



CMS Government Guideline Overlays

Mortgage Lending Division

Version 2.2 – 01/13/20



CMS FHA Guideline Overlays:	FHA Guidance	Overlay
Manual Downgrade for FICO 640 and under and DTI > 43, regardless of AUS decision	HUD does not require	Overlay updated: 1) Obtain manual UW conditions for LOE of derogatory credit and VOR current for 12 month rating 2) Do not apply the downgrade requirements for acceptable credit history. Allow following AUS approve/eligible
SSN verification for individuals employed by the World Bank, a foreign embassy or equivalent employer identified by HUD, state and local government agencies, Instrumentalities of Government, and HUD-approved Nonprofit organizations.	HUD does not require	All Borrowers must provide evidence of valid SSN.
Unacceptable assets for minimum required investment: Private Savings Clubs	HUD allows under strict guidelines	Maintain overlay due to complexity of meeting HUD guideline requirements.
Verification/ documentation of EMD of 1% or less of sale price is required to verify minimum required investment- all funds to close must be documented from an acceptable source	HUD doesn't require the EMD to be verified if less than 1% and funds are not being used as MRI	Maintain overlay due to layered risk. Even though HUD states this guidance in one part of the 4000.1, there is another guideline that states all funds must be verified from an acceptable source.
Unacceptable gift donors include "family like relationship"	HUD allows if documented	Maintain overlay. Currently CMS requires UW Manager or Lead approval due to the recent restrictions / removal of "cousins" and proper documentation requirements in the 4000.1.
General ineligibility: escrow waivers, temporary buydowns, Energy Efficient Mortgages, Mortgage Credit Certificate / Section 8 Voucher	HUD allows	Maintain overlays.
Down Payment Assistance (DPA) Programs	HUD allows	Not permitted.



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<p>CMS may use Overtime and Bonus Income as Effective Income if the Borrower has received this income for the past two (2) years and it is reasonably likely to continue.</p>	<p>HUD Requirement: Periods of Overtime and Bonus Income less than two years may be considered Effective Income if Mortgagee documents that the Overtime and Bonus Income has been consistently earned over a period of not less than one year and is reasonably likely to continue.</p>	<p>Maintain overlay. Supervisor/Manager approval is required to use Overtime and Bonus Income of 12-24 months.</p>
<p>Ineligible properties: Single wide manufactured homes, Construction to Perm, properties located on Tribal Lands, sewage lakes, or properties located on sink holes.</p>	<p>HUD allows.</p>	<p>Maintain overlays due to layered risk.</p>
<p>Requirement for both home inspection and 203k Consultant for 203k Standard loans.</p>	<p>HUD does not require.</p>	<p>Updated overlay. If Consultants are state-approved home inspectors or members of accredited State or National Home Inspection Associations, home inspections will not be required.</p>
<p>Streamline Refinance Net Tangible Benefit - Reduction in Term Requirement.</p>	<p>HUD only requires a term reduction. No timeframe stated.</p>	<p>Maintain overlay. Remaining amortization period of the existing Mortgage must be reduced by at least 6 months.</p>
<p>Cash on hand is not permitted as a source of funds.</p>	<p>HUD permits with cash deposited in a financial institution, explanation how funds were accumulated and amount of time, and reasonable ness based on income stream, spending habits, expenses, and use of banks.</p>	<p>Maintain overlay. Exceptions may be considered on a case by case basis by underwriting management.</p>



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CMS VA Guideline Overlays:	VA Guidance	Overlay
<p>CMS Max Loan Amounts are:</p> <ul style="list-style-type: none"> 1-unit = \$765,600 2-Unit = \$980,325 3-unit = \$1,184,925 4-unit = \$1,472,550 	<p>VA does not have a maximum loan amount.</p>	<p>CMS loan amounts are limited to the maximum FHFA conforming high balance limit.</p> <p>Exceptions may be considered jointly by Secondary and Underwriting.</p>
<p>VA loans (excluding IRRRLs) Housing 0 x 30 in last 12 months</p>	<p>VA does not provide guidance on housing lates for Purchase or Cash Out transactions. Existing liens may be delinquent. .</p>	<p>Maintain Overlay.</p>
<p>CMS does not extend financing on veteran-non veteran joint loans.</p>	<p>VA allows joint VA loan with VA prior approval</p>	<p>Maintain Overlay. Permit two-veteran joint loans; however, veteran-non veteran joint loans will be reviewed on an exception basis.</p>
<p>Ineligible properties, more than 1 manufactured home (ADU)</p>	<p>VA is silent on ADU</p>	<p>Maintain Overlay.</p>
<p>Excluding debt as under contingent liability guidelines requires proof of 12 months payments by the other obligor.</p>	<p>No minimum number of payments are specified.</p>	<p>Maintain overlay. 12 months payments must be documented to exclude debt.</p>
<p>Down Payment Assistance (DPA) Programs</p>	<p>VA allows</p>	<p>Not permitted.</p>
<p>Income verification</p>	<p>A borrower may have a valid offer of employment which will begin at or after the anticipated date of closing which can be verified. All data pertinent to underwriting procedures should be considered. However, a paystub(s) may not be available.</p>	<p>A pay stub is required for all borrowers qualifying with wages.</p>
CMS USDA Guideline Overlays:	USDA Guidance	Overlay
<p>Down Payment Assistance (DPA) Programs</p>	<p>USDA allows</p>	<p>Not permitted.</p>
<p>CMS does not have any additional overlays specific to USDA</p>		