

# CMS Conventional Guideline Overlays

Mortgage Lending Division

Version 2.5 – 02/10/25



Topic	Overlay
<b>Appraiser Licensing</b>	<p><b>CMS Guideline:</b> CMS will accept appraisals from Certified General Appraisers, Certified Residential Appraisers, or Licensed Residential Appraisers. The CMS Appraisal Management Policy does not permit the use of Appraiser Trainees.</p> <p><b>Fannie, Freddie Guidelines:</b> Permits Appraiser Trainees subject to certain requirements.</p>
<b>Resale / Deed Restrictions</b>	<p><b>CMS Guideline:</b> Only age-based restrictions are permitted.</p> <p><b>Fannie, Freddie Guidelines:</b> Permits other deed restrictions including income and affordability restrictions, which may require using restricted sales prices and other considerations.</p>
<b>Fixed Rates Only</b>	<p><b>CMS Guideline:</b> Only fixed interest rates are offered.</p> <p><b>Fannie, Freddie Guidelines:</b> Permits ARMs.</p>
<b>Co-Ops</b>	<p><b>CMS Guidelines:</b> Co-ops are not eligible.</p> <p><b>Fannie, Freddie Guidelines:</b> Permits co-ops subject to restrictions.</p>
<b>Single-Wide Manufactured Homes</b>	<p><b>CMS Guideline:</b> Single-wide manufactured homes are not permitted. CMS requires manufactured homes to consist of two or more sections.</p> <p><b>Fannie Guidelines:</b> Single-width manufactured homes are permitted for primary residence purchase and LCOR transactions with a minimum of 2 similar MH comparable sales; one of the MH comparables must be a sale, active listing, or under contract sale with the same single-width configuration; third comparable may be site-built or modular home. Deliver with SFCs 791 and 235.</p> <p><b>Freddie Guidelines:</b> Single-width manufactured homes are permitted for primary residence purchase and rate/term refinance transactions, the appraisal must contain at least two single-wide comparable sales.</p> <p><b>Exception:</b> UW management may consider exceptions for single-wide manufactured homes that meet agency guidelines, are generally unmodified and in good condition, and have clear marketability in their neighborhood.</p>
<b>Credit Scores</b>	<p><b>CMS Guideline:</b> All borrowers must meet the minimum required qualifying credit score.</p> <p><b>Fannie, Freddie Guidelines:</b> Under limited circumstances, borrowers with no FICO scores may produce an LPA Accept or DU Approval.</p>
<b>Ineligible Borrowers</b>	<p><b>CMS Guideline:</b> Trusts and Limited Liability Companies (LLCs) are ineligible borrower and vesting types.</p> <p><b>Fannie, Freddie Guidelines:</b> Subject to numerous restrictions, trusts may be eligible to vest in at the time of closing, and LLCs may be eligible to transfer title to after closing.</p>

# CMS Conventional Guideline Overlays

Mortgage Lending Division

Version 2.5 – 02/10/25



Topic	Overlay
<b>Prepayment Penalties</b>	<p><b>CMS Guideline:</b> Prepayment penalties are not permitted.</p> <p><b>Fannie, Freddie Guidelines:</b> Fannie and Freddie allow for prepayment penalties</p>
<b>AUS Accept</b>	<p><b>CMS Guideline:</b> LPA Accept or DU Approval are required. Manual underwriting is not permitted.</p> <p><b>Fannie, Freddie Guidelines:</b> Manual underwriting is permitted subject to numerous restrictions.</p>
<b>Self-Employed VVOE</b>	<p><b>CMS Guideline:</b> Verification of the borrower's business must be obtained within 60 days of closing.</p> <p><b>Fannie, Freddie Guidelines:</b> Verification of the borrower's business must be obtained within 120 days of closing.</p>
<b>Property Assessed Clean Energy (PACE)</b>	<p><b>CMS Guideline:</b> PACE liens may be paid off through a Fannie Mae Cash Out Refinance, a Freddie Mac Cash Out Refinance, or a Freddie Mac no cash out refinance. Freddie Mac no cash out refinances require the mortgage being refinanced to be owned in whole or in part or securitized by Freddie Mac, the mortgage file to contain evidence that the PACE obligation provides for first lien priority, and the loan to be delivered with Investor Feature Identifier H61.</p> <p><b>Fannie Guideline:</b> Limited Cash Out Refinancing is eligible under the HomeStyle Energy Program, however CMS does not participate in HomeStyle Energy financing.</p>
<b>Down Payment Assistance (DPA) Programs</b>	<p><b>CMS Guideline:</b> CMS approval of DPA programs is required. CMS does not generally 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.</p> <p><b>Fannie, Freddie Guidelines:</b> A wide variety of DPA programs are permitted, including bond programs that require servicing released to institutional investors.</p>
<b>4506-C Transcripts</b>	<p><b>CMS Guideline:</b> The 4506-C must be processed and transcripts obtained for Purchase transactions with self-employed income and at least one of the following:</p> <ul style="list-style-type: none"> <li>• LTV &gt; 95%</li> <li>• DTI &gt; 50%</li> <li>• Gift funds received</li> <li>• Borrower has a Chapter 7 BK within the last 4 years</li> </ul> <p><b>Fannie, Freddie Guidelines:</b> Borrowers must execute a 4506-C at closing, but the lender to obtain transcripts prior to closing.</p>

\*Overlays are not applicable for Delegated Correspondent Loans