financed Properties	• The borrower(s) may own a total of six (6) financed, 1-4 unit residential properties including the subject property when the subject transaction is a primary residence or a maximum of four (4) when the subject transaction is for a second home or investment property. • All financed 1-4 unit residential properties require an additional two (2) months reserves for each property, unless the exclusions below apply. • 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage. • Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation. • Refer to section 7.6 Reserves for requirements pertaining to properties being retained or pending sale
2.20 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to the Same Borrower	NewRez Exposure not to exceed $3m per individual loan or in aggregate with a maximum of 4 financed properties; maximum of 1 financed unit in a single condo project.
2.21 Ineligible Transactions	
Ineligible Transactions	Unacceptable loan types include but are not limited to the following, provided, however, that in the event that any of these limitations would violate the requirements of the Equal Credit Opportunity Act or the Fair Housing Act, the provisions of those laws and implementing regulations are controlling: • Any loan that meets an agency, state or Federal definition of a high cost loan • Cross-collateralized or Blanket loans, covering multiple properties • Bridge loans • Deed-Restricted Properties (exceptions will be considered on a case-by-case basis) • Lease-Purchase Options • Model Home Lease-Backs • Mortgage Credit Certificates (MCC) • Temporary Buy downs • Land trusts in the state of Illinois • Leaseholds secured by Indian/Tribal lands • Interest Only Loan Programs • 1031 Reverse Exchanges • Loans to fund escrows for work completion except as provided in this guide • Loans to officers / owners of NewRez's approved mortgage brokers, correspondents. • Flip transactions (multiple private transfer in the last 12 months; see Property Flips/Rapid Appreciation for more details)

Back to Top

	• Refinancing of a subsidized loan, including loans subsidized by Habitat for Humanity, U.S. Department of Agriculture, FHA with a recapture or any city/county grant. • Loans with any fraudulent activities including but not limited to straw borrowers, straw buyers, builder/seller bailout plans, multiple property payment skimming, which typically involves investors who purchase investment properties with seller carry back financing and collect rents but do not make the mortgage loan payments. • Foreclosure bailouts of any kind. (An arms-length purchase of a short sale is not deemed a foreclosure bailout.) • Texas 50(a)(6) transactions
Section 3: Borrower Eligibility	
3.1 Occupancy	
Occupancy	Eligible occupancy types include: **30 Year Fixed Rate Mortgage:** • Primary residences for 1-2 unit properties, including condos • Second home residences for 1-unit properties, including condos • Investment properties for 1-4 unit properties **15 Year Fixed and ARM Products:** • Primary residences for 1-unit property only, including condos
3.2 Borrower Eligibility	
Borrower Eligibility	Borrowers must be either U.S. Citizens or lawful permanent or non-permanent residents of the United States who have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. Refer to Section 3.4 Non-US Citizens for additional information. No more than 4 borrowers may be party to any transaction.
3.3 Non-Occupant Co-Borrower	
Non-Occupant Co-Borrowers	Non-Occupant Co-Borrowers are allowed with the following restrictions: • Primary residence – One (1) Unit Property. • Purchase and rate & term refinance transactions only. • Max loan amount $1,000,000 • Max LTV/CLTV 80%. • No minimum down payment required from the occupant borrower, down payment and reserves may be from the occupant borrower or non-occupant co-borrower. • Additional six (6) months reserves required. • Non-occupant co-borrower must be an immediate family member as defined as a mother, father, spouse, brother or sister including step parents/siblings. • Occupying borrower must be employed and contributing qualifying income towards the transaction • Blended ratios allowed with a maximum 43% DTI. • Transaction must be an arm's length transaction.
3.4 Non-US Citizen Borrowers	
Non-US Citizen Borrowers	• NewRez originates or purchases mortgages made to non–U.S. citizens who are lawful permanent or non-permanent residents of the United States. • Borrowers must have either a current valid green card or one of the following types of unexpired Visas with a documented history of the Visa having been renewed at least once prior to the current valid visa ○ H1B, H2B, E1, L1 and G Series Visas only. G Series Visas must have no diplomatic immunity

Back to Top

	○ Borrower(s) must have a current twenty-four (24) month employment history in the US ○ Borrower(s) currently residing in the US under Deferred Action for Childhood Arrivals (DACA) are not eligible
3.5 First Time Homebuyers	
First Time Homebuyers	First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. First-time homebuyer requirements apply if any borrower on the transaction is a first-time homebuyer. Refer to Reserves section 7.6 for additional information. First Time Homebuyers must have a 0x30x24 cumulative housing history. Housing histories through private parties must be verified with cancelled checks (or equivalent financial institution records such as wire transfers or bank statements), referencing the company or individual who completed the VOM/VOR; cancelled checks/financial institution records are not required for VOMs/VORs completed by a Property Management Company. Checks must be dated prior to the next due date and reflect 0x30x24. If all borrowers have lived in a rent-free situation, they are ineligible for financing. • Loan amount > $1,500,000 and ≤ $2,000,000: ○ Requires minimum FICO 740 • The LTV > 85%: ○ Loan amounts to $1,500,00 permitted in CA, NJ, NY and CT only ○ Loan amounts to $1,000,000 permitted in all other states ○ Maximum DTI 40% ○ Gift funds not permitted • Primary residence only • Reserves: Follow the greater of the below or per the eligibility matrix ○ 12 months for loan amounts $1,000,000 or less ○ 15 months for loan amount > $1,000,000
3.6 Power of Attorney	
Power of Attorney	The use of a Power of Attorney must be approved by NewRez's Processing and Legal teams. **Acceptable Use of Power of Attorney** Generally, a Power of Attorney may be used for closing in the following scenarios: • **Incapacitated Borrower** - the borrower is incapacitated and therefore unable to sign documents due to disability, legal incapability, or he/she lacks the physical ability; ○ Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loan file; ○ Example: verify the signer of the POA is not acting as a straw buyer or purchasing an investment property utilizing the incapacitated borrower's credit. • **Military Personnel - the borrower is currently deployed or stationed overseas and is unable to sign documents or attend closing;** • **Hardship Circumstance** - the borrower is unable to attend closing because he/she is out of the state or country for an extended period, bedridden, in the hospital with a serious illness, or is incarcerated. ○ POA will not be permitted for borrowers that are on vacation • **Government Contractor** – the borrower is employed by the government and currently working overseas ○ A letter from the borrower's employer is required to verify overseas travel • **Business Reasons** – permitted on Purchase and Rate/Term Refinance transactions when the co-borrower/spouse has Power of Attorney for the unavailable borrower. ○ Not permitted on Cash Out Refinance transactions Note: A Power of Attorney is not permitted when requested as a matter of convenience only.

Back to Top

	III. General Requirements The following guidance should be used when a POA is utilized at closing. Additional product specific requirements are outlined in Section VI. • The POA must be on the proper form and drawn in accordance with applicable state laws and be acceptable to the recording agent in the local jurisdiction; • The POA must be prepared by the borrower's attorney or the closing agent; it will not be prepared by NewRez; • All POA must be signed and notarized; • Documents executed by the attorney-in-fact must include the principal's name, the agent's name, and the agent's capacity (attorney-in-fact) in the signature. The agent's capacity must be written out in its entirety; abbreviations are not acceptable; • The POA clearly defines the agent; • The POA grants the agent the authority to enter into a real estate transaction and mortgage real property; • The POA does not contain any blanks; • The Principal is the same person as shown on the loan application; • The agent's identity is verified and documented in the loan file; • The POA has been, or will be, recorded prior to the recording of the Deed of Trust/Mortgage. If recorded simultaneously, the POA must be recorded first. • The original POA must be provided at closing for recording or must be previously recorded with a clerk certified copy in the file; • The title company must accept the POA and insure the property without exceptions; • If the subject property is held in a Trust, a POA cannot be used to sign on behalf of the trustee; • NewRez must obtain a letter of explanation verifying the reason the POA is being used. **Acceptable Types of Power of Attorney** There are 2 acceptable types of power of attorney for all products • **Specific** - this type of POA is specific to the mortgage transaction; therefore the POA must specify the legal description, subject property address, and transaction type within the body of the document. It must be recorded at closing; • General Military - this type of POA is generally used in situations where a borrower or his/her spouse may be deployed or is on active duty. All loan files wishing to utilize a power of attorney must meet the following requirements: • POAs may only be used to execute the final loan documents ○ The Borrower who executed the POA signed the initial Form 1003 • A Letter of Explanation from the borrower advising why the loan is closing with a POA • Completed and Signed POA Form • No interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may act under Power of Attorney.
3.7 Trusts	

Trusts	Living Trust / Inter Vivos Revocable Trust Only
	• All trust requests must be approved in writing by the NewRez Compliance Group (newrezcompliance@newrez.com) with the following documentation:
	  ○ Title Commitment
	  ○ Any Existing Trust Certification
	  ○ Entire Trust Agreement (The trust must be signed, notarized, and dated by all applicable parties)

Back to Top

	○ All Amendments to the Trust ○ Death Certificates , if applicable ○ Divorce Decrees, Marriage Certificates and Proof of name change, etc. • Prior to submission, confirm the trust meets the following requirements: ○ The borrower or borrowers must be creator(s) of the trust. The creators of the trust are usually called the Grantor, Settlor or Trustor ○ The borrower(s) must be the trustee(s) of the trust (or there must be an approved institutional trustee) ○ The trust must be revocable ○ The borrower(s) must be the primary beneficiaries of the trust ○ The trustee(s) must have the authority to borrow money and pledge the trust property as security ○ The trust must have been created during the lifetime of the borrower(s); it may not have been created by a will • In the event NewRez Compliance Group feels the trust documentation provided is ambiguous or has concerns interpreting the documentation, an Attorney Opinion Letter from the borrower's attorney will be required • In the event a trust certification is not available for a state, Form A must be utilized • A Final Trust Certification, created by the NewRez Compliance Group, must be executed at closing California Exception • For Trust Properties in California a trust certification completed by the borrower or the borrower's attorney is acceptable in lieu of the full trust documents. The title commitment is still required • Should any portion of the trust certificate be found inaccurate or in disagreement with the title report, *this exception cannot be applied* and the complete trust documents must be provided • This exception to trust documentation is ONLY for properties located in California. Non-Inter-vivos Trust Estates Blind trusts, Life Estates, and Land Trusts are not eligible for financing.
3.8 Non-Arm's Length Transactions	
Non-Arm's Length Transactions	A non-arm's length transaction is one where the parties to the transaction are related such as family members, employer/employee, or principal/agent. An at-interest transaction involves persons who are not closely tied or related to the borrower but may have a greater vested interest in the transaction. The following non-arm's length transactions are permitted on owner occupied purchases only: • Family Members • Property seller acting as their own real estate agent • Borrower acting as their own real estate agent • Borrower is the employee of the originating lender and the lender has an established employee loan program (Evidence must be provided) • Borrower purchasing from their landlord (cancelled checks or bank statements required to verify a satisfactory pay history) • Second Home and Investment property transactions must be arm's length.

Back to Top

3.9 At-Interest Transactions	
At-Interest Transactions	Transactions where: • Builder is acting as Realtor/Broker – permitted on primary residence only • Realtor/Broker is selling their own property – permitted on primary residence only • The originator is acting in another real-estate related role (Originators cannot have another real estate related position on any loan, regardless of the loan program
3.10 Ineligible Borrowers	
Ineligible Borrowers	The following Borrowers are not eligible for financing: • Co-Mortgagors/Co-Signers/Guarantors • Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction; • Borrowers who are citizens and not employed in the U.S. AND do not claim the income earned outside of the US on their tax returns (regardless of citizenship or immigration status) • Borrowers whose qualifying income is not likely to continue for at least 3 years (e.g., a bonus or an inheritance) • Properties vested in an LLC or Corporation (title must be taken as an individual at or prior to closing. If title will be transferred at closing a copy of unexecuted quit claim deed is required for underwriting approval) • Non-Arms-Length transactions that do not meet the requirements of section 3.7
Section 4: Collateral	
4.1 Eligible Properties	

Eligible Properties	Eligible Property Types include:
	• Attached/Detached SFRs
	• Attached/Detached PUDs
	• Low/Mid/High-Rise Condos and Site Condos (Warrantable and Non-Warrantable)
	• 2-4 Unit Properties
	  ○ Primary limited to 2 unit
	  ○ Second Homes not permitted
	  ○ 3-4 Units Investment properties only

Non-Conforming Additions/Granny or In-law Suites/Accessory Units	
Non-Conforming Additions, Granny or In-law Suites, and Accessory Units	Properties with accessory units, also known as Granny units, mother-in-law suites, etc., may be acceptable if all of the following criteria are met: • 1-unit property. • Subject property is typical, common and readily-acceptable in the subject property's market area. • Rental income from the accessory unit may not be used to help the Borrower qualify. • Existence of the unit must not jeopardize any future hazard insurance claim. • Subject property must conform to all zoning laws and/or regulations. • Legal non-conforming use may be acceptable provided the subject property's current use does not adversely affect its market value and marketability. • Accessory unit is substantially smaller than the primary unit. • Appraisal contain one comparable sale with similar additional accessory units.
Multiple Dwellings on One Lot	
Multiple Dwellings on One Lot	Single family properties containing additional residential dwellings (guesthouse, carriage house, etc.) must comply with local zoning regulations. They must be typical and common within the subject property's neighborhood. Typically, the additional dwelling(s) are smaller than the main dwelling and will not be rented. The subject property should be appraised as a single-family residence. Any value for the additional dwellings should be supported by comparable sale(s).

Back to Top

	Properties with two or more fully-functioning detached single-family homes on a single lot are ineligible. Properties that have a mobile or manufactured home as an additional unit on the subject lot are not acceptable regardless of whether they are used as storage or occupied.
Maximum Acreage	
Maximum Acreage	Properties are limited to 40 acres. Acreage and land value must be typical and common for the subject's market. The appraiser must indicate the total acreage as well as provide data which indicates that like-size properties with similar land values are typical and common in the subject area's market. It is not acceptable to have property appraised with only 40 acres in order to meet eligibility. Refer to Section 4.5 Rural Properties for any additional requirements that may apply Additional requirements for properties >20 acres and ≤ 40 acres • Maximum land value of 35% • Reduce LTV/CLTV/HCLTV by 5% below maximum allowed per eligibility matrix • Must not have any income producing attributes
4.2 Condos	

Condos	All loans secured by condos originated under the Dream Big must be reviewed by the NewRez Condo Review team prior to approval. In general, condos must meet Fannie Mae (FNMA) Condo Project Manager Standards (CPM) or be FNMA/NewRez Approved; If project is currently FNMA PERS approved, a HOA Certification is still required.
	
	All requests for condominium review should be emailed to projectreview@newrez.com.
	
	Non-Warrantable Condos
	NewRez follows FNMA Full Lender Review guidelines for Non-Warrantable Condos except for the following:
	• Project must be reviewed and approved by the NewRez Condo Department. A price adjustment will apply.
	• Maximum exposure in any single project may not exceed the lesser of $8MM or 25% of the total number of units in the project. Exposure is calculated as the number of NewRez loans in the project divided by the total number of units in the project. The 25% exposure limit can only be exceeded if:
	  ○ The exposure is less than the current threshold and one more Non-Conforming (Jumbo) Loan will put the exposure over threshold.
	  ○ A Loan is a refinance or a purchase of a current Loan that will replace a Loan already being used on the current exposure calculation.
	  ○ NewRez has reviewed the project and elected to provide Preferred Lender Status.
	
	• The budget provides for the funding of replacement reserves for capital expenditures and deferred maintenance (at least 5% of the budget); and the budget provides adequate funding for insurance deductible amounts.
	• Replacement Reserve Allocation less than 10%
	  ○ The HOA provides a complete independent reserve study dated within the past 2 years, and the budget supports the reserve allocation as required by the reserve study. Independent third party may be an engineering firm, reserve study firm or an independent CPA
	  ○ The budget reflects **< 10%** and **≥ 5%** for reserves, the HOA provides a complete independent reserve study or a reserve study completed by the HOA, HOA's Management Firm, or HOA CPA dated within the past 2 years, **AND** the allocation meets the guidelines as outlined in the matrix table on the following slide

Back to Top

- The budget reflects **< 10%**, the HOA has not completed a reserve study but the reserve bank account reflects a balance at 100% of the annual budget AND the project cannot be > 10 years old

% Budget Allocated to Reserves	Project Age	Amount Reserve Acct. Funded (Based on reserve study)	Requirements
5% - 7.49%	≤ 10 Yrs.	50%	• Most recent HOA Reserve Acct. bank statement. • No more than 25% of unit owners can be over 30 days delinquent ** If no reserve study, account must be funded at 100% of annual budget and project cannot be > 10 yrs. old.*
	> 10 Yrs.	75%	
7.5% - 9.99%	≤ 10 Yrs.	25%	
	> 10 Yrs.	50%	

- No more than 25% of income may be from non-incidental business operations if the total assessment income shown on the budget meets or exceeds the annual expenses. If the total assessment income shown on the budget does not meet or exceed the annual expenses, the HOA must provide a letter of explanation detailing the nature of the income, lease/contract details, continuance, etc. Special assessments are not to be included in the total assessment income.
- No more than 40% of the total square footage of the project can be used for commercial purposes.
- No more than 20% of unit owners can be over 60 days delinquent on their HOA dues; a breakdown of the delinquent assessment fees must be provided (0-30 days, 31-60, 61-90, and over 90). Refer to Replacement Reserve Allocation Matrix above for additional requirements.
- At least 35% of the total units in the project or subject legal phase must have been conveyed or be under a bona fide contract for purchase to owner-occupant principal residence or second home purchasers.
- No single entity may own more than 10% of the total units in the project. If the project has 10 or more units, but less than 30 units, no single entity may own more than 3 of the total units in the project. If the project has less than 10 units, no single entity may own more than 1 unit.
    - Units owned by the developer/sponsor that are currently subject to any lease arrangement, which may or may not contain a provision allowing for the future purchase of the unit (including but not limited to lease-purchase or lease-to-own agreements) must be included in the calculation.
    - Units in a new project owned by the developer/sponsor that are vacant and are being actively marketed for sale are not included in the calculation.
- The project is not fully completed, such as proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condo; at least 50% of the total number of units and 50% of common areas must be complete. A copy of the completion bond letter or other documentation that has been filed with the local municipality by the developer, assuming a completion of improvements. A review of the incomplete elements is required to ensure there is no impact to marketability.
- The HOA may or may not be turned over to the homeowners.
- Litigation (Maximum LTV/CLTV 80%)
    - The HOA has filed suit against builder/developer and/or contractor for recoupment of

Back to Top

	fees HOA paid to complete repairs of the project's defects caused by poor workmanship of the defendant *(Repairs must be complete. Insurance company is not required to be defending the association because they are the plaintiff nor is the $ amount of the litigation required)* o Litigation involving incomplete structural defects or defects that impact marketability, safety, or were a result of fire damage are not permitted o Litigation involving personal injury. Suit cannot be for bodily injury or harm that involves death, dismemberment, a minor child or incapacitation. - $2M minimum liability coverage required (includes umbrella coverage) - Insurance carrier must indicate litigation is covered claim under policy and insurance carrier is defending association
4.3 PUD (Planned Unit Development)	
PUDs	Planned Unit Developments (PUDs) must comply with the PUD project requirements of Fannie Mae. Fannie Mae Selling Guide - PUDs
4.4 Attached SFR with No Homeowner's Association	
Attached SFR with no HOA	Townhouses or single family attached properties use a method of construction of individual homes with common side walls and a common roof. Certain geographic areas have an architectural style that is not subject to a homeowners association. An appraisal review is required for Attached SFR with No Homeowner's Association.
4.5 Rural Properties	
Rural Properties	A property indicated by the appraisal as rural, or containing any of the following characteristics, is usually considered a rural property: • Neighborhood is less than 25% built-up. • Area around the subject is zoned agricultural. • The photographs of the subject show a dirt road. • Comparable sales are more than five miles away from the subject. • Subject property is located in a community with a population of less than 25,000. • Distances to schools and/or amenities are greater than 25 miles. • Subject property and/or comparable sales have lot sizes greater than 10 acres. • Subject property and or comparable sales have outbuilding or large storage sheds. Rural properties must comply with the following criteria: • The lot size and acreage must be typical for the area and similar to the surrounding properties. • The subject property must be within reasonable commuting distance to a metropolitan area. • The subject property must be accessible by public roads and highways. • The present use must be the "highest and best use" for the subject property. • The condition, quality and use of outbuildings may be considered in determining the market value of the subject property when the appraiser clearly supports the adjustments with similar comparable information. • Property cannot be subject to any idle acreage tax benefit or other tax incentive program.
4.6 Ineligible Property Types	
Ineligible Property Types	• Co-ops • Condotels • Manufactured/Mobile, Modular, or Factory Built Homes • Log homes • Timeshares • Geodesic Domes, Berms, Earth homes • Properties with Excessive Acreage (> 40 acres)

Back to Top

	• Properties with resale deed restrictions • Properties vested in an LLC or Corporation (title must be taken as an individual prior to closing, or if title will be transferred at closing a copy of unexecuted quit claim deed is required for underwriting approval) • Properties Purchased Through Auctions • Unimproved Land and property currently in litigation (Refer to Non-Warrantable Condos) • Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel) • Zoning violations including residential properties zoned commercial • Properties with less than 750 square feet of living area • Properties held in a business name • Properties located in a Lava Zone • Properties located adjacent to or containing environmental hazards • Properties appraised with a property condition of C5 or worse • Properties with a private transfer fee covenant • Unique properties • Working farms, ranches or orchards • Model Home Leasebacks • 3-4 Unit owner occupied properties • Mixed-use properties • Properties zoned agricultural or commercial • Leasehold properties
4.7 Appraisals	

Appraisals	• Appraisals must be ordered through a NewRez approved AMC (Excludes Correspondent Channel who can utilize AMC of their choice)
	  o Appraisers listed on the NewRez Ineligible Appraiser List are not eligible to complete appraisals for loans done through NewRez.
	• Investment properties must contain a rent comparable schedule
	• Collateral Desktop Analysis (CDA) with accompanying MLS sheets from Clear Capital is required to support the value of the appraisal.
	  o If the CDA returns a value that is "Indeterminate" or lower than the appraised value and exceeds a 10% tolerance then one of the following requirements must be met:
	    ▪ A field review
	      • If the field review value is ≤ 5% below the appraised value, the appraised value is acceptable for LTV calculations.
	      • If the field review value is > 5% below the appraised value, a second appraisal will be required.
	    ▪ 2nd full appraisal may be provided in lieu of a field review. The lower of the two values will be used as the appraised value.
	• For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply:
	  o Second full appraisal is required.
	  o Property seller on the purchase contract is the owner of record.
	  o Increases in value should be documented with commentary from the appraiser and recent paired sales.
	  o The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu.
	• When two appraisals are required the following is required:
	  o Appraisals must be completed by two independent companies.
	  o The LTV will be determined by the lower of the two appraised values as long as the lower appraised appraisal supports the value conclusion.

Back to Top

	○ Any inconsistencies between the two appraisal reports must be addressed and reconciled. ○ If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon ○ A CDA is not required **Number of Appraisals Required** Loan Amount ≤ \$1,500,000 — 1 Full Appraisal Loan Amount > \$1,500,000 — 2 Full Appraisals Additional Requirements: • Transferred appraisals accepted with the following: ○ NewRez will submit appraisal through Collateral Underwriter ○ Appraisal must receive score of 2.5 or less with no overvaluation ○ Appraisal is subject to Collateral Desktop Analysis process as noted above ○ Appraiser Independence Certification. ○ Signed and Dated Appraisal Transfer Letter from original lender releasing the appraisal to NewRez. NewRez does not provide this for the lender transferring the appraisal to NewRez. • Appraisals that do not meet this criteria will require a new appraisal. The re-use of an appraisal is not permitted
4.8 Declining/Soft Markets	
Declining/Soft Markets	• If any appraisal associated with the subject property is defined by the appraiser as declining, a 5% reduction to the maximum LTV is required. • A market will be deemed "declining" if: • Appraiser indicates in Neighborhood Section that market is declining • Appraiser indicates anywhere in comments that market is declining • Any Appraisal Review indicates that the market is declining • • At its discretion, NewRez may publish a Market Risk Rating Listing requiring additional valuation products (field review or 2nd full appraisal) on properties in certain geographic areas. As of the date of this publication, there are no geographical areas defined in the Market Risk Rating List. When two appraisals are required, the lesser of the two values will be used for qualification purposes.
4.9 Property Flips/Rapid Appreciation	
Property Flips/Rapid Appreciation	Purchase Transactions that **are not** Higher Priced Mortgage Loans (HPML): • For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply: ○ Second full appraisal is required. ○ Property seller on the purchase contract is the owner of record. ○ Increases in value should be documented with commentary from the appraiser and recent paired sales. ○ The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu. Higher Priced Mortgage Loan Transactions (HPML): • Purchases: ○ Appreciation greater than 10% in the past 90 days requires 2 full appraisals regardless of loan amount; the pay-off of seller financing is not permitted. The cost of the second appraisal must be paid for by the lender.

Back to Top

	○ Appreciation greater than 20% in the past 91-180 days requires 2 full appraisals regardless of loan amount; the pay-off of seller financing is not permitted. The cost of the second appraisal must be paid for by the lender. The 90-180 time period is determined by subtracting the date the seller became the legal owner of the property from the date the purchaser signed the purchase contract. If the seller and purchaser signed the purchase agreement on two separate days the latter of the two dates is to be used. • No Cash-Out Refinance: Appreciation greater than 20% in the past 90 days requires 2 full appraisals regardless of loan amount; the pay-off of seller financing is not permitted. • Cash-out Refinances: Appreciation greater than 20% in the past 12 months requires 2 full appraisals regardless of loan amount When two appraisals are required regardless of the transaction type the lesser of the two values will be used for qualification purposes. There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months, unless the property seller is a GSE, bank, or licensed mortgage company, then no seasoning is required
4.10 Properties Previously Listed for Sale	
Properties Previously Listed for Sale	• Rate and Term Refinances- The listing must have been expired or withdrawn prior to loan application • Cash-out Refinances- The listing must have been expired or withdrawn a minimum of 6 months prior to the application date
4.11 Disaster Areas	
Disaster Areas	Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disasters. For loans secured by properties appraised prior to the Federal/State declaration, the following post-disaster guidelines apply for 120 days after the declaration date: • An exterior inspection of the subject property is required. ○ The original appraiser should perform the inspection and provide a certification stating: ▪ Subject property is free from damage and is in the same condition as previously appraised; ▪ If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, or other post-disaster inspection report, with photos of interior, exterior, and neighborhood ▪ Marketability and value remain the same. ○ If the original appraiser is not available: ○ The inspection may be completed by any of the following: ▪ Property / building inspection company; ▪ Licensed general contractor; ▪ Building or safety inspector from local municipality; or ▪ Licensed structural engineer. ○ The inspector must be given a copy of the original appraisal report ○ The inspector must provide certification, on his/her letterhead, stating: ▪ Original appraisal has been reviewed; ▪ Interior inspection has been completed; and ▪ To the best of his/her knowledge: ▪ Subject is free from significant damage;

Back to Top

	▪ All repairs, if needed, have been completed. • Borrower must sign a certification of acceptable property condition. For loans secured by properties appraised after the Federal/State declaration, the following post-disaster guidelines apply: ○ Appraiser must note any damage and its effect on marketability and value. ○ Electronic evaluations are not acceptable.
4.12 Dampness	
Dampness	If the appraisal report notes evidence of dampness, the appraiser must clearly define the effect on value and marketability of the subject property, as well as comment regarding the probable cause of the dampness problem and if typically incurable in the surrounding neighborhood. Prior to closing satisfactory evidence that the condition was corrected or a professionally prepared report indicating that the condition does not pose any threat of structural damage must be provided.
4.13 Electrical Systems	
Electrical Systems	An electrical certification from a licensed electrician is required whenever the appraisal states a fair or poor rating concerning the adequacy or condition of the system. Any inadequacies must be corrected prior to closing.
4.14 Foundation Settlement	
Foundation Settlement	If the appraisal report notes evidence of excessive foundation settlement, the appraiser must clearly define the effect on value and marketability of the subject property. Settlement problems which denote structural deficiencies and/or significant negative impact on value and marketability must be corrected prior to closing. A structural engineer's report is required prior to making a loan decision.
4.15 Heating Systems	
Heating Systems	A central heat source with ductwork or baseboard in all rooms is required on all properties except those in geographic regions where heating is not required. If the subject property does not have central heat, the appraiser must provide similar comparable properties and an addendum indicating: • The heat source is typical for the area • The heat source is permanently attached • The heat source is adequate for the dwelling • The heat source is externally vented
4.16 Sewage Disposal System	
Sewage Disposal System	Sewage disposal systems may require certification if the appraiser or purchase contract indicates the necessity. The report should be provided by a city, county, state (or governing body) official or qualified entity stating: • The sewage disposal system complies with applicable local and/or state health standards, is in proper working order, and can be expected to function satisfactorily; or • Local and/or state health standards do not apply for the sewage disposal system; however, it is found to be in proper working order and adequate for the subject property. For systems one year old or less, the certification may be no more than one year old on the date of loan closing. For systems more than one year old, the certification may be no more than 120 days old on the date of loan closing.
4.17 Water Supply	
Water Supply	A water supply certification is required if the appraiser or purchase contract indicates the necessity. The report should be provided by a city, county, state (or governing body) official or a qualified entity stating: • The water supply system is in proper working order and pumping an adequate supply of water for the subject property; and

Back to Top

	• The water supply is potable and complies with local and/or state health authority standards (in the absence of a local health authority, a reputable chemical testing agency must certify that the water is fit for human consumption). The water certification(s) for existing properties may be no more than 120 days old on the date of loan closing. If new construction, the report may be one year old as of the date of loan closing.
4.18 Hazardous Conditions	
Hazardous Conditions	When the appraiser has knowledge of any hazardous condition (whether it exists in or on the subject property or on any site within the vicinity of the property) - such as the presence of hazardous wastes, toxic substances, asbestos-containing materials, urea-formaldehyde insulation, radon gas, etc. – it must be noted on the appraisal report and any influence that the hazard has on the property's value and marketability (if it is measurable through an analysis of comparable market data as of the effective date of the appraisal) must be commented on. Appropriate adjustments in the overall analysis of the property's value must be made.
4.22 Pest Infestation	
Pest Infestation	If the appraisal report or sales contract notes evidence of termites or other insect infestation, a pest inspection report certifying treatment of the infestation prior to closing is required. Any significant structural damage due to pest infestation must be corrected prior to closing.
4.23 Plumbing/Plumbing Certification	
Plumbing/Plumbing Certification	A plumbing certification from a licensed plumber is required whenever the appraisal states a fair or poor rating concerning the adequacy or condition of the system. Any inadequacies must be corrected prior to closing.
4.24 Private Roads	
Private Roads	If the property is located on a community-owned or privately-owned and maintained street, an adequate, legally enforceable agreement or covenant for maintenance of the street is required. The agreement or covenant should include the following provisions and be recorded in the land records of the appropriate jurisdiction: • responsibility for payment of repairs, including each party's representative share; • default remedies in the event a party to the agreement or covenant fails to comply with his or her obligations; and • The effective term of the agreement or covenant, which in most cases should be perpetual and binding on any future owners. • **Note**: If the property is located within a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required.
4.25 Geographic Restrictions	
Geographic Restrictions	At this time, NewRez cannot finance or purchase loans secured by properties located in Alaska or Hawaii.
4.26 Solar Panels	
Solar Panels	Follow Fannie Mae requirements
Section 5: Income & Employment	
5.1 Employment	
Employment	Employment must be reviewed for stability and continuity, with at least a two-year history in the same job or jobs in the same or related field. Other circumstances may also be acceptable as outlined in this section. In all instances the source of the borrower's income must align with their overall employment history and profile.
Gaps in Employment	
Gaps in Employment	The Borrower(s) must explain, <u>in writing</u>, any gaps in employment that span more than 30 days. Extended absences (6 months or greater) refer to Borrowers Re-entering the workforce for additional requirements if applicable.

Back to Top

Recent Graduates and Military Personnel	
Recent Graduates and Military Personnel	If the borrower indicates they were in school or the military in their two most recent year's employment history, evidence of the claim must be provided (such as college transcripts and/or military discharge papers).
Frequent Job Changes	
Frequent Job Changes	A Borrower who changes jobs frequently to advance within the same line of work should receive favorable treatment if this advancement can be verified. Frequent job changes without advancement or in different fields of work should be reviewed carefully to ensure consistent or increasing income levels and the likelihood of continued stable employment.
Borrowers who are Re-entering the Workforce	
Borrowers who are re-entering the workforce	Borrowers who are returning to work after an extended absence (defined as six months or more) must be at their current job for a minimum of six months in order to consider that income for qualification purposes. A two-year employment history from prior to the borrower's absence must be documented using traditional VOE's or copies of W-2s or paystubs.
5.2 Verification of Employment	
Verification of Employment	Verbal VOEs are required for all loans. VVOEs must meet the following criteria and for each business whether income is used or not: **Wage Earner Verification** A verbal verification of employment dated within 10 business days of the note date is required for all non-self-employed borrowers. The verification of employment must include the phone number contacted to complete the verbal, which must be documented as associated with the business. In addition, the verification should be completed through the Human Resource Department of the employer, the owner of the company or direct supervisor for small businesses. As part of the verification, the employer must be asked about borrower's probability of continued employment. If an employer refuses to answer the question, this must be documented on the VVOE. Electronic verifications of employment completed through Work Number for Everyone or TALX are acceptable as well. If the VVOE is obtained from The Work Number, the 10-day timeframe is measured from the date of the request to the vendor, not the date the information was updated in the vendor's database. However, the information must have been updated within the past 35 days. This policy applies to all income types with the exception of passive and self-employed income (see below for self-employment verification requirements). If the borrower has seasonal employment, the borrower must be employed at the time of closing to be eligible. **Self Employed Borrower Verification** For Self Employed borrowers, independently obtain and document a phone number and address for the business. The lender must document the existence of the borrower's business within 30 calendar days of the note. This can be accomplished through: A third party, such as a CPA, regulatory agency, or the applicable licensing bureau, AND By verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance. If the contact is made verbally, the lender must document the source of the information obtained and the name and title of the lender's employee who obtained the information. **Written Verifications of Employment** Income and employment for non-self-employed Borrowers may be obtained via direct written verification from the Borrower's employer and borrower paystubs. The verification must be signed by a member of the company's human resource department or one of the business

Back to Top

	owners/officers. At a minimum, the verification must include: • Borrower's name • Position • Dates of employment • Base salary • YTD Earnings
5.3 Income	

Income	All income documentation must be dated within 90 days of the date the Note is signed. Full Income Documentation is required, which includes:
	• Paystubs and W-2s or Personal tax returns, signed and dated, plus business tax returns when the borrower has 25% or more ownership interest in the business (See Section 5.4 Self-Employed Borrowers for additional documentation requirements)
	  ○ Tax transcripts may be used to satisfy the signature requirement for unsigned tax returns but may not be used in lieu of the required tax returns.
	• A 4506-T, signed at application and closing, is required for all transactions. IRS Tax Transcripts are required for the most recent two years of personal tax returns.
	• A Verbal Verification of Employment is required for all borrowers (See Section 5.2)
	
	Paystubs and W-2s
	When the pay stubs and W-2s are provided for income and employment verification, the documentation must meet the following criteria:
	• The borrower's most recent paystub(s) showing a minimum of 30 days YTD earnings. The paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained.
	• Two years' W-2s
	• Pay stubs and W-2s must be typed or computer generated and verify the following:
	  ○ Borrower's full name and address
	  ○ Borrower's Social Security number
	  ○ Employer's name and address
	  ○ Year to date earnings and Borrower's rate of pay
	
	Tax Returns
	Tax returns, when required, must be signed and dated by the Borrower(s) and contain all schedules and attachments; tax returns should cover the most recent two-year period. Tax transcripts may be used to satisfy the signature requirement for unsigned tax returns but may not be used in lieu of the required tax returns
	
	4506-T
	A signed 4506T will be required on from all applicants both prior to closing and at closing. NewRez will execute the 4506T for tax transcripts on all loans. Income as documented must be claimed on the tax returns in order to be used to qualify. The executed 4506T will not be sufficient to replace the requirement for tax returns that are required as per guidelines but may be used to satisfy the signature requirement for unsigned tax returns provided.
	
	IRS transcripts must be obtained for the two most recent years of personal tax returns.
	
	In instances where transcripts are not available for the most recent tax year, the file must contain results showing "No Record Found" and evidence of an extension (if after April 15) for the most recent year's taxes and tax transcripts for the two tax years prior to that.

5.4 Self-Employed Borrowers	
Self-Employed Borrowers	A borrower is considered to be self-employed when one of the following occurs: • The borrower has a 25% or greater ownership interest in a business or

Back to Top

	• The borrower is reporting Schedule C income, even though they do not technically "own" a business entity (ex. real estate agents, recruiters, etc.). These borrowers should be treated as sole proprietors.
	• Borrower(s) must be self-employed for a minimum of 2 years
	Documentation Requirements
	• Two years of signed and dated tax returns with all applicable tax schedules are required – both personal and business. Both years must be evaluated/averaged to derive income level; borrowers with declining income will be carefully scrutinized. If the most recent of the two-year income trend is downward, the most recent tax year's income must be used
	  ○ Includes, as applicable, K-1s, Form 1065, 1120s, Schedule E, etc.
	  ○ Current paystub for borrowers receiving W2 wages from their corporation or partnership
	    ▪ If borrower does not pay W2 wages on consistent cycle a letter from their CPA or tax preparer outlining how their W2 wages are paid is acceptable
	• An unaudited current year-to-date (YTD) Profit and Loss (P&L) Statement and Balance Sheet are required as indicated below for each business regardless of whether or not income is used for qualifying.

Application Date	Note Date On or Before	Profit & Loss As of Date
1/1 - 3/31	4/30*	12/31
4/1 - 6/30	7/31*	3/31
7/1 - 9/30	10/31	6/30
10/1 - 12/31	1/31	9/30

* And most recent years tax returns have not been filed

Identifying Self-Employed Income

- **Sole Proprietorship** – In a sole proprietorship, the Borrower is the "sole" or individual owner of the business. The business income is most likely reported on the Borrower's individual federal tax returns and is reflected as Schedule C earnings.
- **Partnerships** – A partnership is formed when two or more people start a business together. The partners share profits (or losses) and control of the business. Partnerships generally fall into two main categories, General and Limited:
  - **General Partnerships -** Each partner is personally liable for all debts of the business. Personal liability to the partnership creditors will continue even after the partnership is dissolved.
  - **Limited Partnerships -** Generally, a limited partnership exists for investment and tax purposes. Limited partners generally take a loss on the investment, which will show as a loss under Schedule E on their personal tax returns. Determine if the limited partnership income is real or a tax shelter.
- **Corporations** – A Corporation is a business owned by stockholders instead of individually. The percentage of the borrower's ownership must be confirmed... A Borrower who is self-employed as a corporate officer will receive a W-2 and will report income on his/her personal tax returns. All corporate income or losses are reported on the corporate tax returns (Form 1120 or 1120S with Schedule K-1).
- **"S" Corporations** - "S" Corporations are generally small corporations that are taxed in the same manner as partnerships. They pass gains and losses through to their shareholders, which are then, taxed at the tax rates for individuals. "S" Corporation income is reported on both W-2 and Schedule E, or just on Schedule E (section 27). The profit of the corporation is distributed to each owner according to his/her share of ownership. The

Back to Top

	adjusted profit (i.e., the net income) is then divided by the Borrower's share of ownership and combined with W-2 income used for qualifying. • **1099 – Miscellaneous Income** – Payments to sole proprietors or contract employees will also be reported on a 1099 form and included in the Borrowers Schedule C.
5.5 Income Trends	
Income Trends	After the monthly year-to-date income amount is calculated, it must be compared to the prior year's earnings using the borrower's W-2s or signed personal income tax returns to determine if the income trend is stable, increasing, declining but stabilized or declining. A level, upward or previously declining but stabilized trend in earnings must be established. If the most recent of the two-year income trend is downward, the most recent tax year's income must be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay.
5.6 Residual Income (Disposable Income)	
Residual Income (Disposable Income)	Residual income is the qualified gross monthly income less the gross monthly debt. The debt and income used to calculate the debt-to-income ratio should be used for the residual income evaluation. A minimum monthly residual income is required based on total household size:

	One person	Two persons	Three persons	Four persons	Five persons*
Required Gross Residual Income	1,515	2,964	3,227	3,644	3,688

*An additional $100 should be added for each individual over 5

5.7 Eligible Income Sources	
Annuity and Pension Income	
Annuity and Pension Income	• Annuity and/or Pension income may be used as qualifying income if it is properly documented and is expected to continue for at least three years. • Acceptable documentation includes a copy of the award letter and a copy of the bank statement showing direct deposit of said income. • If the pension or annuity income is Nontaxable the income may be grossed up by the percentage of the tax rate for the consumer's last year's income tax, unless the borrower was not required to file a federal tax return, in this instance use 25%. ○ The borrower's 1040s must be analyzed to confirm the income is non-taxable.
Automobile Allowance and Expense Account Payments	
Automobile Allowance and Expense Account Payments	Automobile allowances are considered acceptable income provided receipt of such income has been documented for the previous two years and the income is likely to continue. Only the amount by which the consumer's automobile allowance or expense account payments exceed actual expenditures may be considered income. To establish the amount to add to gross income, the consumer must provide the following: • IRS Form 2106, Employee Business Expenses, for the previous two years; and • Employer verification that the payments will continue; payments must be projected to continue a minimum of three years to be included in qualifying income. Qualifying income is the verified allowance minus all unreimbursed business expenses as reported by the Borrower in his/her personal tax returns on IRS schedule 2106. If the result is positive, the allowance may be added to qualifying income. If the result is negative, qualifying income must be reduced accordingly. If the consumer uses the standard per-mile rate in calculating automobile expenses, as opposed

Back to Top

	to the actual cost method, the portion that the IRS considers depreciation may be added back to income. Expenses that must be treated as recurring debt include: • The consumer's monthly car payment; and • Any loss resulting from the calculation of the difference between the actual expenditures and the expense account allowance.
Borrowers Regularly Scheduled for <40 Hours	
Borrowers Regularly Scheduled for <40 hours	Borrowers scheduled for a work week of less than 40 hours may be permitted. A written VOE verifying the stability of the income as regular and on-going is required.
Bonus, Incentive, and Overtime Income	
Bonus, Incentive, and Overtime Income	Bonus, incentive, or overtime income can be considered if it is consistent for a period covering 2 or more years. Qualifying income is calculated as an average over 24 months provided that the income is expected to continue. To establish bonus earnings, written verification from the employer must define the dollar amount paid to the Borrower during the past 24 months. When this type of income is used for a down payment and is the only source of funds for the down payment, it may not be used as qualifying income. In addition, when the bonus is received infrequently throughout the year, the Borrower must have sufficient income reserves in savings to supplement his/her income until the next bonus is received. Borrowers beginning employment with a new employer must have received bonus, overtime or incentive income from the new employer in order to utilize for qualifying unless such bonus, overtime or incentive income is guaranteed in writing as part of the borrower's employment agreement. Any guarantee must designate a specific dollar amount or percentage of income.
Capital Gains	
Capital Gains	Capital gains or losses generally occur only one time and should not be considered qualifying income. However, if the borrower has a constant turnover of assets resulting in gains or losses, the capital gain or loss must be considered when determining the income. Three years' tax returns are required to evaluate an earnings trend. If the trend: • Results in a gain, it may be added as effective income, or • Consistently shows a loss, it must be deducted from the total income. Document anticipated continuation of income through verified assets.
Child Support, Alimony or Maintenance Income	
Child Support, Alimony or Maintenance Income	Child support, alimony or maintenance payments may be used as income only if this information is volunteered by the Borrower and if the file substantiates the receipt of funds on an ongoing basis. Copies of the divorce decree/legal separation agreement or voluntary payment agreement along with copies of court records, bank statements or canceled checks showing payments for a minimum of twelve months are required. In order to be used as income, these payments must reasonably be expected to continue for three years based upon all factors, including without limitation the terms of the divorce decree or separation agreement. For child support, the age of the children and any stipulations for continuance in the divorce decree or separation agreement must be considered when determining if funds received are eligible as qualifying income.

Back to Top

Commission	
Commission	A commissioned consumer is one who receives 25 percent or more of his/her annual income from commissions. Commission income is considered stable monthly income if it has been received for two years and is likely to continue. Two years of signed federal tax returns are required to substantiate commission income. NOTE: Commission income that has been earned for less than one year cannot be used as qualifying income. In instances where commissions have been received for more than one year, but less than two, consideration will be given to situations in which the consumer's compensation was changed from salary to commission within a similar position with the same employer and the change is documented in the loan file. Commission income is established with all of the following: • Most recent pay stubs with year to date commission earnings broken out • A verification of employment showing year to date commission earnings • Two years' W-2s or 1099s, and two years tax returns, signed and dated with all schedules and attachments • Borrowers beginning employment with a new employer must have received commission income from the new employer in order to utilize for qualifying unless such commission income is guaranteed in writing as part of the borrower's employment agreement. Any guarantee must designate a specific dollar amount or percentage of income.
Disability Income	
Disability Income	Long-term disability benefits may be used as qualifying income if a two-year history of receipt has been documented. • Benefits should be verified with a copy of the award letter supported by two years W-2s or 1099s and current evidence of receipt (current pay stub or evidence of direct deposit into the Borrower's bank account). • The award letter must indicate the benefit amount, length of time that the benefits are received and the conditions for receipt of benefits.
Dividend/Interest Income	
Dividend/Interest Income	Interest and dividend income may be used as long as tax returns or account statements support a two-year receipt history. This income must be averaged over the two years. Investment income may be used as stable monthly income if the file contains the following documentation: • Signed & dated federal tax returns or 1099s for the previous two years • The income has been received for at least 24 months; • Year to date income is in line with previous earnings; • The investment is from a publicly traded company(s); • The Borrower has a diversified portfolio; • Verification of stock asset values no older than 30 days at closing; and • Sufficient assets remain after closing to continue to generate an acceptable level of earnings in view of the totality of the circumstances. To include interest or dividend income from cash or marketable securities in qualifying income, follow these guidelines: • Verify that the borrower currently holds underlying cash deposits or securities • Subtract any funds required for closing on the subject transaction prior to the calculation of interest or dividend income. • Average the year-to-date (YTD) interest and dividend income over the last two years with the borrowers' tax returns, unless the income is declining ○ YTD earnings can be calculated by applying a realistic market interest rate to the account balances and averaging over the number of months the income has been received for the year

Back to Top

	○ Do not include interest from pass-through tax entities (Partnerships and S Corporations), or from margined securities in the calculation of interest or dividend income Note: Interest and dividend income is typically found on Schedule B of the personal tax return but may be on Schedule D and Form 6252 - Installment Sales.
Employment Offers/Recent Employment	
Employment Offers/Recent Employment	Borrowers who have switched jobs within 30 days of application or will switch jobs prior to close, must provide a copy of the offer and a minimum of one paystub showing one week's pay from their new job. A written VOE will be required. When analyzing employment offers or future employment, the consumer's past employment history, qualifications for the position, as well as previous training and education must be taken into consideration. A written verification of employment or the borrower's last paystub from the prior employer must be provided in order to document the gap between the old and new employer.
Employment by a Relative/Family Business	
Employment by a Relative/Family Business	In instances where the borrower is **employed by a relative or participant** to our loan transaction the following documentation must be obtained: • Borrower's signed and completed personal federal income tax returns for the most recent two-year period, and • Verbal Verification of Employment • YTD paystub documenting at least 30 days of income • W-2s for the most recent two years. • Proof must be provided that the borrower is not an owner of the business ○ CPA letter or business tax returns confirming borrower(s) ownership interest, if any. In any instance where the Borrower owns more than 25% of the company, full self-employed documentation must be provided. Current income reported on the pay stub may be used if it is consistent with W-2 earnings report on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current pay stub, further investigation is needed to determine whether income is stable.
Foreign Income	
Foreign Income	Income from a non-US source may be considered only if such income is paid by a corporate entity and is not subject to tax in any jurisdiction outside of the US. Any and all income used to qualify a borrower must be verified through filed tax returns and validated through tax transcripts.
Foster Care Income	
Foster Care Income	Income derived from foster care payments may be considered if it is regular, recurring and reasonably be expected to continue for three years. A two-year history of past receipt is required. Income used to qualify must be averaged over a two year period. Projected income may not be used in the calculation.
Installment Sales and Land Contracts	
Installment Sales and Land Contracts	Not considered
Military Income	
Military Income	Borrowers employed in military services typically receive compensation in addition to base pay, which may be used as qualifying income. Rations, base housing pay and flight pay may be considered, provided that the income is typical for the position held, and proof of probability of such pay continuing is verified in writing. Non-taxable income will be "grossed up" by tax rate for the consumer's last year's income tax, unless the borrower was not required to file a federal tax return, in this instance use 25%. See Non-Taxable Income section for more details.

Back to Top

	Generally, only base pay and rations are taxable. 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 Leave and Earnings Statement (LES), VOE, or Officer's orders. If the separation date is within 12 months of the projected loan closing, the file must include one of the following: • Documentation that the service member has re-enlisted or extended his/her period of active duty beyond 12 months of the projected closing date. • Verification of civilian employment following release from active duty. 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.
Mortgage Differential Income	
Mortgage Differential Income	An employer may subsidize an employee's mortgage payments by paying all or part of the interest differential between the employee's present and proposed loan payments. These payments may be considered as acceptable stable income if the Borrower's employer verifies its subsidy in writing, stating the amount and duration of the payments. The payments must continue for at least three years from the date of the loan application. The differential payments should be added to the Borrower's gross income when calculating the qualifying ratio. They cannot be used to offset directly the loan payment, even if the employer pays them to the lender rather than to the Borrower.
Note Receivable Income	
Note Receivable Income	In order to include notes receivable income to qualify a consumer, the following must be documented: • A copy of the note to establish the amount and length of payment ○ If the consumer is not the original payee on the note, the creditor must establish that the consumer is able to enforce the note. • Evidence that these payments have been consistently received for the last 12 months through deposit slips, deposit receipts, cancelled checks, bank or other account statements, or tax returns. • The note must indicate that the income will continue for at least the first three years of the mortgage term
Non-Taxable Income	
Non-Taxable Income	Non-taxable income must be shown on the tax returns as non-taxable in order to be grossed up. This income will be "grossed up" by the amount of the tax rate for the consumer's last year's income tax, unless the borrower was not required to file a federal tax return, then use 25%. Non-taxable income may include but is not limited to: • Disability income. • Social Security income • Worker's compensation. • Aid to dependent children (ADC)/foster care. • Public assistance. • Federal Employees Compensation Act Benefits. • VA benefits (VA education benefits may not be used as qualifying income). • Military allotment (food and housing). • Municipal bond interest.
Part-Time/Second Job	
Part-Time/Second Job Income	• Part-time and second job income is considered as stable income if it has been received for the previous 24 months, uninterrupted, and has a strong probability for continued receipt for a minimum of three years at current or increasing levels. • A current paystub and 2 years of W-2s are required

Back to Top

Projected Income for New Job	
Projected Income for New Job	Borrowers starting a new job after closing may be considered on an exception basis only. The following requirements apply: • Submit exception through NewRez Exception process • guaranteed, non-revocable contract for employment is required • borrower(s) must start within 60 days of note date • Borrower must have sufficient income or cash reserves to support the mortgage payment and all other obligations between loan closing and the start of employment.
Relocating Life Partners (RLP)/Trailing Co-Borrowers	
Relocating Life Partners (RLP)/Trailing Co-Borrowers	For primary residence purchase transactions, income from a Relocating Life Partner (RLP) is not permitted as qualifying income.
Rental Income	

Rental Income	**Required Documentation:**
	• Personal tax returns, including all schedules, for prior 2 years
	• Current lease for each rental property. Rent rolls are unacceptable.
	• Explanation for any gaps greater than 3 months over the previous 24 months
	
	Income Calculation:
	• Tax returns should be utilized to calculate rental income unless the property does not appear on tax returns
	  ○ Average of rental income from tax returns using net rental income + depreciation + interest + taxes + insurance + HOA divided by applicable months minus PITIA
	  ○ If rental income is not available on the borrower's tax returns, a vacancy/maintenance expense factor of 25% should be deducted from the rental income verified by the current lease agreement for determining qualifying income. (Ex: Property owned less than 12 months or property out of service due to rehabilitation.)
	  ○ An explanation is required if the rental income on the tax returns is greater than the rental income on the lease. The lesser of the rental income from the lease or Schedule E must be used to calculate net rental income unless satisfactory documentation is provided to support the higher income on the tax returns will be continuing.
	• Net rental income must be added to the borrower's total monthly income.
	• Net rental losses must be added to the borrower's total monthly obligations.
	
	Rental Income From Departing Residence Converted to Rental:
	If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply:
	• Maximum LTV/CLTV 85%
	• Borrower must have documented equity in departure residence of 25%.
	  ○ Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction, OR
	  ○ Documented equity may be evidenced by the original sales price and the current unpaid principal balance.
	• Copy of current lease agreement is required.
	• A vacancy/maintenance expense factor of 25% should be deducted from the rental income verified by the current lease agreement for determining qualifying income.
	• Copy of security deposit and evidence of deposit to borrower's account is required.
	• Refer to section 7.6 Reserves for reserve requirements

Retirement Income (401K/IRA Distributions)	
Retirement Income – 401K/IRA	• Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be

Back to Top

Distribution	sufficient to continue for a minimum of three (3) years. ○ Distribution must have been set up at least six (6) months prior to Note date if there is no prior history of receipt OR ○ Two (2) year history of receipt evidenced. ○ Distributions cannot be set up or changed solely for loan qualification purposes. • Document regular and continued receipt of income as verified by any of the following: ○ Letters from the organizations providing the income. ○ Copies of retirement award letters. ○ Copies of federal income tax returns (signed and dated on or before the closing date) with tax transcripts to support. ○ Most recent IRS W-2 or 1099 forms. ○ Proof of current receipt with two (2) months bank statements. If any retirement income will cease within the first three (3) years of the loan, the income may not be used. If the borrowers has not yet retired, but discloses plans to retire during the first three-years after loan closing, Underwriting review must include the amount of documented retirement benefits, Social Security payments, other payments anticipated to be received in order to verify continuation of income from their current employment and future earnings.
Royalty Income	
Royalty Income	Schedule E should be used to determine the supplemental income to use for royalties. The lender must include the total amount of royalty payments received and must document the borrower's receipt of royalty income for 12 months and the likelihood of continued receipt of such income for at least three years.
Seasonal Income	
Seasonal Income	Seasonal income is considered uninterrupted, and may be used to qualify the consumer, if the lender documents that the consumer: • Has worked the same job for the past two years • Expects to be rehired the next season
Social Security Income	
Social Security Income	Social Security benefits must be expected to continue for at least three years in order to be considered as income. Non-taxable Social Security may be grossed up by the tax rate from the consumer's last year's income tax, unless the borrower was not required to file a federal tax return, then a factor of 25% should be used. Social Security Disability Income, Child's Benefit, or other income paid by Social Security must be evidenced by: • A copy of the Social Security award letter, and • Two-year's tax returns, signed & dated ○ 1099s may be used in lieu of tax returns when income is not being grossed up ○ Tax transcripts may be used to satisfy the signature requirement for unsigned tax returns but may not be used in lieu of the required tax returns. Benefits payable to/for dependents: • This income may be used for qualifying purposes only if it is expected to continue for a minimum of three (3) years.
Trust Income	
Trust Income	Income from trusts may be used if the trust is non-revocable and constant payments will continue for at least the first three years of the mortgage term as evidenced by trust income documentation. A copy of the trust agreement or the trustee's statement confirming the amount, frequency and duration of the payments must be obtained to verify the income and continuance of the income. Trust account funds may be used for the required cash investment if the consumer provides

Back to Top

	adequate documentation that the withdrawal of funds will not negatively affect income. The consumer may use funds from the trust account for the required cash investment, but the trust income used to determine repayment ability cannot be affected negatively by its use.
VA Survivors' Benefits/Dependent Care	
VA Survivors' Benefits/Dependent Care	This income may be considered if received for at least 12 months and is expected to continue for at least three years. A copy of the award letter outlining the duration and amount of payments must be provided by the Borrower.
5.8 Unacceptable Sources of Income	

Unacceptable Sources of Income	• Gambling winnings (except lottery payments continuing for 5 years)
	• Educational benefits (such as grants and scholarships)
	• Refunds of federal, state or local taxes
	• Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations.
	  ◦ Foreign shell banks
	  ◦ Medical marijuana dispensaries
	  ◦ Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law
	• Businesses engaged in any type of internet gambling
	• Expense account reimbursement
	• Bank Statements as Income Verification
	• Mortgage Credit Certificates
	• Homeownership Subsidies
	• Boarder Income
	• Income Received from Roommates
	• Projected Income (may be considered on exception basis- refer to Projected Income for a New Job that starts after Closing)
	• Stock options
	• Restricted stock

Section 6: Credit	
6.1 Credit	
Credit	• A Tri-merge Credit Report is required for every Borrower who executes the Note. The Credit Report should include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the Borrower has resided in the past two years. Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required. • Each Borrower must have a valid and usable score from at least two of the following three agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these three agencies are acceptable. • Credit Enhancement is not permitted for the Dream Big Product
Minimum Credit Standards	
Minimum Credit Standards	A valid and usable score is one that is generated based upon credit history and credit patterns that accurately reflect the Borrower's history. It should be generated based upon at least the following: • Three (3) trade lines from traditional credit sources (such as a bank or other financial institution) that reported for 12 months or more prior to the date of loan application (may be opened or closed); Disputed accounts may not be used to meet minimum tradeline requirements. • Loans on which the Borrower is not obligated to make payments (such as loans in a deferment period), collection or charged off accounts, and "authorized user" accounts are

Back to Top

	not acceptable trade lines for establishing the minimum history. To ensure the validity of the score, each trade line should reflect all repositories that are reporting it. This will identify which trade lines were considered when generating each score. • If the cumulative outstanding balance of disputed credit accounts of all borrowers is equal to or greater than $1,000, all disputes must be resolved and a new credit report must be run prior to loan submission. Disputed Credit Accounts include but are not limited to: disputed charge-off accounts, disputed collection accounts, disputed accounts with late payments in the last 24 months and any non-delinquent account whereby a balance is being disputed
Determining the Borrower's Score	
Determining the Borrower's Score	• Determine the score for each Borrower on the loan. Select the middle score when three agency scores are provided and the lower score when only two agency scores are provided. This is the individual Borrower's score. ○ To determine the representative Credit Score for the loan (each loan has only one representative Credit Score), the lowest representative Credit Score of all borrowers is used. • Scores not present due to "frozen" credit are not acceptable. Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.
Payment Histories	
Payment History	Typically, payment histories may be requested and reviewed when the Credit Report indicates that delinquencies have been removed or when the majority of credit is from a non-institutional lender
6.2 Housing History	
Housing History	• A satisfactory housing payment history is required of each borrower. ○ If the borrower(s) has a mortgage in the most recent twenty-four (24) months, a 24-month history reflecting 0X30 must be documented. The mortgage rating may be on the credit report or a VOM. Applies to all borrowers on the loan. ○ If the borrower(s) has a rental history in the most recent twenty-four (24) months, a VOR must be obtained reflecting 0X30 in the last twenty-four (24) months. Applies to all borrowers on the loan. ○ Mortgage – Verification can come directly from the lender/servicer, canceled checks and/or bank statements. Private party mortgage verifications must be accompanied by cancelled checks or bank statements to validate payments. ○ Rent – Rental history may be verified by a direct written verification (VOR) from a management company or 24 months canceled checks and/or bank statements. Private party rental verifications must be accompanied by cancelled checks or bank statements to validate payments. • Borrowers who do not own their homes free and clear and have less than 12 months total mortgage payment history, must meet FTHB guidelines; only one borrower must have an established mortgage history to be eligible as a standard (non-FTHB) homebuyer. See the First Time Homebuyers section for additional details. • Borrowers temporarily living rent-free are considered acceptable, provided the situation is temporary in nature and the sale of the borrower's previous home or termination of rental lease coincides with the date of their new rent-free residence. An acceptable letter of explanation should be included in the file.
6.3 Derogatory Credit	
Derogatory Credit	Select credit events that negatively impact to a borrower's credit history are defined as serious derogatory credit, and these events must reach minimum seasoning requirements (waiting period) since completion as detailed in the sections below. The waiting period is measured

Back to Top

	from the defined end of the event to the application date of the new loan.
	
	All liens that affect title to the security property must be paid at or prior to closing and all past due accounts must be brought current prior to closing.
	
	All delinquent credit that will impact title to the security property and/or delinquent credit with a cumulative balance of more than $1,000, including but not limited to delinquent taxes, collections, judgments, charged-off accounts, tax liens and mechanics' liens, must be paid off prior to or at closing. Title insurance must insure the loans first lien position, with said policy transferable to the lender's successors or assigns, without exception. Any item secured by the subject property must be paid in full at or prior to closing.
	
	All borrowers with previous derogatory credit events require a letter of explanation and the re-establishment of their credit.
	Letter of Explanation
	A satisfactory written explanation signed by the Borrower(s) explaining the reason(s) for adverse credit is required if determination is made that the adverse credit has a significant negative impact on the creditworthiness of the Borrower(s). The explanation must satisfactorily identify the reason(s) for the adverse credit and the timing of the event(s) must be consistent with other application information. Documentation supporting the Borrower's explanation(s) is required. A Borrower with an unfavorable credit history may be deemed acceptable if the occurrences of adverse credit use do not appear to be typical for the Borrower and are due to circumstances beyond the Borrower's control. Additionally, the instances should not be indicative of the Borrower's negligence or unwillingness to repay.
	
	Re-Establishment of Credit
	A Borrower with a prior bankruptcy, foreclosure, CCCS or other similar serious credit default in his/her credit history must prove that he/she has re-established his/her credit history. Credit must be reestablished for the most recent 24-month period (48 months in the case of a foreclosure), meeting the following minimum requirements:
	• The Minimum Credit History requirements must be met
	• One reference must be the Borrower's prior 24-month housing payment history, verified by the Borrower's:
	    ○ mortgage loan payments disclosed on the Borrower's credit report, or
	    ○ canceled checks or money orders for mortgage loan or rental payment, or
	    ○ bank statements clearly indicating the mortgage loan or rental payment, or
	    ○ a standard mortgage loan verification or loan payment history from the mortgage servicer, or
	    ○ Borrower's year-end mortgage loan account statement (provided that it includes a payment receipt history), supplemented by the Borrower's canceled checks for the months that have elapsed since the statement was issued.
	• In addition to a housing payment history, at least one other active trade line must have been established for at least the previous 12 months.
	• No late payments or credit delinquencies on credit cards in the previous 24 months.
	• No new public records, judgments, collections, etc., since the problem occurred.

Bankruptcy	
Bankruptcy	• Chapter 7 Bankruptcy - None in the past four (4) years. • Chapter 13 Bankruptcy - Must have been discharged at LEAST four (4) years prior to the application date
Foreclosure / Notice of Default (NOD)	
Foreclosure / Notice of Default (NOD)	**No Foreclosure/NOD filed in the past seven (7) years; this includes:** • Foreclosure consummated • Foreclosed property redeemed

Back to Top

Deed-in-Lieu of Foreclosure/Pre-Foreclosure Sale	
Deed in Lieu of Foreclosure or Pre-Foreclosure Sale	A minimum four (4) years must have elapsed since the event– Lesser of 80% max LTV/CLTV/HCLTV or Program Limit; after seven years have elapsed, the borrower is eligible at matrix maximums
Previous Short sale or Short Pay-off	
Previous Short Sale or Short Payoff	Prior non-delinquent short sales or short payoffs are permitted at standard LTV's as long as the event can be classified as being due to extenuating circumstances as defined by the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide. Non-Delinquent events not due to extenuating circumstances and events with a Mortgage Delinquency in the last 4 years must follow Pre-Foreclosure UW guidelines. The loan must be documented with a statement from the previous lien holder stating that a deficiency judgment will not be placed against the borrower and that their credit will not be negatively impacted as a result of the event.
Consumer Credit Counseling Services	
Consumer Credit Counseling Services	Borrower must have completed CCCS 24 months or more prior to loan application and have re-established credit with a satisfactory payment history
Rolling Lates	
Rolling Lates	A "rolling late payment" occurs when the Borrower on a contractually delinquent loan makes a monthly payment that does not bring the loan current, and the delinquency status remains the same from one month to the next. Each occurrence of a contractual delinquency is considered individually for purposes of evaluating a borrower's credit history, loan eligibility and/or pricing.
Lawsuits/Pending Litigation	
Lawsuits/Pending Litigation	If the application, title, or credit documents reveal that the Borrower is presently involved in a lawsuit or pending litigation, a statement from the Borrower's attorney may be required. The statement must explain the circumstances of the lawsuit or litigation and discuss the Borrower's liability and insurance coverage. A copy of the complaint and answer may also be needed. The title company closing the loan must be informed of the lawsuit or litigation and provide affirmative coverage of NewRez's first lien position. This exception to the otherwise-applicable requirement that the Borrower not be involved in a lawsuit or pending litigation may be made only on an Owner Occupied, Purchase or Rate/Term refinance.
Delinquent Credit Belonging to an Ex-Spouse	
Delinquent Credit Belonging to an Ex-Spouse	Delinquent credit that belongs to an ex-spouse may be excluded from the credit evaluation of the Borrower in the following circumstances: • The file contains a copy of the divorce decree or separation agreement which shows that the derogatory accounts belong solely to the ex-spouse; • The late payments can be verified to have occurred after the date of the divorce or separation; and • If the delinquent payments in question relate to mortgage debt, evidence of transfer of title to the mortgaged property prior to the delinquency must be provided, and evidence of "buyout" as part of court proceedings must be provided.
Modified Mortgages	
Modified Mortgages	• Borrowers who have a previously modified mortgage as a result of a forbearance agreement or other adverse event which resulted in but not limited to a change of loan terms, attributes, forgiven principal/interest, extension of term is considered a modified mortgage. • The refinance of a previously modified mortgage is not permitted unless 24 months have passed since the modification and the borrower has a 0x30x24 mortgage history
6.4 Qualifying Ratios	
Qualifying Ratios	DTI is set forth in the product matrix; under no circumstances may the DTI on a loan file exceed 43%.

Back to Top

	Transactions resulting in significant payment shock should always be considered by the underwriter. The borrower's income must clearly support the borrower's ability to make the higher monthly payment. It is always at the underwriter's discretion to require additional verification of assets or a larger down payment as a compensating factor for a loan with high payment shock. **Housing Payment Ratio:** The monthly housing expense is the sum of the following charges as they apply to any properties owned and financed by the borrower: • Monthly principal and interest payment as per the qualifying rate • 1/12th of the annual hazard insurance premium. • 1/12th of the annual real estate taxes. • 1/12th of the annual flood insurance premium, when applicable. • Monthly leasehold payments, when applicable. • Monthly homeowner association dues, condominium maintenance fees and monthly assessments (when applicable). • Monthly payment for other secured financing (when applicable). **Qualifying Rate:** • 15 and 30-Year Fixed Rate: The note rate • 5/1 ARM: Greater of the note rate plus 2% or the fully indexed rate • 7/1 & 10/1 ARM: Greater of the note rate or the fully indexed rate **Total Debt Ratio** The qualifying debt-to-income ratio compares the Borrower's total monthly obligations with his/her qualified monthly gross earnings based on the rate of the loan for which the Borrower is applying. The Debt to Income ratio (DTI) is calculated based upon the sum of the following obligations, divided by the Borrower's stable monthly income: • Monthly housing expense as per qualifying rate. • Outstanding monthly obligations such as: o Installment debt o Revolving debt payments o Alimony, child support or maintenance payments o Losses associated with other real-estate owned o Other obligations where a monthly payment is legally required
6.5 Liabilities	
Liabilities	Monthly payments on all existing debts are included in the Borrower's total liabilities or obligations as detailed below. In instances where the debt is being paid by another party, proof of payments made by said other parties must be documented with twelve (12) months canceled checks however; in every case the party making the payment must be obligated under the Note. The debt should not have been delinquent at any time.
30 Day Account	
30 Day Account	A 30-day charge account is defined as an account where the borrower must pay off the total outstanding balance each month. There are no alternative monthly payment options. For open 30-day charge accounts (for example, American Express), the borrower must have sufficient verified liquid assets to pay off the balance in addition to any reserves necessary to meet the reserve requirements for the loan program. If sufficient liquid assets are available, then exclude the reported monthly payment from the DTI. If sufficient liquid assets are not verified, obtain evidence the account has been paid in full and exclude the reported monthly payment from the DTI.

Back to Top

	Note: If the account provides a monthly payment option other than the total outstanding balance, the account is not considered a 30-day charge account and these requirements do not apply.
Alimony, Child Support, or Maintenance	
Alimony, Child Supports or Maintenance	Monthly alimony, child support or separate maintenance obligations with ten or more payments remaining are included in the DTI. If there are fewer than ten payments remaining and the underwriter determines these payments will not impact the borrower's ability to pay, payments may be excluded from the DTI with evidence of the remaining duration of support payments in the file.
Asset Secured Loans	
Asset Secured Loans	Loans secured against the borrower's financial assets will be considered in reviewing the borrower's overall capacity to repay. Loans should be included in calculating the borrower's ratios as an installment debt. The monthly payments may be excluded from the DTI calculation if there are fewer than ten (10) monthly payments remaining to repay the debt in full. However, if the monthly payment is substantial and inclusion would result in an excessive DTI, underwriting discretion will be used to ensure that exclusion of that debt is reasonable under the circumstances. Retirement Contributions and 401(k) loans being used to secure a loan are not considered an obligation and can be excluded from the debt to income ratio.
Balloon Payment Notes	
Balloon Payment Notes	**Balloon Payment Notes** scheduled to begin or come due within 12 months of the mortgage loan closing, must be included by the lender as an anticipated monthly obligation during the underwriting analysis.
Bridge Loans	
Bridge Loans	Include bridge loan payments in the borrower's DTI. If payments are not scheduled on a monthly basis, at a minimum, use monthly interest payments.
Business Debt in Borrower's Name	
Business Debt in Borrower's Name	**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 twelve (12) months of consecutive canceled checks from the business are provided. If the account is new, it must be included in the DTI calculation, except in the following instance(s): 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 (as indicated above). 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
Contingent Liabilities	
Contingent Liabilities	Contingent liability must be considered when the consumer remains obligated on an outstanding FHA-insured, VA-guaranteed, or conventional mortgage secured by property that: • Has been sold or traded within the last 12 months without a release of liability, or • Is to be sold on assumption without a release of liability being obtained. When a mortgage is assumed, contingent liabilities need not be considered if: • the originating lender of the mortgage being underwritten obtains, from the servicer of the assumed loan, a payment history showing that the mortgage has been current during the previous 12 months, or • The value of the property, as established by an appraisal or the sales price on the Closing Disclosure/Settlement Statement from the sale of the property, results in a loan-to-value (LTV) ratio of 75 percent or less.

Back to Top

Co-Signed Loans	
Co-Signed Debts	Debts that have been co-signed by the Borrower may be excluded from the Borrower's DTI ratio under the following scenarios, provided that the debt has been paid currently and as agreed for at least the previous twelve (12) months. • A debt secured by property that has been bought out by the former co-owner (for example, in connection with a divorce). The file must include evidence of transfer of title to the former co-owner. • Debts required to be paid by someone other than the Borrower pursuant to a court order. A copy of the court order transferring liability for payments to another party is required to be in the file. • Co-signed accounts paid by a third party, with twelve months of cancelled checks evidencing payment by the third party. If none of these requirements can be satisfied, then the liability must be indicated on the application and considered as a monthly debt payment for mortgage loan eligibility purposes.
Home Equity Lines of Credit	

Home Equity Lines of Credit (HELOC)	Monthly payments on all Home Equity Lines of Credit must be included in the DTI ratio. The payment reported on the credit bureau should be used, except in the following instances:
	• When there is no payment on the credit bureau and the loan will not be entering its repayment period within 3 years (36 months) of the subject loan closing:
	  ○ May have the payment documented with a current billing statement
	  ○ Do not need a payment included in the DTI if confirmed as $0 unless using the HELOC for down payment or closing costs,
	  ○ Payment should be calculated using amount of HELOC used based on terms of HELOC agreement
	• When the HELOC is scheduled to enter its repayment period within 3 years (36 months) of the subject loan closing, then payment for DTI purposes should be based on the greater of:
	  ○ The Current payment
	  ○ The Full credit line amortized over 20 years based on the margin and index specified in the note

Installment Debt	
Installment Debt	**Installment Debt** is the monthly obligation on accounts with fixed payments and terms (e.g., car loans, student loans, etc.). The monthly payments may be excluded from the DTI calculation if there are fewer than ten (10) monthly payments remaining to repay the debt in full. However, if the monthly payment is substantial and inclusion would result in an excessive DTI, underwriting discretion will be used to ensure that exclusion of that debt is reasonable under the circumstances. Installment loans may be paid off to qualify but may not be paid down to qualify.
Investment Gains and Losses	
Investment Gains and Losses	Average and include any net recurring loss on an investment property as an expense in the DTI
Lease Payments	
Lease Payments	Lease obligations, regardless of the remaining lease term, are included in the DTI calculation
Revolving Debt	
Revolving Debt	**Revolving debt** is open ended debt of which the principal balance on an account may vary from month to month (e.g., department store credit cards). The minimum required payment as stated on the Credit Report or current statement should be used in calculating the DTI unless as noted below. If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, an estimated payment based on the greatest of 5% of the outstanding balance or $10 must be used as the Borrower's

Back to Top

	recurring monthly debt obligation for this account. Revolving debt may be paid off to qualify prior to closing. Documentation must be provided to evidence the debt has been paid off and the account closed to exclude from the DTI.
Student Loans	
Deferred Student Loans	Student loans (including those that are deferred) are included in the DTI calculation as a long-term obligation. For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must use the • actual documented payment (documented in the credit report, in documentation obtained from the student loan lender, or in documentation supplied by the borrower) or; • If the payment currently being made cannot be documented or verified, 1% of the outstanding balance must be used. If a student loan is placed for collection, get a copy of the repayment agreement and a copy of a canceled check and include the payment in the DTI. Student loans listed as delinquent must be brought current.
Timeshares	
Timeshares	For credit review purposes, timeshare obligations are usually considered installment loans. If the Borrower has a deed to the timeshare property, then the timeshare obligation must be considered a mortgage loan for review purposes.
Unreimbursed Business Expenses	
Unreimbursed Business Expenses (URBE)	Unreimbursed business expenses must be deducted from qualifying income when calculating the debt to income ratio; a two-year average based on the borrower's tax returns should be utilized, unless debts are increasing, then the most recent tax year should be used.
6.6 Current Principal Residence Pending Sale	
Current Principal Residence Pending Sale	If the current property residence is pending sale but the transaction will not be closed prior to the new transaction, the property must be included in the list of Real Estate Owned and both the current and proposed mortgage payments must be used to qualify the borrower for the new loan regardless of reserves or equity with the following exception: • Borrower must have four (4) additional months PITIA reserve requirement for the subject property • Executed non-contingent sales contract for the current residence • Lender's commitment to the buyer of the current residence, if the executed sales contract included a financing contingency • Closing for the departing residence must be within 30 days of the note date for the subject transaction
6.7 Borrowers Retaining their Current Residence	
Borrowers Retaining their Current Residence (Conversion of Primary Residence)	When a borrower is purchasing a new home and retaining his/her current residence, it is often a source of concern for occupancy fraud and potential risk to the company. The underwriter must review the application and supporting documentation to determine if any red flags are present and that the reserve/equity requirements are met. "Purchase / Keep" scenarios where the borrower is purchasing a new primary residence and retaining his/her current residence are subject to the following: • Maximum LTV/CLTV 85% • For all transactions, the borrower(s) must sign the Occupancy Affidavit Form prior to closing. • If the current primary residence is being converted to a second home, both the current and proposed mortgage payments must be used to qualify for the new loan; the current primary residence must meet the definition of a 2nd home

Back to Top

	• If the current primary residence is being converted to an investment property, rental income may only be used as described in the Rental Income section of this guide • Refer to section 7.6 Reserves for applicable requirements
Section 7: Assets	
7.1 Assets	
Assets	• Assets must be sourced using the two most recent consecutive month's financial institution records (covering a minimum of 60 days); if account information is reported quarterly the most recent quarter. • If the latest financial institution records are more than 45 days earlier than the date of the loan application, the borrower must provide a more recent, supplemental or bank generated form that shows the account number, balance and date. The records may be computer generated forms including online account or portfolio records downloaded from the Internet. Documents that are faxed to the lender or downloaded from the internet must clearly identify the name of the depository or investment institution and the source of the information – for example, by including that information in the internet or fax banner at the top of the document • Assets for Income (AFI) is not permitted
7.2 Asset Documentation	

Asset Documentation	Assets must be sourced/seasoned and may be verified using:
	• Financial Institution Records must provide all of the following information:
	  ○ Clearly identify the borrower as an account holder
	  ○ Include the account number
	  ○ Include the time period covered by the record
	  ○ Include all deposits and withdrawal transactions
	  ○ Include all purchase and sale transactions
	  ○ Include the ending balance in U.S. Dollars
	  ○ Retirement account statements must be the most recent statements and must identify the borrowers vested amount and terms
	
	Large disparities between the current balance and the opening balances may require additional verification or documentation. Large or irregular deposits must be explained and documented; for W-2 employees large deposits are deposits greater than 25% of the loans qualifying income.

7.3 Down payment, Closing Costs & Reserves	

Down payment, Closing Costs, and Reserves	**Down payment**
	On purchase transactions, the Borrower must make a minimum down payment with funds from his/her own resources. The amount of the minimum required down payment depends upon the occupancy of the subject property, documentation type and loan program.
	
	Borrower's minimum contribution must meet the following based upon LTV/CLTV
	• Primary Residence
	  ○ 80.01 – 85%: 5% borrowers own funds
	  ○ 85.01 - 90%: 10% borrowers own funds (gifts not permitted)
	  ○ $\leq$ 80%: No requirement
	• Second Home or Investment Property
	  ○ All funds must come from borrower
	
	Reserves
	Reserves are measured by the number of months of the qualifying payment amount for the subject mortgage (based on PITIA) that a borrower could pay using his or her financial assets.
	
	Minimum required reserves may vary depending on a number of factors, including:
	• The transaction
	• The occupancy status and amortization type of the subject property

Back to Top

	• The number of units in the subject property • The number of other financed properties the borrower currently owns AND • The status of the borrower's current principal residence (pending sale or converting to second home or investment property) PITIA is defined as: • Principal and Interest. • Hazard, flood, mortgage insurance premiums (as applicable). • Real estate taxes. • Ground lease. • Special assessments. • Association dues. • Any payments on subordinate mortgages loans secured by the subject property. NOTE: Certain assets are discounted when used for reserves. Refer to the applicable asset type for additional information.
7.4 Acceptable Assets	
Checking & Savings	
Checking & Savings	• 100% of the funds held in a checking or savings account may be used for the down payment, closing costs, and financial reserves. • Unverified funds are not acceptable for the down payment or closing costs unless they satisfy the requirements for borrowed funds • Any indications of borrowed funds must be investigated. They include recently opened accounts, recent large deposits, or account balances that are considerably greater than the average balance over the previous few months. • A written explanation of the source of funds from the borrower must be obtained and the funds must be verified. • Funds held jointly with a non-borrowing spouse are considered the Borrower's funds.
Business Assets	
Business Assets	If business funds may be used for down payment and closing costs. Business funds may not be used for reserves. The following requirements must be met: • Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business. • Business bank statements must not reflect any NSFs (non-sufficient funds) or overdrafts. • Borrower must be 100% owner of the business.
Stocks, Stock Options, Bonds, and Mutual Funds	
	Stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs and reserves provided their value can be verified. Stock options may be an acceptable source of funds, but only for down payment and closing costs Verify • The borrower ownership of the account or asset • The value of the asset at the time of sale or liquidation and • The borrower's actual receipt of funds realized from the sale or liquidation of the assets if the stocks, stock options, bonds and mutual funds will be used for the down payment or closing costs. **Stocks and mutual funds** When used for down payment or closing costs, NewRez must determine the value of the asset at the time of sale or liquidation (net of any margin accounts) by obtaining either: • The most recent monthly or quarterly statement from the depository investment firm or • A copy of the stock certificate accompanied by a newspaper stock list that is dated as of or

Back to Top

	near the date of the loan application
	Receipt of funds must be verified. When used for reserves the value of stocks and mutual funds must be discounted by 30%. Non vested restricted stock is ineligible.
	
	Stock Options
	• Vested stock options are an acceptable source of funds for down payment and closing costs if they are immediately available to the borrower.
	• The value of the vested stock options can be documented by
	  o Referencing a statement that lists the number of options and the option price AND
	  o Using the current stock price to determine the gain that would be realized from exercise of an option and the sale of the optioned stock
	• Vested stock options are not an acceptable source for reserves.
	• Non-vested stock options are not an acceptable source of funds for the down payment, closing costs or reserves.
	
	Government Bonds
	The value of government bonds must be based on their purchase price unless the redemption value can be documented. When used for reserves, the value of bonds must be discounted by 30%.

Trust Accounts	
Trust Accounts	Funds disbursed from a borrower's trust account are an acceptable source for the down payment, closing costs and reserves provided the borrower has immediate access to the funds. To document the trust funds: • Obtain written documentation of the value of the trust account from either the trust manager or the trustee AND • Document the conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on the trust income used in qualifying the borrower for the mortgage
Retirement Accounts	
Retirement Accounts	• Vested funds from individual retirement accounts (IRA/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for down payment, closing costs, and reserves. • NewRez must verify the ownership of the accounts and the borrower's actual receipt of the funds realized from the liquidation of the assets if needed to complete the transaction. • When funds from retirement accounts are used for reserves, NewRez does not require the funds to be withdrawn from the account(s). However, NewRez must exercise caution when considering retirement accounts as effective reserves because these accounts often feature significant penalties for early withdrawals, allow limited access, or have vesting requirements. • If the retirement assets are in the form of stocks, bonds, or mutual funds, in order to be considered for reserves, the account must be discounted by 30% to account for market volatility. In addition, if the borrower is not at retirement age (typically 59 ½) and will be assessed an early withdrawal penalty, that penalty (10% unless confirmed otherwise) must be added to the discount for a total discount of 40%. If the borrower is at or above retirement age, the additional 10% penalty does not need to be applied. If the retirement account only allows withdrawals in connection with the borrower's employment termination, retirement (unless the borrower is of retirement age), or death, NewRez must not consider the vested funds as effective reserves.
Earnest Money Deposit	
Earnest Money Deposit	The deposit on the sales contract (earnest money) for the purchase of the security property is an acceptable source of funds for both the down payment and the closing costs.

Back to Top

	Verification of source of funds • If the deposit is being used as part of the borrower's minimum contribution requirement, the funds must be verified as being from an acceptable source • A request for Verification of Deposit may be used however, VOD's are not acceptable as a standalone documentation source, bank statements are always required • Financial institute records must be seasoned according to matrix requirements and must evidence that the average balance for this time was large enough to support the amount of the deposit. If a copy of the cancelled check is used to document the source of funds, the records must cover the period up to and including the date the check cleared the bank. • If it cannot be determined that these funds were withdrawn from the borrowers account, additional verification of the source and evidence that the funds have actually changed hands from the borrower to the seller, the realtor, the escrow agent or settlement attorney should be provided. • Large earnest money deposits or deposits that exceed the amount customary for the area should be closely evaluated. Receipt of the deposit must be verified by: • Copy of canceled check; • Copy of check not canceled with financial institute record(s) to evidence check cleared; • Evidence from the real estate broker (not the agent) that the funds were deposited into the broker's trust account (i.e., copy of broker's trust account statement); or • Escrow agent/attorney's letter acknowledging receipt of funds. Other forms of verification may be acceptable, so long as the verification clearly indicates that the funds were in the Borrower's possession for at least 90 days prior to transfer.
Anticipated Sales Proceeds	
Anticipated Sales Proceeds	**Sales Proceeds from Real Estate Owned Pending Sale** • If the proceeds from the sale of a currently owned home are needed for the down payment and closing costs on the new house, the source of funds must be verified by obtaining a copy of the fully executed HUD-1 Settlement Statement on the existing home before or simultaneously with the settlement of the new home, showing sufficient cash proceeds to consummate the purchase of the new home. **Corporate relocation plans** • When the borrower's employer assumes responsibility for paying off the existing mortgage in connection with a corporate relocation plan, obtain a copy of the executed buyout agreement and receipt of funds. A photocopy of a sales contract or a listing agreement is not considered an acceptable source of verification of proceeds from the sale.
Borrowed Funds Secured by an Asset	
Borrowed Funds Secured by an Asset	Borrowed funds secured by an asset are an acceptable source of funds for the down payment and closing costs since the borrowed funds represent a return of equity. Assets that may be used to secure funds include: • Automobile • Artwork • Collectibles • Real estate • Financial assets • Savings accounts • CDs • Stocks • Bonds • 401k

Back to Top

	When qualifying the borrower, the underwriter must consider the monthly payments for secured loans as a debt. If the secured loan doesn't require a monthly payment, calculate an equivalent amount and consider it a recurring debt. Documentation • Verification of the value of the asset must be provided • A copy of the note securing the financing must be provided • Evidence of the transfer of funds to the borrower must be provided • Evidence that the party providing the secured loan is not a party to the sale • Reduce the value of the remaining asset by the amount of the secured loan balance (financial assets only)
Credit Card Financing	
Credit Card Financing	In no case may credit card financing be used for down payment funds. Certain costs that may be paid early in the loan process may be paid via credit card. These costs include: • Appraisal • Lock in fee • Commitment fee • Credit report fee
Sale of Personal Assets	

Sale of Personal Assets	Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs and reserves provided the individual purchasing the asset is not a party to the property sale transaction or the mortgage financing transaction
	
	Documentation requirements required are:
	• Evidence the borrower owned the asset prior to sale
	• The value of the asset as determined by an independent and reputable source
	• A bill of sale or statement from the purchaser showing the transfer of ownership of the asset
	• Proof of the borrower's receipt of the sale proceeds from documents such as
	    ○ Financial Institution Records
	    ○ Copy of purchaser's cancelled check

Cash Value of Life Insurance	
Cash Value of Life Insurance	Net proceeds from a loan against the cash value or from the surrender of a life insurance policy are an acceptable source of funds for the down payment, closing costs and reserves. Repayment or additional obligation considerations must be assessed to determine the impact on borrower qualification or reserves. If additional obligations are indicated, the obligation amount must be factored into the total debt to income ratio. To document receipt of funds from the insurance company a copy of the check from the insurer OR payout statement issued by the insurer must be retained in the loan file. Documentation for payout and receipt of funds is not required when utilized for reserves only.
Gifts	
Gifts	• Owner Occupied loans only. • Borrower must have a minimum 5% of their own funds into the transaction (LTV/CLTV 80% or less does not require 5% of their own funds into the transaction). ○ Gifts not permitted for LTV/CLTV over 85% • Gift funds cannot be used for reserves **Acceptable Donors** • A relative, defined as the borrower's spouse, child or other dependent, or by any

Back to Top

	other individual who is related to the borrower by blood, marriage, adoption or legal guardianship
	• A fiancé, fiancée or domestic partner
	
	The donor may not be, or have any affiliation with, the builder, developer, the real estate agent, or any other interested party to the transaction.
	
	Documentation Requirements
	• Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must
	  o Specify the dollar amount of the gift
	  o Specify the date the funds were transferred
	  o Include the donors statement that no repayment is expected AND
	  o Indicate the donor's name, address, telephone number and relationship to the borrower
	• The lender must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account. Acceptable documentation includes any of the following:
	  o a copy of the donor's check and the borrower's deposit slip,
	  o a copy of the donor's withdrawal slip, and the borrower's deposit slip,
	  o a copy of the donor's check to the closing agent, or
	  o proof of wire transfer from the donor's account to the borrower's
	
	Gifts of Equity
	• A gift of equity refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property and is transferred to the buyer as a credit in the transaction.
	• A gift of equity is permitted for primary residences if:
	  o The sales price for the property is at market rate
	  o The acceptable donor and minimum borrower contribution requirements for gifts also applies to gifts of equity.
	
	Gift of Equity- Documentation Requirements
	• Signed gift letter
	• Closing Disclosure/settlement statement showing gift of equity
	If the requirements shown here are met, the gift of equity is not subject to the IPC requirements

7.5 Unacceptable Assets	
Unacceptable Assets	• Personal, unsecured loans • Bridge Loans • Digital Currency (ex. Bitcoin) • Gift funds which must be repaid in full or in part. • Proceeds from a cash-out refinance cannot be used to meet reserve requirements • Anticipated Savings • Cash-on-hand/Mattress Money • Sweat Equity (labor performed by the Borrower or goods or materials provided by the Borrower) • Gifts from seller-funded programs. • Donated funds in any form, such as cash or bonds donated by the seller, builder or selling agent outside of approved financing contributions in the Seller Concession • Net proceeds from a reverse 1031 exchange.

Back to Top

	• Trade Equity • Pooled Funds • Individual Development Accounts (IDAs) • Funds from a Community Second Mortgage/Down Payment Assistance Program • Funds in a Custodial or "In Trust For" account • Employer Assistance • Rent Credits • Donation from Entities • Withdrawing funds/taking a loan from a non-liquid/retirement account to meet the reserve requirements for the specific loan program • Stocks held in an unlisted corporation
7.6 Reserves	

Reserves	See product matrix for minimum reserve requirements
	• First Time Homebuyers, as defined in this product profile require the following reserve amounts:
	  ○ Follow the greater of the below or per the eligibility matrix
	    ▪ 12 months for loan amounts $1,000,000 or less
	    ▪ 15 months for loan amount > $1,000,000
	• Borrowers with other real estate owned other than the subject property will require an additional 2 months PITIA per property based on each property's respective PITIA
	• Borrowers converting their existing current primary residence to either an investment property or second home must have an additional 4 months PITIA (based on retained residence) in addition to standard reserve requirements
	• Borrowers selling their current residence where the sale will not close (with title transfer to a new owner) prior to closing on the new primary residence are required to have an additional 4 months of PITIA (based on retained residence) in addition to standard reserve requirements

7.7 Sales & Financing Concessions	

Sales & Financing Concessions	For purposes of determining the impact of costs paid by the seller of the subject property, or an interested third party, distinctions are made between financing concessions and sales concessions.
	
	Financing Concessions (Seller or Other Interested Party Paid Closing Costs)
	Financing concessions are considered to be funds originating from an interested party to pay closing costs on a purchase transaction. Allowable financing concessions include any of the following:
	• Permanent reductions in the interest rate on the mortgage loan;
	• Contributions related to the mortgage loan financing charges that traditionally would be paid by the Borrower, including but not limited to the payment of discount points, loan fees, commitment fees and/or origination fees, property taxes, and insurance escrows; or
	• Payment of the cost of other items traditionally paid by the Borrower, such as application fees, appraisal fees, transfer taxes, tax stamps, attorney fees, surveys, non-recurring closing costs and title insurance.
	
	Sales Concessions or Property Inducements
	• Sales Concessions are IPCs that take the form of non-realty items. They include:
	  ○ Cash
	  ○ Furniture
	  ○ Automobiles
	  ○ Decorator allowances
	  ○ Moving costs
	  ○ Other giveaways

Back to Top

	○ Financing concessions that exceed NewRez limits The value of any sales concession must be deducted from the sales price or appraised value when calculating the LTV/CLTV/HCLTV for underwriting and eligibility purposes. **Reviewing Concessions** • Interested Party Contributions (IPCs) are not permitted to be used to make the borrowers down payment, meet financial reserve requirements, or meet minimum borrower contribution requirements • Ensure that any and all IPCs are identified and taken into consideration • Provide the appraiser with all appropriate financing data and IPCs for the subject property granted by anyone associated with the transaction • Ensure that the property value is adequately supported • Ensure that the LTV/CLTV/HCLTV after any IPCs are taken into consideration remain within stated eligibility limits • Scrutinize all loan and sales contract documents (the sales contract, the GFE, the 1003, the appraisal report, the HUD-1, etc.) • Ensure that all elements of the HUD-1 were taken into consideration during the underwriting process • Ensure that fees and expenses are consistent between all documents. Analyze and resolve any discrepancies. **Ineligible Concessions** • Undisclosed IPCs ○ Examples of these types of contributions include but are not limited to: ▪ Moving expenses ▪ Payment of various fees on the borrowers behalf ▪ Silent second mortgages held by the property seller ▪ Other contributions that are given to the borrower outside of closing and are not disclosed on the HUD-1 • Temporary Interest Rate Buy-down • Payment Abatements ○ The payment of HOA fees is not considered abatement unless the payments extend for more than 12 months. The payment of HOA fees for 12 months or less is considered an interested party contribution.
7.8 Interested Party Contribution Limits	
IPC Limits	Maximum third-party concessions, as a percentage of the purchase price, are: • 6% for LTVs ≤ 80% • 2% for LTVs > 80% and investment properties
Section 8: Program Details	
8.1 Age of Documentation	
Age of Documentation	Credit Report – Not to exceed 90 days old on the date the Note is signed Income – Not to exceed 90 days old on the date the Note is signed* Assets – Not to exceed 90 days old on the date the Note is signed* Appraisals: Not to exceed 120 days old on the date the Note is signed; appraisal updates are permitted (follow Fannie Mae Guidance) *Assets and Income may be up to 120 days old on the date the note is signed if the property is new construction.
8.2 Electronic Signatures	

Back to Top

Electronic Signatures	When signatures are required on initial disclosures and/or closing documents, NewRez allows the use of electronic signatures in most cases. However, NewRez always requires wet signatures on the following documents: • Note • Note Riders (if applicable) • Deed of Trust/Mortgage • Deed of Trust/Mortgage Riders (if applicable) • Notice of Right to Cancel • Any other transaction related documents that require a Notary acknowledgement or will be recorded; e.g. Patriot Act, Power of Attorney, State Specific Documents such as Texas 50(a)(6) loans When electronic signatures are used the appropriate, e-Consent documentation must be provided.
8.3 Escrow Holdbacks and Repair Requirements	
Escrow Holdbacks	Renovations are limited to cosmetic only; it cannot affect the safety, soundness, or structural integrity of the property. Repairs must be limited to a maximum of $5,000 and must be completed within 60 days of the closing date. The subject property may be appraised 'as is' or 'subject to repairs'; but the property condition must be in average condition or better.
8.4 Escrow Waivers	
Escrow Waivers	Allowed, as permitted by state law except for flood insurance if applicable. If flood insurance is required based on the properties flood zone, escrows for flood insurance are required and cannot be waived. A pricing adjustment may apply for all other permissible waivers
8.5 Exception Process	
Exception Process	Loans that do not fully comply with documented guidelines, policies, or procedures are known as "exceptions". Exceptions may be granted with the presence of strong compensating factors to mitigate any additional performance risks. Such exceptions require approval as outlined in this Loan Exceptions Approval Policy and may require special pricing, as determined on a case-by-case basis. Exception requests must be submitted through the loan file's underwriter.
8.6 Excluded Parties Lists	
Excluded Parties Lists	All parties involved in each transaction are screened for inclusion on various lists, including without limitation: • Freddie Mac's Exclusionary List; • GSA List of Excluded Parties • Office of Foreign Asset Control (OFAC); • Any prior-approved buyer's internal exclusionary list • Any appraiser appearing on Fannie Mae's Appraisal Quality Monitoring list (AQM) If a match is determined, the loan may be ineligible. All name variations found throughout the loan file must be run when performing the searches. This requirement includes: • Borrowers • Seller • Builder • Third Party Originator (Broker/Correspondent) • Third Party Originator's Loan Officer • Listing Agent & Listing Company • Selling Agent & Selling Company • Title Agent

Back to Top

	• Title Company • Closing Attorney • Appraiser and Appraisal Company
8.7 Flood Insurance	

Flood Insurance	Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as an Area of Special Flood Hazard. Such area is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing. Life of the loan coverage monitoring is required.
	
	Flood insurance if required must be escrowed.
	
	Flood Certificate
	Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). In addition, the appraisal report should accurately reflect the flood zone.
	
	Coverage and Deductibles
	If the subject property is located in a Special Flood Hazard Area, flood insurance is required. The amount of flood insurance must be at least equal to the lesser of 100% of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program. For condominium projects, the homeowner's association should provide a project blanket policy with coverage for the building in which the unit is located. Coverage must be the lesser of 100% of the replacement cost of the building in which the unit is located, including all the common elements and property, or the maximum coverage available under the National Flood Insurance Administration Program times the number of units in the building.
	
	Other requirements:
	• The flood insurance policy must contain NewRez's Mortgagee Clause
	• Deductibles permitted up to the maximum deductible available under the National Flood Insurance Program (NFIP);
	• The Borrower name and the subject property must be on the flood insurance application or binder;
	• Evidence of coverage must be provided at closing; and
	• The insurance must be maintained throughout the duration of the loan. The flood insurance requirement may be waived if:
	    o The subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
	    o The Borrower obtains a letter from FEMA stating that its maps have been amended such that the subject property is no longer in an area of Special Flood Hazard. The appraisal report should accurately reflect the flood zone.

8.8 Hazard Insurance	
Hazard Insurance	The subject property must be protected (including when vacant) against loss or damage from fire and other perils within the standard extended coverage. The dwelling coverage amount should not be less than the insurable value of the improvements. If such insurable value cannot be documented by a cost estimator from the insuring company, then the coverage amount should be at least equal to the actual unpaid balance of the loan(s) secured by the property, or the insurer must indicate guaranteed replacement cost coverage. However, the terms of the coverage amount must fully compensate for any damage or loss on a replacement cost basis. In addition, homeowner's insurance must meet the following requirements:

Back to Top

	• Deductibles may not exceed 5% of the face amount of the insurance policy. • The policy must contain the Borrower's name and the full address of the subject property and be in effect at closing. • The loan file must evidence the existence of homeowner's insurance for the subject property. Acceptable proof would be front and back copy of canceled check, the HUD-1 showing payment and receipt for payment of the premium, the insurance binder or the insurance policy. • In those states that require lenders to accept an insurance binder, the original policy must be received within 30 days after the date of the application. Hazard insurance policies may include optional coverage(s) which are acceptable but are not required. For example, a "homeowners" or "package" policy is acceptable as long as the Borrower is not obligated to renew any part of the coverage that exceeds the required coverage. **Project Insurance Requirements: Required Coverage for PUDs and Condos** Most condominium projects have master or blanket policies that address the insurance requirements for each unit. Each loan file must contain a copy of the blanket policy as well as a copy of the Evidence of Insurance that specifies the individual unit. Blanket policies may not permit: • A blanket policy covering multiple unaffiliated condo associations or projects OR • Self-insurance arrangements in which the HOA is self-insured or has banded together with unaffiliated associations to self-insure the general and limited common elements of various associations. For policies covering the common elements in a PUD project and for policies covering condominium or co-op projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy. For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement value of the unit. Most units in PUD projects are insured as individual residences; therefore their insurance requirements are similar to those for single-family residences. However, if a project covers individual units with a master policy, the master policy is acceptable. **Special Endorsements** The requirements for endorsements for PUD and condo projects are as follows: • Inflation Guard Endorsement, when it can be obtained, • Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land- use law results in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.), and • Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. (This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of $2 million or the insurable value of the building(s) housing the boiler or machinery.) In lieu of obtaining this as an endorsement to the commercial package policy, the project may purchase separate stand-alone boiler and machinery coverage. **Special Endorsements for Condo Projects Only** A Special Condo Endorsement is required if the policy doesn't provide that: • Any Insurance Trust Agreement is recognized and the right of subrogation against unit owners is waived.

Back to Top

- The insurance is not prejudiced by any acts or omissions of individual unit owners that are not under the control of the homeowners' association.
- The policy must be primary, even if a unit owner has other insurance that covers the same loss.

Loss Payee

COVERAGE TYPE	REQUIRED FOR NAME INSURED
Condo Projects	The policy must show the homeowners' association as the named insured. If the condo's legal documents permit it, the policy can specify an authorized representative of the homeowners' association, including its insurance trustee, as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.
PUD common areas	The policy must show the homeowners' association as the named insured.

8.9 Interest Credit

Interest Credit	Permitted within first 5 calendar days of the month

8.10 Mortgagee Clause

Mortgagee Clause	Shellpoint Mortgage Servicing ISAOA ATIMA PO Box 7050 Troy, MI 48007-7050

8.11 Mortgage Insurance

Mortgage Insurance	Not Required

8.12 Prepayment Penalty

Prepayment Penalty	Not Allowed

8.13 Process to Add or Remove Borrowers

Process to Add or Remove Borrowers

Adding Borrowers
- Adding a borrower to a loan at any time during the loan process, unless the loan has received an adverse credit decision, is acceptable. When this occurs a new RESPA package will be sent out and cool off period will be 7 days. File should be submitted back to UW for review of additional borrower's information.

Removing Borrowers
- Removing a borrower from a loan is allowed only in the following scenarios
  - No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application
  - Loan has been approved with both borrowers as submitted and one borrower expresses desire to withdraw their name from the application.
    - In both of the above scenarios - Request in writing from borrower should be placed in in the file supporting their desire to withdraw their name from the application.
    - Detailed notes should also be placed in the loan file to eliminate any possible confusion with the file.
- Removing a borrower from a loan is NOT allowed in the following scenarios
  - Loan is declined by underwriting
    - In this scenario the loan would need to be adversed and a new application would need to be taken with only the 1 borrower.
  - Underwriting should not be issuing loan approvals with any type of condition that states 1 borrower needs to be removed. The loan should be declined and have a new application submitted with only the one borrower.

Exceptions
- Any exceptions to the above rules or scenarios not explained above should be submitted to NewRez Compliance for review and approval

Back to Top

8.14 Rent Loss Insurance	
Rent Loss Insurance	Rent loss insurance covers rent losses that are incurred during the period that the property is being rehabilitated following a casualty. The coverage must be for at least six months' rent loss. Rent loss insurance must be maintained for: • 2-4 Unit primary residences when rental income from the subject property is used to qualify the borrower. Rent loss insurance may be waived when: • Rental income from the subject property is not used for qualifying, **and** PITIA and operating expense from the subject is included in the borrower's qualifying ratios
8.15 Title Insurance	
Title Insurance	Loans must be covered by an American Land Title Association mortgagee title insurance policy or other generally acceptable form of policy or insurance acceptable under the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide, issued by a title insurer generally acceptable under the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide insuring the Originator, its successors and assigns. The final policy must be paid in full, and valid, binding and in full force and effect with language evidencing the policy is transferable to the lender and its successors or assignees. An opinion of counsel will be accepted in lieu of title insurance in jurisdictions where this practice is considered to be usual and customary. In all instances the following criteria must be met: • Preliminary title report must be dated no more than 45 days prior to funding. Gap coverage or an updated title must be provided after such time. Gap coverage provided in written form will be good for an additional 60 days. • Preliminary title must indicate that the final title policy will be issued after funding. • Coverage to equal loan amount • The chain of title will be reviewed for flips as part of the underwriting process • Borrower name must be indicated on the title commitment • If borrower's marital status appears to be different than on Form 1003, the discrepancy must be addressed • Cross reference seller name to purchase agreement • Proposed insured must reflect lender's name **Title History Review** The following information outlines required documentation and/or acceptable sources to satisfactorily verify property ownership for at least 12 months. All files are to contain a 12-month title history from an acceptable source. Transfer date, price, and buyer and seller names on any title transfers that occurred within the previous 12 months. **Acceptable Sources for Title Transfer Verification** • Title commitments, preliminary title, full attorney's title opinion, short form title policy • Copies of recorded title transfer deed. • Third-party database sources such as Data Quick, SiteX TM, Appintell, History Pro. NOTE: The appraisal is not an acceptable source to support transfer information. Any requirements to obtain clear title and a clean title policy, such as Statements of Information or

Back to Top

	copies of Trust Agreements, must be cleared prior to closing. The preliminary policy or title commitment must indicate that the final title policy is to be issued after closing. **Acceptable Title Exceptions** (must not have an impact on the customary use, enjoyment, or appraised value or marketability of the subject property) • Customary public utility subsurface easements, the location of which is fixed and can be verified. The exercise of rights of easement must not have an impact on the customary use, enjoyment, or appraised value or marketability of the subject property. • Above-surface public utility easements that extend along one or more property lines for distribution purposes or along the rear property line for drainage, provided that they do not extend more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements or with the use of the subject property; restrictions, provided that their violation will not result in the forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the customary use, enjoyment, or appraised value or marketability of the subject property. • Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them. • Encroachments of one (1) foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a ten (10) foot clearance between the buildings on the subject property and the property line affected by the encroachments. • Encroachments on the subject property by improvements on adjoining property, provided that these encroachments extend one (1) foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements. • Encroachments on adjoining properties by hedges or removable fences. • Liens for real estate or ad valorem taxes and assessments not yet due and payable. **Survey Requirements** If not insured against loss by title insurance, each loan file must contain a survey. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. The survey must conform to the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide. If surveys are not commonly required in particular jurisdictions an ALTA 9 Endorsement must be provided. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception. Loan exceptions are not permitted when a title policy requires a survey. Final title policies with an open exception for a survey are not permitted.
Section 9: References	
9.1 Disclosures	
Disclosures	**Fair Lending Statement** NewRez operates in strict compliance with the provisions of the Fair Housing Act and the Equal Credit Opportunity Act. The Fair Housing Act makes it unlawful to discriminate in housing related activities against any person because of race, color, religion, national origin, sex, handicap, or familial status. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided that the borrower has legal capacity to enter into a binding contract), receipt of public assistance, or because the borrower has in good faith exercised any right under the Consumer Credit Protection Act. NewRez fully supports the letter and spirit of

Back to Top

	both of these laws and will not condone discrimination when it determines whether to purchase any particular loan. It should be noted, however, that all credit decisions with respect to all mortgage loans are made solely by the related originator, and NewRez does not participate in such decisions. **Responsible Lending Statement** NewRez will not originate or purchase loans that are: (a) Mortgage Loans subject to 12 CFR Part 226.32 of Regulation Z, the regulation implementing the Home Ownership and Equity Protection Act of 1994, as amended, or (b) classified and/or defined, as a "high cost," "threshold," "predatory high risk home loan" or "covered" loan (or a similarly-classified loan using different terminology under a law imposing additional legal liability for mortgage loans having high interest rates, points and/or fees) under any other applicable federal, state or local law.	
Section 10: Version Control		

Eligibility Matrices	20, 25 and 30-year fixed:
	• Owner-Occupied rate & term refinances
	  ○ Updated to 80% LTV
	• Owner-Occupied purchases
	  ○ At 90% LTV, lowered FICOs and increased reserves for 1.5M
	• Owner-Occupied cash out refinances
	  ○ Updated cash out to max $2M loan amount for 1-2 units, lowered FICO for $1M loan amount and lowered cash out amount for both levels
	• Investment properties purchases and rate & term refinances
	  ○ Increased loan amount to $2M and added 2-4 unit properties, lowered FICO and added $1.5M level
	• Removed cash out refinances for investment properties
		February 13, 2019

2.11 Cash-out Refinances	Clarified that cash-back proceeds may not be used to meet reserve requirements	February 13, 2019

Back to Top