

# CMS Conventional Guideline Overlays

Mortgage Lending Division

Version 1.7 – 08/20/19



<b>CMS Conventional Guideline Overlays:</b>	<b>FHLMC</b>	<b>FNMA</b>	<b>Overlay</b>
<b>Resale / Deed Restrictions = only age based restrictions are permitted</b>	Freddie allows for income based restrictions in addition to age based	Affordability and Age Based deed restrictions are allowed	CMS will allow for income and age based deed restrictions. Maintain overlay for all other deed restrictions.
<b>Fixed rate products only</b>	Freddie allows ARMS	Fannie allows ARMS	Maintain overlay.
<b>Co-ops not eligible</b>	Freddie allows for co-ops	Fannie allows for co-ops	Maintain overlay.
<b>All borrowers must have a qualifying credit score</b>	Under limited circumstances, Freddie may produce an LPA Accept when not all borrowers have a credit score.	Under limited circumstances, Fannie may produce a DU Approve/Eligible when not all borrowers have a credit score.	Maintain overlay – all borrowers must have a qualifying credit score.
<b>Ineligible borrowers and vesting types are Trusts and Limited Liability Companies (LLCs)</b>	Freddie allows for Trusts as a borrower	Fannie allows for Trust as a borrower	Maintain overlay.
<b>Prepayment penalties are not permitted</b>	Freddie allows for prepayment penalties	Fannie allows for prepayment penalties	Maintain overlay. QM restrictions for prepayment penalties.
<b>LP Accept Streamlined / Standard Only and DU Approve/Eligible</b>	Freddie allows for manual underwriting	Fannie allows for manual underwriting	Maintain overlay.
<b>Mortgage Credit Certificate (MCC) is an ineligible income source</b>	Freddie allows for MCC income	Fannie allows for MCC income	Retain overlay.
<b>Self-employed VVOEs</b>	Freddie allows self-employed VVOEs up to 120 days at closing.	Fannie allows self-employed VVOEs up to 120 days at closing.	CMS limits self-employed VVOEs to 60 days.

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<p><b>Property Assessed Clean Energy (PACE) may be included in No or Limited Cash Out Refinances under certain circumstances</b></p>	<p>To include in a No Cash-Out Refinance, the mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac, the mortgage file must include evidence that the PACE obligation provides for first lien priority, and delivered with Investor Feature Identifier H61</p>	<p>Limited Cash Out Refinancing is eligible under the HomeStyle Energy Program. Must document PACE proceeds were used for eligible energy-related improvements, enter the PACE payoff amount in DU, and deliver with Special Feature Code 375.</p>	<p><b>FHLMC:</b> Follow agency requirements <b>FNMA:</b> CMS does not participate in HomeStyle Energy Program, PACE financing may only be paid off through a Cash Out Refinance.</p>
<p><b>Down Payment Assistance (DPA) Programs</b></p>	<p>Freddie allows DPAs.</p>	<p>Fannie allows DPAs.</p>	<p>Not permitted.</p>