

## POLICY & PROCEDURE

### Refinances: Net Tangible Benefit Policy & Procedure

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#### **Policy:**

NewRez LLC and its subsidiaries (collectively, and including Shelter Mortgage Company, L.L.C. and its subsidiaries, "NewRez") require that all non-conforming, FHA, VA, USDA, and certain conventional refinance loan transactions pass the Net Tangible Benefit Test. See below for details.

NewRez defines a Net Tangible Benefit as a loan transaction that places the borrower(s) in a better financial position meeting at least one of the following and as described on the NewRez Net Tangible Benefit Worksheet:

- Reducing the interest rate
- Reducing the monthly mortgage payment and/or total monthly expenses
  - Non-QM: If the new loan has an Interest Only feature, the new fully amortized payment (Principal & Interest) must be compared to the current payment to determine benefit to borrower. Do not compare the new Interest Only payment to the current payment.
- Converting an ARM to Fixed interest rate
- Converting a Negative Amortization or Option ARM to a fully amortized payment
- Reducing the amortization term by a **minimum** of 60 months
- Cash out of at least 1.25 times closing costs (not applicable for VA Cash-out)

Please note investors may have additional requirements that must be met that supersede NewRez's requirements, as noted on the Net Tangible Benefit Worksheet, such as fee recoupment requirements.

#### **Conventional Conforming:**

- AR, CT, IL MN, NC, NM, OH, and WA: All channels must complete the Generic NTB Test
  - Delegated correspondents must ensure the state requirements have been met, but are not required to use the NewRez form
- In CO\*, MA, MD, ME, RI, SC, VA, and WV: All channels must complete the state specific forms as required by the state
- For all other states, no NTB test is required

#### **Government and Conventional Non-Conforming:**

- In all states, complete the product specific worksheet as noted below:
  - FHA Streamline
  - IRRRL
  - VA Cash-out
  - RD Streamline Assist
  - FHA Standard (Non Streamline): Generic NTB Test

- Non-Conforming: Generic NTB Test
- In CO\*, MA, MD, ME, RI, SC, VA, and WV: Also complete the state specific forms as required by the state

## **Procedure:**

### **Net Tangible Benefit Worksheet**

#### **See state specific section below for additional requirements**

- The Generic NTB Test worksheet or the product specific worksheet, (as applicable and noted above), will be completed by the Loan Officer, Processor, or the Broker at the time of application or prior to the final underwriting approval. Underwriters will complete for non-delegated correspondents. Delegated correspondents are required to ensure the test is met but are not required to use NewRez's NTB Generic Test worksheet.
- The NewRez underwriter must verify the loan represents a benefit to the borrower(s) according to the NewRez policy above and State mandate, if applicable.
- The NewRez underwriter must verify the form is accurate, complete, name is annotated (digitally or manually) and dated prior to or at the Underwriter Clear status.
- The final Net Tangible Benefit form must be included in or uploaded to the loan file.
- The NewRez underwriter must clear the NTB conditions, if applicable.

### **NTB State Specific Test: CO\*, MA, MD, ME, RI, SC, VA and WV**

- A state specific NTB test will be required in CO\*, MA, MD, ME, RI, SC, VA and WV. NewRez state specific forms will be required for all channels except delegated correspondent.
- The NewRez underwriter must verify the loan represents a benefit to the borrower(s) according to the NewRez policy above and State mandate.
- The NewRez underwriter must clear applicable state specific NTB conditions, when required.
- The NewRez underwriter must verify the form is accurate, complete, name is annotated (digitally or manually) and dated prior to or at the Underwriter Clear status.
- The final NTB state specific form must be uploaded to the loan file.

#### **\*CO requires NTB state specific forms to be completed for purchase transactions as well as refinance transactions.**

- CO: Select box for 'purchase.'

### **NTB State Specific Form Completion and Signature Requirements are listed below:**

- **Colorado:** State specific NTB form must be completed by Sales or third party originator.
  - Signature requirements: Loan Officer and Borrower(s) must sign NTB form. Must be executed within three (3) days of application.
- **Maine:** State specific NTB form must be completed by Sales or third party originator.
  - Signature requirements: Loan Officer and Borrower(s) must sign NTB Form.
- **Maryland:** State specific NTB form must be completed by Sales or third party originator.
  - Signature requirements: Borrower(s) must sign NTB form.

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- **Massachusetts:** Although a state specific NTB form is no longer required by MA, the same state requirements still apply. Correspondents and Brokers may provide a worksheet that includes all state requirements or use the previously required form that will remain in place for NewRez.
- **Rhode Island:** State specific NTB form must be completed by Lender. Third party originator is responsible for reviewing form with borrower and obtaining borrower signature.
  - Signature requirements: Lender and Borrower must sign NTB form.
- **South Carolina:** State specific NTB form must be completed and signed third party originator.
  - Signature requirements: Third party originator.
- **Virginia:** State specific NTB form must be completed by Sales or third party originator.
  - Signature requirements: Borrower must sign NTB form.
- **West Virginia:** State specific NTB form must be completed by Sales or third party originator.
  - Signature requirements: Loan Officer, Sales Manager, and Borrower(s) must sign NTB form.

***The NewRez Net Tangible Benefit Worksheets can be found in the Client Library under Policies & Procedures.***