

CMS Conventional Guideline Overlays

Mortgage Lending Division

Version 2.3 – 09/05/23



CMS Conventional Guideline Overlays*:	FHLMC	FNMA	Overlay*
CMS will accept appraisals from Certified General Appraisers, Certified Residential Appraisers, or Licensed Residential Appraisers	Freddie permits Appraiser Trainees subject to certain requirements.	Fannie permits Appraiser Trainees subject to certain requirements.	CMS Appraisal Management Policy does not permit the use of Appraiser Trainees.
Resale / Deed Restrictions = only age based restrictions are permitted	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.
Fixed rate products only	Freddie allows ARMS	Fannie allows ARMS	Maintain overlay.
Co-ops not eligible	Freddie allows for co-ops	Fannie allows for co-ops	Maintain overlay.
Single-Wide Manufactured Homes are not permitted	Freddie accepts with restrictions, including must be located in an approved condo project or PUD.	Fannie accepts with restrictions, including must be located in an approved condo project.	Not permitted. CMS requires manufactured homes to consist of two or more sections.
All borrowers must have a qualifying credit score	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.
Ineligible borrowers and vesting types are Trusts and Limited Liability Companies (LLCs)	Freddie allows for Trusts as a borrower	Fannie allows for Trust as a borrower	Maintain overlay.
Prepayment penalties are not permitted	Freddie allows for prepayment penalties	Fannie allows for prepayment penalties	Maintain overlay. QM restrictions for pre-payment penalties.

*Overlays are not applicable for Delegated Correspondent Loans.

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LP Accept Streamlined / Standard Only and DU Approve/Eligible	Freddie allows for manual underwriting	Fannie allows for manual underwriting	Maintain overlay.
Mortgage Credit Certificate (MCC) is an ineligible income source	Freddie allows for MCC income	Fannie allows for MCC income	Retain overlay.
Self-employed VVOEs	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.
Property Assessed Clean Energy (PACE) may be included in No or Limited Cash Out Refinances under certain circumstances	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	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.	FHLMC: Follow agency requirements FNMA: CMS does not participate in HomeStyle Energy Program, PACE financing may only be paid off through a Cash Out Refinance.
Down Payment Assistance (DPA) Programs	Freddie allows a wide variety of DPA programs.	Fannie allows a wide variety of DPA programs.	CMS does not permit DPA programs that require lender approval, disclosure of financials, released servicing, registration or training of CMS employees, deed restrictions, or CMS to draw docs and/or fund for the DPA at closing. See Down Payment Assistance New Program Request Submission Form

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4506-C Tax Transcripts Requirements	4506-C transcripts will be required for Purchase transactions with self-employed income and at least one of the following components: <ul style="list-style-type: none">• LTV > 95%• DTI > 50• Gift funds received• Borrower has a Chapter 7 BK within the last 4 years	4506-C transcripts will be required for Purchase transactions with self-employed income and at least one of the following components: <ul style="list-style-type: none">• LTV > 95%• DTI > 50• Gift funds received• Borrower has a Chapter 7 BK within the last 4 years	Maintain overlay.

*Overlays are not applicable for Delegated Correspondent Loans.