



Last Reviewed: 05/29/2024



Fannie Vs. Freddie Comparison Matrix

Note: This document provides summary information only meant to assist in identifying areas that are different between these two Agencies. It is not meant to be used as a complete guide for any of the topics discussed. Please refer to the full Agency guides for complete information.

☆ = Preferred Option		*Encompass Indicator Not Required	**Encompass Indicator Required
		FNMA	FHLMC
Maximum LTV/CLTV/HCLTV			
Transaction Type	Number of Units	Maximum LTV/CLTV/HCLTV	
Principal Residence: Purchase, Limited Cash-Out Refinance¹	1 Unit	☆ Fixed: 97% ARM: 95%	Fixed: 97% ARM: 95%
	2 Units	Fixed/ARM: 95%	Fixed/ARM: 85%
	3-4 Units	☆ Fixed/ARM: 95%	Fixed/ARM: 80%
Second Home: Purchase	1 Unit	Fixed/ARM: 90%	Fixed/ARM: 90%
Second Home: Cash-Out Refinance	1 Unit	Fixed/ARM: 75%	Fixed/ARM: 75%
Investment Property: Limited Cash-Out	1-4 Units	Fixed/ARM: 75%	☆ 1 Unit Fixed/ARM: 85% 2-4 Units Fixed/ARM: 75%
Gift Funds			
LTV, CLTV or HCLTV	Property Type	Minimum Borrower Contribution	
>80% LTV	1 Unit Principal Residence	No borrower contribution required	☆ 1-4 Unit Principal Residence: No borrower contribution required
	2-4 Unit Principal or Second Home	The borrower must make a 5% Contribution	
General Guidelines			
		FNMA	FHLMC
Extenuating Circumstances**		☆ Verification of extenuating circumstances is permitted for shorter waiting periods after serious derogatory credit as defined in their Selling Guide.	Extenuating Circumstances are not acceptable for the shorter waiting periods after serious derogatory credit. This is contrary to what is published in Freddie Mac's guide.
Divorce as an Extenuating Circumstance**		☆ May be acceptable.	Not acceptable.
Buying out the Interest of Another Owner in the Case of Divorce		Can be completed as a Cash-Out Refinance or Limited Cash-Out Refinance.	Considers this to be a 'Special Purpose Refinance," and can only be treated as a Cash Out Refinance with a max LTV of 80%



Last Reviewed: 05/29/2024



Union Worker Income Verification*	Verbal VOE from union; executed employment offer or contract for future employment	If the borrower is between jobs, but the employment and income history is stable, a 10-day Pre-Closing Verification (PCV) through the union is acceptable.
Private Road Maintenance Agreement	Required	☆ Not Required
Student Loans**	FNMA and FHLMC differ on how they treat student loans, including what payment should be used for qualifying purposes and their treatment of repayment plans. Refer to the Student Loan Matrix for specific guidelines by Agency.	FNMA and FHLMC differ on how they treat student loans, including what payment should be used for qualifying purposes and their treatment of repayment plans. Refer to the Student Loan Matrix for specific guidelines by Agency.
Secondary Financing **	☆ Eligible	Eligible, reduce LTV by 5%
Credit Report with Trended Data *	Required for DU	☆ Not Required for LP
Nontraditional Credit **	90% LTV/CLTV/HCLTV	☆ 95% LTV/CLTV/HCLTV
No Credit Score Borrower**	90% LTV/CLTV/HCLTV Max DTI 40%	☆ 95% LTV/CLTV/HCLTV Max DTI is determined by LPA
Condo Project Eligibility **	Fannie Mae warrantable	☆ Freddie / Fannie warrantable
Continuity of Obligation **	☆ No requirement	At least one borrower was on the refinanced mortgage or held title and resided in the mortgaged property as a primary residence for the most recent 12 months; or was awarded the property as a result of divorce, separation or dissolution
Amount of Cash Back on a Rate and Term/Limited Cash Out Refinance	☆ 2% of the loan amount or \$2,000, whichever is less	1% of the loan amount or \$2,000, whichever is greater



Last Reviewed: 05/29/2024

<p>Refinance Note Seasoning Requirements (These guidelines are in addition to ownership seasoning requirements. Refer to the Agency guides for complete details)</p>	<p>Limited/No Cash-Out: The application date of a new limited cash out refinance must be 31 days or more after the Note date of a prior cash out refinance.</p>	<p>Limited/No Cash-Out: The Note date of a new 'no cash out' refinance mortgage must be 31 days or more after the Note date of any prior refinance (whether it was a cash out or a no cash out refinance)</p>
	<p>Cash-Out: If an existing first mortgage is being paid off through the transaction, it must be at least 12 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan. This requirement does not apply:</p> <ul style="list-style-type: none"> To any existing subordinate liens being paid off through the transaction, OR When buying out a co-owner pursuant to a legal agreement 	<p>Cash-Out: If an existing first mortgage is being paid off through the transaction, it must be at least 12 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan. This requirement does not apply:</p> <ul style="list-style-type: none"> Buying out the Interest of Another Owner in the Case of Divorce or considered a "Special Purpose" refinance. The First Lien being paid off is a Home Equity Line of Credit (HELOC).
<p>Power of Attorney*</p>	<p>Please refer to the Power of Attorney Policy in Ask Alice/Ask UHM for full POA requirements. These requirements align with Fannie Mae's.</p> <p>*Note: In contrast to Freddie Mac, Fannie Mae does not allow the use of a POA on cash-out refinances.</p>	<p>☆ Freddie Mac only allows the use of a POA in the event of a hardship such as a medical emergency, natural disaster, military deployment, or other hardship preventing the Borrower from executing the requisite documents in person, by electronic signature, or through other alternative electronic means (e.g., Remote online Notarization, eClosing), or Applicable law requires the Seller to accept use of a POA.</p> <p>*Note: In contrast to Fannie Mae, Freddie Mac does allow the use of a POA on cash-out refinances. Keep in mind the hardship rule still applies.</p>
<p>Verification of Waiting Periods After Foreclosure, Short Sale and Deed in Lieu of Foreclosure**</p>	<p>Fannie Mae requires verification the loan meets the required waiting period.</p>	<p>When a loan receives an Accept risk classification, the loan does not need to be reviewed for waiting period requirements.</p>
<p>Detached Condos: Desktop Appraisals and Manufactured Home Detached Condos</p>	<p>Allows desktop appraisals on detached condos.</p>	<p>Freddie Mac will always require a full appraisal for detached condos; desktop appraisals are not permitted.</p>
	<p>Does not allow manufactured home detached condo units in an established project.</p>	<p>Permits a review of a manufactured home detached condo unit in an established project.</p>
<p>Rental Income from an ADU (Accessory Dwelling Unit)</p>	<p>Fannie Mae does not allow rental income generated from an ADU to be considered for qualifying the borrower.</p>	<p>Allows rental income generated from an ADU on a subject 1-unit primary residence to be considered when qualifying the borrower for a purchase or a no cash out refinance mortgage, provided that certain requirements are met.</p>



Last Reviewed: 05/29/2024



Allowable Gift Donors	Estates and Trusts of Related Persons not considered eligible.	A trust and/or estate of a Related Person are permitted as eligible donors of gift funds and gifts of equity.
Graduation Gifts	Fannie Mae does not specify permitting graduation gifts.	Gifts from unrelated persons are an eligible source of funds only if given as a wedding or graduation gift.
Income Received on IRS Form 1099	Fannie Mae requires 1099 income to be treated as self-employed income.	Freddie Mac allows income received on an IRS Form 1099 to be treated as schedule-c or as non-self-employed income under some circumstances. The file must include: <ul style="list-style-type: none"> • IRS Form 1099(s) for services performed for most recent two calendar years • Tax return (pages one and two and applicable schedules) for the most recent year (Updated) • YTD income documentation See the FHLMC selling guide for full requirements.
Borrower Cash Flow in Credit Assessment	Fannie Mae does not consider a Borrower's cash flow in its credit assessment at this time.	Loan Product Advisor (LPA) includes Borrowers' cash flow in its credit assessment. A verification report of the asset account(s) the Borrower uses to deposit income, pay monthly bills and conduct day-to-day transactions, as well as accounts used for savings and retirement, must be obtained. At least 12 months of account data must be transmitted to LPA. Note: For LPA Accept Mortgages, if positive cash flow is identified and no Borrower has a credit score, additional payment references are not required.
Credit Card Reward Points	Fannie Mae does not allow credit card reward points to be used as an eligible source of funds for qualifying.	Credit card reward points are an eligible source of funds used to qualify the Borrower for the Mortgage transaction when the points are redeemed for cash. Refer to FHLMC Sellers Guide Section 5501.3(a)(iii) for detailed requirements.
Documentation Requirements for using Business Assets for Down Payment, Closing Costs, or Financial Reserves, when a Borrower is Self-Employed	Fannie Mae requires the 2 most recent months' complete bank statements (all pages).	Freddie Mac requires the 3 most recent months' complete bank statements (all pages).
Federal Income Tax Installment Agreement Requirements	Fannie Mae requires evidence that the borrower is current on the payments associated with a tax installment plan. At least one payment must have been made prior to closing.	Freddie Mac does not require evidence of at least one payment being made prior to closing, although the Seller must acquire verification that the Borrower is not past due under the terms of the installment agreement.



Last Reviewed: 05/29/2024



Payment of Deferred Balance from Prior Loss Mitigation Solution on Existing First Mortgage Using Proceeds from Limited/No Cash-Out Refinance	Fannie Mae allows the proceeds from a limited or no cash-out refinance to be used to pay off the existing first mortgage (which may include additional amounts required to pay off the loan, such as prepayment penalties, a deferred balance resulting from completion of a prior loss mitigation solution, and late fees).	Freddie Mac does not allow the proceeds from a limited or no cash-out refinance to be used to pay off a deferred balance that was a result of a prior loss mitigation solution.
Property in LLC	Rate/Term Refinance: At least one Borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application.	Rate/Term Refinance: When an existing Mortgage will be satisfied as a result of a refinance transaction, the following must be met: <ul style="list-style-type: none"> At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced. Original loan must be in individual's name only. Loan cannot be made to LLC or Partnership.
	Cash-Out Refinance: At least one Borrower must have been on title to the subject property for at least six months prior to the disbursement date of the new loan. If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the Borrower(s), the time it was held by the LLC may be counted towards meeting the Borrower's six-month ownership requirement.	Cash-Out Refinance: At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date, except as specified below: For cases in which title to the property is held by a limited liability company (LLC) or limited partnership (LP), the time the property was titled in the name of the LLC or LP may be included in the six-month requirement provided: <ol style="list-style-type: none"> At least one Borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and Title must be transferred from the LLC or LP into the Borrower's name on or before the Note Date.
Trust Income	FNMA and FHLMC allow the use of fixed and varying trust income for qualifying a borrower, although the requirements differ by Agency. Refer to the Conventional Trust Income Comparison Matrix for detailed guidance by Agency.	FNMA and FHLMC allow the use of fixed and varying trust income for qualifying a borrower. Refer to the Conventional Trust Income Comparison Matrix for detailed guidance by Agency.
Non-Occupying Borrowers on Cash-Out Refinances	Fannie Mae does not restrict non-occupying Borrowers on cash-out refinances.	Freddie Mac does not allow non-occupying Borrowers when a cash-out refinance is secured by a primary residence. All Borrowers must occupy.
Cash-Out Refinance on Manufactured Home: Maximum Loan Term	Fannie Mae allows a maximum loan term of 30 years at a 65% LTV for cash-out refinances on primary residence Manufactured Homes (multi-width only, no single wides).	Freddie Mac allows a maximum loan term of 20 years at a 65% LTV for cash-out refinances on primary residence Manufactured Homes (multi-width only, no single wides).



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Deed Restrictions	<p>FNMA allows loans that are subject to one or more of the following types of resale restrictions:</p> <ul style="list-style-type: none">• Employment-related Requirements,• Occupancy Requirements,• First-Time Homebuyer Requirements,• Restrictions on group homes or homes that are principally used to serve residents with disabilities,• Income Limits,<ul style="list-style-type: none">○ Note: Manufactured Homes are not eligible unless located in a PERS-approved project.• And Age-related Requirements (55+ Communities):<ul style="list-style-type: none">○ Loan must be fixed rate or ARM with an initial fixed period of five (5) years or more, and must comply with the FNMA Selling Guide.○ Manufactured Homes are not eligible unless located in a PERS-approved project.	<p>FHLMC allows loans that are subject to resale restrictions including, but not limited to:</p> <ul style="list-style-type: none">• Income Limits,<ul style="list-style-type: none">○ Note: Manufactured Homes not eligible at this time.• And Age-related Requirements (55+ Communities):<ul style="list-style-type: none">○ Must be a First Lien Mortgage.○ FHLMC Purchase requirements including, but not limited to, all applicable Condominium Project and Planned Unit Development (PUD) requirements must be met.○ Manufactured homes are not restricted; must meet all FHLMC guide requirements for Manufactured Housing to be eligible.
This document does not cover all scenarios. Please see Agency guidelines for current information.		

Notes

1. Includes the HomeReady and HomeStyle Renovation Programs.