

# Carrington Flexible Advantage/ Flexible Advantage Plus Underwriting Guidelines

## DOCUMENT OVERVIEW

**Purpose** The following document describes the responsibilities and requirements of the Carrington Mortgage Services, LLC (CMS) Mortgage Lending Division Underwriter (Underwriter) when reviewing and underwriting mortgage loan applications. The purpose of credit and property underwriting is to ensure that each loan meets high quality standards that make the loans acceptable to CMS Mortgage LLC.

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**Revision  
Summary**

See the [Revision Summary](#) section.

## INTRODUCTION

These guidelines serve to provide direction and consistency in loan, borrower, and property eligibility.

## GENERAL PROGRAM INFORMATION

<b>Programs</b>	See the <a href="#">Carrington Flexible Advantage Program Matrix</a> / <a href="#">CMS Carrington Flexible Advantage Plus Program Matrix</a> for details: <ul style="list-style-type: none"><li>• Carrington Flexible Advantage Plus Program</li><li>• Carrington Flexible Advantage Program (Credit Grades A, B and C)</li></ul>
<b>Documentation</b>	<a href="#">Full Documentation</a> or <a href="#">Bank Statement Documentation</a> and <a href="#">1-Year Alternative Income Documentation</a> is required.
<b>Products</b>	See applicable <a href="#">Carrington Flexible Advantage Program Matrix</a> / <a href="#">CMS Carrington Flexible Advantage Plus Program Matrix</a> .
<b>Loan Amounts and Loan-to-Values</b>	See applicable <a href="#">Carrington Flexible Advantage Program Matrix</a> / <a href="#">CMS Carrington Flexible Advantage Plus Program Matrix</a> .
<b>State Restrictions</b>	See applicable <a href="#">Carrington Flexible Advantage Program Matrix</a> / <a href="#">CMS Carrington Flexible Advantage Plus Program Matrix</a> .
<b>Prepayment Penalties, Points, and Fees</b>	<p>Total points, fees, and APR may not exceed current state and federal high-cost thresholds.</p> <p>Prepayment penalties are not permitted for Owner-Occupied Primary Residence and Second Home loan transactions.</p> <p>Prepayment penalties are permitted for Non Owner-Occupied Investment Property loan transactions and may only be charged when permissible by State law.</p> <p>See applicable <a href="#">Carrington Flexible Advantage Program Matrix</a> / <a href="#">CMS Carrington Flexible Advantage Plus Program Matrix</a> for details.</p> <p><b>Note:</b> States may impose different definitions of points and fees, rate/APR, or prepayment penalties than apply under HOEPA. States may also use different triggers in each category for determining whether a loan will be a "high-cost mortgage" (or equivalent terms) under state law. As a matter of policy, CMS does not offer high-cost mortgages (or equivalent terms) under Federal or state law, regardless of the basis for the loan's treatment as such.</p>

## General Program Information (continued)

<b>Exceptions</b>	Exceptions to published guidelines are considered on a case-by-case basis. Loans with exception requests should exhibit strong compensating factors. All exception requests must be submitted to the Underwriting Manager along with any supporting documentation according to CMS Exception policy.
<b>Anti-Steering</b>	CMS does not direct or “steer” a consumer to consummate a transaction based on the fact that CMS will receive greater compensation in that transaction than in other transactions CMS offered or could have offered to the consumer, unless the consummated transaction is in the consumer’s interest.
<b>Alternative Loan Program Analysis</b>	All loan applications are to be reviewed for possible approval under a traditional conventional conforming or FHA loan program offered by the CMS. Underwriter to complete the <i>CMS Alternative Program Analysis Form</i> to ensure borrowers are proceeding under the appropriate loan program. Loans with reduced income documentation are exempt.

## TRANSACTIONS

<b>Occupancy</b>	<p><b>Primary Residence</b></p> <p>A primary residence (or owner-occupied property) is a dwelling occupied by the borrower as his or her principle residence.</p> <p>To qualify as a primary residence, the transaction must meet each of the following criteria:</p> <ul style="list-style-type: none"><li>• Property is located in the same general area as the borrower’s employment</li><li>• Borrower intends to occupy the subject property for the majority of the year</li><li>• Property possesses physical characteristics that accommodate the borrower’s family</li><li>• Borrower shall occupy the property as a principal residence within 60 days after closing and continue to occupy the property as a principal residence for at least one year after the date of occupancy</li></ul> <p><b>Second Home</b></p> <p>A second home is a dwelling occupied by the borrower in addition to their primary residence (may also be referred to as a vacation home). Second homes are restricted to 1-unit dwellings.</p> <p>Typical second homes should meet the following criteria:</p> <ul style="list-style-type: none"><li>• Be located a reasonable distance away from the borrower’s primary residence</li><li>• Must be occupied by the borrower for some portion of the year</li><li>• Suitable for year-round occupancy</li><li>• Borrower must have exclusive control over the property</li><li>• Must not be subject to any timeshare arrangements, rental pools or other agreements which require the borrower to rent the subject property or otherwise give control of the subject property to a management firm</li></ul>
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## Transactions (continued)

### Occupancy, continued

#### Investment Property

An investment property (or non-owner occupied property) is an income-producing property that the borrower does not occupy. Investment properties are permitted on the Carrington Flexible Advantage Plus program only.

### Purchase

A purchase transaction is one which allows a buyer to acquire a property from a seller. A copy of the fully executed purchase contract and all attachments or addenda is required. Assignment of the sales contract is not permitted.

The lesser of the purchase price or appraised value of the subject property is used to calculate the loan-to-value.

### General Refinance Requirements

[Rate/term refinance](#) and [cash-out refinance](#) transactions are allowed.

All investment property refinances require an appraisal review product. See [Appraisal Review Process](#) for detailed requirements.

#### Determining Loan-to-Value

If the subject property was acquired between 6 months and 12 months from the note date of the new mortgage, the current appraised value may be used to determine the loan amount when two full appraisals are obtained. The lower of the two values must be used.

If the property was acquired  $\leq 6$  months from the note date of the new mortgage, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) must be used. The purchase settlement statement and any invoices for materials/labor will be required.

#### Benefit to Borrower

In keeping with the commitment of responsible lending, all primary residence and second home refinance transactions must have a measurable benefit to the borrower.

When determining the benefit on a refinance transaction, one or more of the following must exist to support the benefit to the borrower:

- Balloon payoff
- Title transfer
- Property retention
- Rate reduction
- P&I reduction
- Debt reduction
- Uncontrolled cash-out

State-specific and/or federal benefit to borrower compliance requirements must be adhered to. Underwriters are to complete the *CMS Benefit for Borrower Worksheet* to ensure compliance with the CMS benefit to borrower policy. Files must contain documentation supporting the acceptable benefit.

Additional restrictions apply if the new loan refinances an existing loan considered to be a special mortgage.

## Transactions (continued)

### **General Refinance Requirements (continued)**

A special mortgage is originated, subsidized, or guaranteed by or through a state, tribal, or local government, or nonprofit organization that either bears a below-market interest rate at the time the loan was originated or has nonstandard payment terms beneficial to the borrower, such as payments that vary with income, are limited to a percentage of income, or where no payments are required under specified conditions.

If the borrower will lose one or more of the benefits of the special mortgage, then both of the following apply:

- Underwriter must check that the loan complies with all applicable state and local laws as well as laws associated with the subject special loan program for compliance; and
- Underwriter must take special care to ensure a net tangible benefit to the borrower

### **Payoff in Less Than 12 Months**

CMS may refrain from making a loan if it obtains any information that indicates that the borrower may pay off the loan in fewer than 12 months, whether such payoff is anticipated by refinance, sale of the property or otherwise.

### **Properties Listed for Sale**

To be eligible for either a rate/term or a cash-out refinance, the subject property must be taken off the market on or before the application/submission date. The borrower must also confirm in writing the reason for the prior MLS listing and statement of intent to retain the subject property for 12 months after closing.

For cash-out transactions, if the subject property was listed for sale in the 6 months prior to the application/submission date, a minimum 2-year prepayment penalty\* or 10% LTV reduction from the maximum available for the specific transaction is required.

The lesser of the most recent list price or the current appraised value should be used to determine loan-to-value for both rate/term or cash-out transactions.

\*Note - Prepayment penalties may only be applied to Investor Loans and may not be used in AK, DE, MD, NJ, NM, or VT. Prepayment restrictions may exist in other states. Please refer to the state-specific matrices for details.

### **Refinances of Short Payoffs**

Refinances of Short Payoffs are only acceptable for CMS to CMS (Stanwich Portfolio) transactions.

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## Transactions (continued)

### Rate / Term Refinance

A rate/term refinance is the refinancing of an existing mortgage for the purpose of changing the interest and/or term of a mortgage without advancing new money on the loan.

The mortgage amount for a rate/term refinance is limited to the sum of the following:

- Existing first mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage (Note: property taxes must be pre-paid. Payment of delinquent property taxes is not permitted for rate/term refinances)
- The amount of any subordinate mortgage liens used in their entirety to acquire the subject property (regardless of seasoning)
- The amount of a home equity line of credit in first or subordinate lien position that was used in its entirety to acquire the subject property (regardless of seasoning)
- Any subordinate financing that was not used to purchase the subject property provided:
  - For closed end seconds, the loan is at least one year seasoned as determined by the time between the note date of the subordinate lien and the application date of the new mortgage
  - For HELOCs and other open-ended lines of credit, the loan is at least one year seasoned and there have been less than \$2,000 in total draws over the past 12 months

If the most recent first mortgage transaction on the property was a cash-out refinance within the last 6 months, the new mortgage is not eligible. Note date to note date is used to calculate the 6 months.

On rate/term transactions, the borrower may only receive cash back in an amount that is the lesser of 2% of the new mortgage balance or \$2000.

### Texas Conversion (Refinance) Transactions

The state of Texas permits conversion of Texas Home Equity cash-out transactions to rate/term refinance transactions under Tex. Const. Art. 16 §50(f)(2). Refer to [Refinancing an Existing Home Equity Loan - Texas Conversion Transactions](#) for detailed requirements to convert (refinance) a Texas 50(a)(6) loan to a non-home equity rate/term loan.

### Cash Out Refinance

A cash-out refinance is a refinance that does not meet the rate/term refinance definition. Cash-out would include a refinance where the borrower receives cash from the transaction or when an open-ended subordinate lien (that does not meet the rate/term seasoning requirements) is refinanced into the new transaction.

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## Transactions (continued)

### Cash-Out Refinance (continued)

A mortgage taken out on a property previously owned free and clear is always considered a cash-out refinance.

The mortgage amount for a cash-out refinance transaction may include any of the following:

- Existing first mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage (Note: Payment of delinquent property taxes is permitted for cash out refinances and must be paid with borrower funds or cash out proceeds)
- The amount of any subordinate mortgage liens being paid off that do not meet seasoning and draw history requirements as described in Rate/Term Refinance
- The amount of any non-mortgage related debt paid off through closing
- Additional cash in hand reflected on the settlement statement

### Cash-Out Letter of Explanation Required

A signed letter from the borrower disclosing the purpose of the cash-out must be obtained on all cash-out transactions. Borrower(s) must write, sign, and date all Letters of Explanation themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content.

The Underwriter should ensure the purpose of the cash-out is also reflected on the loan application. The application alone is not sufficient to explain the purpose of the cash-out.

### Seasoning

For all cash-out refinance transactions:

- At least one borrower must have been on title a minimum of six (6) months prior to the new note date, and
- A minimum of six (6) months must have elapsed since the most recent mortgage transaction (either the original purchase transaction or subsequent refinance) on the subject property. Note date to note date is used to calculate the six (6) months.

See also [Determining Loan-to-Value](#) for calculating LTV.

For cash-out refinance transactions where the property is currently vested in a Trust or LLC, the borrowers must have owned the property in the name of the Trust or LLC for at least six (6) months prior to closing.

**Note:** The six (6) months seasoning requirement may include a recent vesting change from a Trust or LLC to the borrower; however, loans may not close vested in the name of a Trust or LLC. Properties removed from a Trust/LLC are not required to meet the seasoning requirements if the property moves from the Trust to the owner of the Trust or the LLC to the owner of the LLC. Minimum fifty-percent (50%) ownership of the LLC is required.

There is no waiting period if the borrower was legally awarded the property through divorce, separation, or dissolution of a domestic partnership. See also [Inherited Properties and Property Buyouts](#).

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## Transactions (continued)

### Cash-Out Refinance (continued)

#### Delayed Financing

Cash-out on properties purchased by the borrower with cash and owned less than 6 months is allowed. The following requirements apply:

- Original transaction was an arm's-length transaction
- Settlement statement from purchase confirms no mortgage financing used to acquire subject
- Source of funds used for purchase documented (gift funds may not be included)
- New loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan
- All other cash-out refinance eligibility requirements must be met

#### Cash-Out Limits

CASH-OUT LIMITS		
Program	Occupancy	All LTVs
Carrington Flexible Advantage Plus Program	Primary Residence, Second homes and Investment Properties	Up to \$500,000
Carrington Flexible Advantage Program	Primary Residence and Second homes	Up to \$250,000

### Higher Priced Mortgage Loans (HPML)

A higher-priced mortgage loan (HPML) is a closed-end consumer credit transaction secured by the consumer's principal dwelling (owner-occupied, primary residence, 1- 4 units, 1<sup>st</sup> or 2<sup>nd</sup> lien purchase and refinance transactions).

Exemptions: These requirements do not apply to the following:

- Second homes
- Investment properties
- HELOCs

The loan will be considered a HPML if the APR exceeds the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by:

- 1st Lien: 1.5% or more
- 1st Lien (Jumbo Loans): 2.5% or more
- 2nd Lien: 3.5% or more



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## Transactions (continued)

### Higher Priced Mortgage Loan Requirements

As described above, some types of loan transactions are exempt from the HPML requirements. Refer to the [Truth in Lending Act \(Regulation Z\) Policy](#) for additional information on HPML requirements and exemptions.

CMS must comply with the following requirements on all HPML:

#### Escrow Accounts Required

CMS may not extend a higher-priced mortgage loan secured by a first lien on a consumer's principal dwelling unless an escrow account is established before consummation for payment of property taxes and premiums for mortgage-related insurance required by the creditor.

Insurance Premiums: Insurance premiums need not be included in escrow accounts for loans secured by dwellings in condominiums, planned unit developments, or other common interest communities in which dwelling ownership requires participation in a governing association, where the association has an obligation to the dwelling owners to maintain a master policy insuring all dwellings.

#### Appraisals Required

Generally, CMS is required to obtain an appraisal prior to extending a higher-priced mortgage loan to a consumer. CMS must provide to the consumer a copy of any written appraisal performed in connection with a higher-priced mortgage loan. Copies must be provided no later than three business days prior to consummation of the loan or in the case of a loan that is not consummated, no later than 30 days after CMS determines that the loan will not be consummated.

A second appraisal, at no cost to the consumer, must be obtained if:

- The seller acquired the property 90 or fewer days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement to acquire the property exceeds the seller's acquisition price by more than 10%, or
- The seller acquired the property 91 to 180 days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement to acquire the property exceeds the seller's acquisition price by more than 20%.

The second appraisal must be obtained by a different certified or licensed appraiser than the one who prepared the first appraisal.

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## Transactions (continued)

### Flip Transactions

A transaction will be considered a flip transactions when:

- The seller acquired the property 90 or fewer days prior to the sales contract date, and the new contract price exceeds the seller's acquisition price by more than 10 percent; or
- The seller acquired the property 91 to 180 days prior to the sales contract date, and the new contract price exceeds the seller's acquisition price by more than 20 percent.

The chain of title and appraisal report must be reviewed for prior sale and transfer history. Flip transactions are subject to the following requirements:

- All transactions must be arm's length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction
- No assignments of the contract to another buyer
- A second full appraisal is required

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## Transactions (continued)

### **Non-Arm's Length Transactions**

Non-arm's length transactions involve a direct relationship outside of the subject transaction between a borrower and a party to the loan. The appraiser must be informed of the relationship and address any impact on market value.

Examples of non-arm's length transactions include, but are not limited to, the following:

- Family member sales
- Renters purchasing from current landlord
- Buyer trading properties with the seller
- Property seller foreclosure bailouts
- Existing buyer relationship with loan officer, real estate agents, closing agent, appraiser, builder, or developer

Non-arm's length transactions are subject to all of the following requirements:

- Primary residence only
- Relationship must be fully disclosed
- An appraisal review product is required
- Borrower to provide a written letter of explanation stating relationship to the seller and reason for purchase. Borrower(s) must write, sign, and date the letter themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content.
- Borrower to provide a copy of the canceled earnest money check paid to the property seller
- Underwriters must be satisfied that the transaction makes sense and that the borrower will occupy the property
- All liens on title to be paid in full and reflected on the settlement statement
- Lesser of sales price or current appraised value to be used to calculate the LTV
- Borrowers cannot provide services on transaction (closing agent, title agent, appraiser, etc.)
- Borrower may not be an owner of a business entity selling the subject property

The following additional requirements apply only to family sales:

- Payment history for the seller's mortgage on the subject property must be obtained and show no pattern of delinquency within the past 12 months (if applicable)
- Verification that the borrower has not been in title to the property in the past 24 months
- Gift of equity is permitted

## Transactions (continued)

### **Inherited Properties and Property Buyouts**

Refinances of inherited properties and properties legally awarded to the borrower (divorce, separation, or dissolution of a domestic partnership) are allowed. If the subject property was acquired < 12 months prior to loan closing, the transaction is considered a cash-out.

These transactions are subject to the following:

- Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained
- Equity owners must be paid through settlement
- Subject property has cleared probate and property is vested in the borrower's name
- Current appraised value is used to determine loan-to-value

**Cash-Out Refinance Transactions:** For inherited properties, a minimum of six (6) months must have elapsed since the most recent title transfer or mortgage transaction (either the original purchase transaction or subsequent refinance) on the subject property. For title transfers the recording date to note date is used to calculate the six (6) months. For mortgage transactions the note date to note date is used to calculate the six (6) months.

### **Land Contract / Contract for Deed**

When the proceeds of a mortgage transaction are used to pay off the outstanding balance on a land contract that was executed more than 12 months prior to the date of the loan application, the transaction is considered rate/term refinance.

If the land contract was executed within 12 months of the date of the loan application, the transaction is considered a purchase.

The following requirements apply:

- Primary residence only
- Copy of fully executed land contract and payoff(s) to be obtained
- Copies of canceled checks for 12 months (or term of the lease if less) as evidence of timely payments
- If the land contract was executed less than 12 months ago, the borrower's previous housing payment history must also be verified to complete a completed 12-month history
- Liens on title to be paid in full and reflected on settlement statement at closing
- If the contract was executed less than 12 months ago, the lesser of the purchase price or the current appraised value must be used to determine LTV. The current appraised value may be used to determine LTV if the land contract was executed over 12 months ago.
- Cash-out and non-arm's length transactions are ineligible for both Land Contracts and Contracts for Deed.

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## Transactions (continued)

### **Lease with Purchase Option**

Lease with purchase option transactions are allowed for primary residences only. Borrowers may apply a portion of the rent paid to their down payment requirements. See [Rent Credit for Lease with Purchase Option](#) for detailed requirements.

For lease with purchase option transactions, the file must contain:

- Copy of fully executed rental/purchase agreement verifying monthly rent and the specific terms of the lease; and
- Copies of canceled checks for 12 months (or term of lease if less) as proof of rental payments

### **Permanent Financing for New Construction**

The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower to replace interim construction financing obtained by the borrower to fund the construction of a new residence. The borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.

When a refinance transaction is used, the borrower must have held legal title to the lot before he/she applied for the construction financing and must be named as the borrower for the construction loan.

A construction-to-permanent transaction may be closed as a purchase, rate/term refinance or cash-out refinance. All construction work must be complete. See [New Construction](#).

- For lots owned  $\geq 12$  months from application date for the subject transaction, LTV is based on the current appraised value.
- For lots owned  $< 12$  months from application date for subject transaction, LTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and purchase price of lot).

## TEXAS HOME EQUITY LOANS

**Background** A Texas Section 50(a)(6) mortgage is a home equity loan originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions.

All Texas Home Equity transactions must comply with the more restrictive of the Loan Purchase Eligibility Guidelines or this Texas Home Equity Loans Section.

**Seller Certification** CMS certifies that with respect to all of the Texas Section 50(a)(6) mortgages the following:

- All Texas Section 50(a)(6) mortgages were (or will be) originated pursuant to written processes and procedures that comply with the provisions of the Texas Constitution applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, as amended from time to time.
- CMS has in place a specific process for the receipt, handling, and monitoring of notices from borrowers that CMS failed to comply with the provisions of the law applicable to Texas Section 50(a)(6) mortgages. Such process must be adequate to ensure that CMS will correct the failure to comply by one of the authorized means no later than the 60th day after the date CMS is notified of the failure to comply by the borrower.
- An attorney familiar with the provisions of Section 50(a)(6), Article XVI of the Texas Constitution was consulted (or will be consulted prior to origination of the Texas Section 50(a)(6) mortgages) in connection with the development and implementation of the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages.
- To ensure ongoing compliance with the law applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages will be reviewed by CMS regularly and will be updated and revised, as appropriate pursuant to clarifications of the law, on a regular and continual basis.
- CMS certifies that it is lawfully authorized to make loans described by Section 50(a)(6), Article XVI, of the Texas Constitution.
- The matters certified herein are CMS representations and warranties given in connection with each Texas Section 50(a)(6) mortgage.

**General Requirements** The following parameters apply to Texas Section 50(a)(6) mortgages:

- Fixed 30-Year and 40-Year products
- Full Documentation and Personal Bank Statement Documentation allowed
- Maximum LTV/CLTV 80/80%
- 1-unit properties only

## Texas Home Equity Loans (continued)

### Loan Parameters

The following are considered Texas Section 50(a)(6) loans:

- Loans using proceeds to pay off an existing 50(a)(6) loan (as identified in title work)
- Loans using proceeds to pay off federal tax debt liens
- Loans using proceeds to pay property tax liens on the property securing the new loan
- Loans using proceeds to pay off or pay down debts that are not secured by the homestead property
- Loans with any cash back to the borrower

The following are **NOT** considered Texas Section 50(a)(6) loans:

- Loans using proceeds to pay current taxes due on the property securing the loan
- Loans using proceeds to buy out equity pursuant to a court order or agreement of the parties (usually applies to a divorce settlement)
- Loan proceeds used to pay a prepayment penalty assessed on an existing non-50(a)(6) loan, and the prepayment is included in the payoff amount (new loan must have a new title policy issued without exception to the financing of the prepayment fee)
- Loans that include the payment of HOA dues, if title company requires them to be paid

### Restrictions

The following restrictions apply to Texas Home Equity loans:

- Texas Home Equity loans may not be refinanced more than once a year (>12 months)
- There can be only one outstanding 50(a)(6) loan on a property at any given time
- If the borrower has an existing 50(a)(6) second lien and is getting cash-out from the first mortgage, that lien must be paid off
- The 50(a)(6) loan may not be used to acquire the property or to finance construction

### Occupancy

Texas Home Equity loans are allowed on primary residences only. All borrowers on the loan must be in title and occupy the subject property as their primary residence.

## **Texas Home Equity Loans (continued)**

### **Borrowers**

The following borrowers are permitted on Texas Home Equity loans. All borrowers must maintain primary occupancy in the subject property:

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens

The following borrowers are not allowed:

- Co-signer(s)
- Non-occupant co-borrowers
- Borrowers not on title
- Foreign Nationals
- Corporations, partnerships, or LLCs
- Irrevocable trusts
- Inter Vivos Revocable Trusts

### **Non- Borrowing Spouse**

A married borrower may not create a lien against the property unless his/her spouse consents to the lien by signing the following:

- Notice Concerning Extension of Credit
- Security Instrument (including any Riders)
- Federal Truth-in-Lending (TIL) Disclosure Statement
- Right of Rescission Notice
- Discount Point Disclosure
- Acknowledgment of Fair Market Value
- Premium Pricing Disclosure
- All owners must sign the application and the Notice Concerning Equity Loan Extension of Credit (English or Spanish). The signing of both of these documents starts the 12-day 'cooling off' period.
- Notice of Presentment of CD One Day Before Closing
- Texas Home Equity Affidavit and Agreement
- Owner's Affidavit of Compliance
- Receipt of Copies of Documents
- Certificate of Non-Cancellation of Loan

An owner-in-title (whether a spouse or individual) must sign the application and Texas Home Equity Notice (English or Spanish) at the time of application, along with all appropriate documentation.



## Texas Home Equity Loans (continued)

### Refinancing an Existing Home Equity Loan - Texas Conversion Transactions

Effective for loans made on or after 1/1/18, existing home equity loans (as identified in title work) may be refinanced as non-home equity loans (rate/term refinance transactions) and secured with a lien against the home, provided the following conditions are met:

- the refinance occurs at least a year after the home equity loan was closed;
- the additional loan amount only covers the actual costs of the refinancing, and does not provide the consumer with additional funds;
- the value of the new loan combined with the total of the outstanding principal balances of all other valid indebtedness secured by the homestead does not exceed 80% of the fair market value of the homestead on the date the extension of credit is made; and
- the lender provides the homeowner the written notice (required by and promulgated under Section (f)(2)(D) and referenced below) on a separate document no later than the third business day after the date the owner submits the loan application and at least 12 days before the closing of the refinance.

The 'Notice Concerning Refinance of a Texas Home Equity Loan Pursuant to Subsection (f)(2) of Article XVI, Section 50 of the Texas Constitution', must be provided to the owner:

**NOTICE CONCERNING REFINANCING A HOME EQUITY LOAN**

YOUR EXISTING LOAN THAT YOU DESIRE TO REFINANCE IS A HOME EQUITY LOAN. YOU MAY HAVE THE OPTION TO REFINANCE YOUR HOME EQUITY LOAN AS EITHER A HOME EQUITY LOAN OR AS A NON-HOME EQUITY LOAN, IF OFFERED BY YOUR LENDER.

HOME EQUITY LOANS HAVE IMPORTANT CONSUMER PROTECTIONS. A LENDER MAY ONLY FORECLOSE A HOME EQUITY LOAN BASED ON A COURT ORDER. A HOME EQUITY LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE.

IF YOU HAVE APPLIED TO REFINANCE YOUR EXISTING HOME EQUITY LOAN AS A NON-HOME EQUITY LOAN, YOU WILL LOSE CERTAIN CONSUMER PROTECTIONS. A NON-HOME EQUITY REFINANCED LOAN:

(1) WILL PERMIT THE LENDER TO FORECLOSE WITHOUT A COURT ORDER;  
(2) WILL BE WITH RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE; AND  
(3) MAY ALSO CONTAIN OTHER TERMS OR CONDITIONS THAT MAY NOT BE PERMITTED IN A TRADITIONAL HOME EQUITY LOAN.

BEFORE YOU REFINANCE YOUR EXISTING HOME EQUITY LOAN TO MAKE IT A NON-HOME EQUITY LOAN, YOU SHOULD MAKE SURE YOU UNDERSTAND THAT YOU ARE WAIVING IMPORTANT PROTECTIONS THAT HOME EQUITY LOANS PROVIDE UNDER THE LAW AND SHOULD CONSIDER CONSULTING WITH AN ATTORNEY OF YOUR CHOOSING REGARDING THESE PROTECTIONS.

YOU MAY WISH TO ASK YOUR LENDER TO REFINANCE YOUR LOAN AS A HOME EQUITY LOAN. HOWEVER, A HOME EQUITY LOAN MAY HAVE A HIGHER INTEREST RATE AND CLOSING COSTS THAN A NON-HOME EQUITY LOAN.

For loans refinancing an existing home equity loan, the loan file must include the *Texas Constitution Section 50(f-1) Affidavit Acknowledging Requirements of Subsection (f)(2)*, which must be properly executed under Texas law by the owner/owner's spouse.

**NOTE:** All the above requirements must be met in order for the home equity loan to be refinanced as a non-home equity loan.

## **Texas Home Equity Loans (continued)**

### **12-Day Cooling Off Period**

The Notice Concerning Equity Loan Extension of Credit must be provided to the borrower in English and an additional copy of the notice translated into the written language in which the discussions were conducted. To ensure the disclosure is provided to the borrower in the correct language, the loan officer must add a comment to the Loan Submission form identifying the language spoken. The processor must properly identify the language spoken when ordering documents.

- Loan may not be closed until at least 12 calendar days after the borrower has dated and signed the initial application and Notice Concerning Equity Loan Extension of Credit.
- E-Consent signatures are acceptable
- The "cooling off" period in which the borrowers, owners-in-title, and/or spouse (including non-borrowing spouse) can change his/her mind about the Texas Home Equity first mortgage runs from the later of:
  - The date the initial loan application is signed, or
  - The date that the Notice Concerning Equity Loan Extension of Credit is signed and dated by the borrowers, owners-in-title, and/or spouse.

### **Payoff of Debt**

CMS may require the payoff of the existing first lien as part of the loan approval when the following requirements are met:

- CMS may not require any other seller-owned debt be paid off as part of the transaction as a condition of loan approval.
- If the payoff of debts to other sellers/creditors is required in order to qualify the borrower, then those payoffs must be shown on the settlement statement and disbursed directly to the creditor by the title company. Personal debt being paid through the closing is required to reflect the name of the creditor as the payee.
- Debts that are elected to be for paid off by the borrower but are not required to be paid off in order to qualify the borrower, may be disbursed directly to the borrower.

### **Secondary Financing**

New subordinate financing is not allowed, but existing subordinate financing may remain in place. See Secondary/Subordinate Financing. Existing subordinate financing is subject to the following:

- Second lien must be re-subordinated
- Maximum 80% CLTV
- Second lien may not be a HELOC or a reverse mortgage

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## Texas Home Equity Loans (continued)

<b>Property Characteristics</b>	<p>All properties must be residential in nature. Tax certification and exemptions for the property are to be reviewed and must meet the following requirements:</p> <ul style="list-style-type: none"><li>• Property must be a principal residence constituting the borrower's homestead in state of Texas.</li><li>• The homestead property may not exceed the applicable acreage limit as determined by Texas law.</li><li>• All separate structures must be included in the homestead exemption.</li><li>• The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road.</li><li>• The new lien may only be secured by the homestead parcel and the market value for LTV calculation can only be assessed on that parcel.</li><li>• All property repairs must be completed prior to closing with no exceptions. Escrow holdbacks are not permitted.</li></ul>
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### Urban Homestead Definition

#### Acreage

Acreage securing the loan may not exceed 10 acres.

#### Property Location and Services

Property must be located:

- Within municipal boundaries, or
- Its extraterritorial jurisdiction, or
- A platted subdivision and be served by police protection, paid or volunteer fire protection, and at least three of the following services provided by a Municipality or under contract to a municipality:
  - Electric
  - Natural gas
  - Sewer
  - Storm sewer
  - Water

Properties determined to be 'Urban' cannot exceed 10 acres. The property should conform to and be acceptable in the market area. The appraisal must include the actual size of the site and not a portion of the site.

## Texas Home Equity Loans - Closing Requirements

### Attorney Review

All documents must be reviewed by one of the following law firms (other attorneys may be acceptable when approved in advance by CMS and the Investor):

- McGlinchey Stafford and Youngblood & Associates
- Polunsky Beitel Green, LLP
- Brown, Fowler, Alsup
- Beadle, Newman, & Lawler
- Gregg & Valby, LLC
- Black, Mann and Graham, LLP
- Robertson Anschutz Vettters, LLC

### Closing Disclosure and Final Loan Application

The final Closing Disclosure (CD) and a copy of the final Uniform Residential Loan Application (URLA) must be delivered to/accepted by the borrower(s) during normal business hours. CMS is responsible for ensuring all timing requirements under Regulation Z and state law are complied with.

Borrower must sign the Acknowledgment of Itemization of Fees, Points, Interest, Costs and Charges for Texas Home Equity Loan or Line of Credit to evidence their receipt of the final Closing Disclosure and URLA.

### Points and Fees

Borrower paid fees are limited to 2% of the principal balance (including the origination fee). The following are not included in the 2% limitation:

- Lender paid closing costs
- Per diem interest
- Bona fide discount points used to reduce the interest rate
- Escrow/impound funds
- Appraisal fee paid to third-party appraiser
- Surveys (completed by state registered or licensed surveyors)
- A state base premium for a mortgagee policy of title insurance with endorsements established in accordance with state law; or if a mortgagee title policy is not issued, a title examination report (if cost is less than the state base premium for a mortgagee title policy without endorsements)

If borrowers are paying discount points, the borrowers, owners-in-title and/or spouse must execute the TX Home Equity Discount Point Acknowledgment.

Only fees which are allowed by State Law and RESPA/ECOA regulatory guidelines can be charged to the borrower and MUST be accurate and reflected on the Loan Estimate (LE) and the Closing Disclosure (CD).

**Please note:** Texas Conversion loans are excluded from the 2.00% fee limitation.

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**Texas Home Equity Loans - Closing Requirements, continued**

**Power of  
Attorney**

Power of Attorney is not allowed on Texas Home Equity transactions.

**Survey**

Surveys are required on all Texas Home Equity transactions to ensure the following:

- Confirm lot size
- Evidence homestead property and any adjacent land are separate
- Evidence homestead and property is a separately platted and subdivided lot for which full ingress and egress is available
- Properties must be served by municipal utilities, fire and police protection
- Homestead must be separate parcel within permissible acreage

**Title**

A title insurance policy written on Texas Land Title Association forms (standard or short) including T42 and T42.1 endorsements is required.

For self-employed borrowers operating a business from the homestead property, the title company must issue a T42.1 endorsement without exception or deletion.

Title may not include language that:

- excludes coverage for a title defect that arises because financed origination expenses are held not to be “reasonable costs necessary to refinance”; or
- defines the “reasonable costs necessary to refinance” requirement as a “consumer credit protection” law since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.

Loans must be closed in a Texas title company’s office or attorney’s office. No mobile notaries are permitted.

## **Texas Home Equity Loans - Closing Requirements, continued**

### **Texas Home Equity Documents**

The following additional Texas Home Equity Specific documents must be included in the closing package:

- Notice Concerning Extension of Credit Defined by Section 50(a)(6) (signed by each owner of the property and each spouse of an owner)
- Acknowledgment of Fair Market Value of Homestead Property (borrower and seller must sign at closing with an appraisal attached to the Acknowledgment)
- Notice of Right to Cancel (signed by each owner of the property and each spouse of an owner)
- Texas Home Equity Security Instrument (Form 3044.1)
- Texas Home Equity Note (Form 3244.1)
- Texas Home Equity Affidavit and Agreement (Form 3185)
- Texas Home Equity Condo Rider (Form 3140.44), if applicable
- Texas Home Equity PUD Rider, (Form 3150.44), if applicable
- Texas Home Equity Certificate from Originating Lender's Regarding Compliance with Section 50(a)(6) Article XVI of the Texas Constitution signed by CMS's Attorney
- Texas Home Equity Discount Point Acknowledgment, if applicable
- Affidavit of Non-Homestead for all other dwellings, if borrower owns more than one
- Detailed closing instruction letter acknowledged by title company (Compliance Requirements for Texas Home Equity Loans)
- Note for any re-subordinating second (cannot be an (a)(6) Note, a new loan or a HELOC) with subordination agreement, if applicable

## **BORROWERS**

A borrower is a credit applicant who will have ownership interest in the subject property, sign the security instrument, and sign the mortgage or deed of trust note. If two or more individuals own the property jointly, and are jointly and severally liable for the note, all are considered to be borrowers. CMS limits the maximum number of borrowers on one loan to eight (8).

### **Customer Identification Program (CIP)**

The USA Patriot Act requires banks and financial institutions to verify the name, date of birth, address and identification number of all borrowers. Underwriters are to follow the published CMS procedures for each seller to ensure the true identity of all borrowers has been documented.

### **Fraud Report and Background Check**

All loans must include a third-party fraud detection report for all borrowers, owners of the business entity and/or guarantors; however, a fraud report is not required for the business entity itself. Report findings must cover standard areas of quality control including, but not limited to: borrower validation, social security number verification, exclusionary lists, and property information (subject property and other real estate owned). All high-level alerts on the report must be addressed by the Underwriter.

### **U.S. Citizen**

U.S. Citizens are eligible for financing.

### **Permanent Resident Aliens**

A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing.

Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:

- I-151 – Permanent Resident Card (Green Card) that does not have an expiration date
- I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired
- I-551 – Conditional Permanent Resident Card (Green Card) issued for 2 years that has an expiration date, as long as it is accompanied by a copy of USCIS form I-751 requesting removal of the conditions
- Un-expired Foreign Passport with an un-expired stamp reading as follows: “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized.”



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## Borrowers (continued)

### Foreign Borrowers

Borrowers living overseas are eligible for second home and investment property financing. The Foreign Borrower must:

- Have a social security number and meet residency requirements as a Citizen, Permanent Resident, or Non-Permanent Resident,
- Have sufficient domestic credit to generate FICO scores and meet minimum trade line requirements,
- Document his or her foreign housing expense,
- Provide tax returns and follow Foreign Income requirements if using Foreign Income for qualifying,
- If bank statements are required, they will be reviewed for undisclosed debts, and
- Disclose all foreign debts on the URLA, and provide a foreign credit report if available to verify ratings.

### Non-Permanent Resident Alien

A Non-Permanent Resident Alien is a non-U.S. citizen authorized to live and work in the U.S. on a temporary basis.

#### Verification of Residency Status

Non-Permanent Resident Aliens are not eligible for the Carrington Advantage Products if they do not have a green card or valid visa or if they only have an employment authorization document (EAD).

The following visa classifications are allowed as Non-Permanent Resident Aliens:

- A-1, A-2, A-3
- E-1, E-2, E-3
- G-1 through G-5
- H-1
- L-1
- NATO
- O-1
- R-1
- TN (NAFTA)

Copies of the borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing.



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## Borrowers (continued)

### **Non-Permanent Resident Alien (continued)**

A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer. If the visa will expire within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).

If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use income for qualification.

Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at <http://travel.state.gov/content/visas/english/visit/visa-waiver-program.html>.

Citizens of Venezuela are ineligible.

### **Credit Requirements**

A U.S. credit report is required for each borrower on the loan using a valid Social Security number. The credit report should provide merged credit information from the 3 major national credit repositories. A 2- year housing history is required.

The Qualifying U.S. Credit designation refers to a non-U.S. citizen borrower who meets Standard Tradelines in Tradeline Requirements. A Qualifying U.S. Credit borrower is eligible for all products and programs available on the [Carrington Flexible Advantage Program Matrix](#) / [CMS Carrington Flexible Advantage Plus Program Matrix](#).

### **Income / Employment Requirements**

Standard guidelines apply for verifying income and employment of Non-Permanent Resident Aliens.

### **Assets**

All funds required for down payment, closing costs, and reserves on Non-Permanent Resident Alien transactions must be seasoned for 60 days. See [Asset Documentation](#). Foreign assets deposited into a U.S. institution within 60 days of application are acceptable if there is evidence that the funds were transferred from the country from which the borrower previously or currently resides. It must also be established that the funds belonged to the borrower before the date of transfer.

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## Borrowers (continued)

### Non-Permanent Resident Alien (continued)

#### Assets (continued)

Assets required for closing (down payment and closing costs) must also be seasoned in a U.S. depository institution for 30 days prior to closing.

Borrowers with Qualifying U.S. Credit must have 6 months of PITIA reserves for the subject property. Qualifying Foreign Credit borrowers must have 12 months of PITIA reserves for the subject property.

Assets held in a foreign account can be used for reserves. The most recent 30-day account statement is required, and funds are to be converted to U.S. dollars using the current exchange rate. A letter of reference on company letterhead from a verifiable banking institution may also be obtained. Contact information must be provided by the person signing the letter, and the letter must state the type of relationship, length of the relationship, how accounts are held, and current balance. Any translation must be signed and dated by a certified translator.

### Exclusionary List / OFAC / Diplomatic Immunity

All parties involved on each transaction must be screened through any exclusionary list used by CMS. CMS should apply its exclusionary list policy to any loans originated under these guidelines.

Parties to the transaction must also be cleared through OFAC's SDN List (borrowers, property sellers, employers, banks, etc.). A search of the Specially Designated Nationals and Blocked Persons List may be completed via the U.S. Department of the Treasury website:

<https://sanctionssearch.ofac.treas.gov/>

Borrowers from OFAC sanctioned countries are ineligible. Access the link below for a list of sanctioned countries: <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

Individuals with diplomatic immunity are not eligible due to the inability to compel payment or seek judgment. Verification the borrower does not have diplomatic immunity can be determined by reviewing the visa, passport, and/or the U.S. Department of State's Diplomatic List at

<http://www.state.gov/s/cpr/tls/>.

### Co-Borrowers

Co-borrower is often used to describe any borrower other than the first borrower whose name appears on the note. All borrowers are evaluated on their ability to meet credit requirements, and underwriting and eligibility standards. All co-borrowers must occupy and take title to the subject property. Co-borrowers may not be an interested party to the transaction. Possible examples include, but are not limited to, property seller, builder, realtor, appraiser (a buyer who also acts as their own buying agent is generally permitted.)

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## Borrowers (continued)

<b>Co-Signers</b>	<p>Co-signer(s) are personally responsible for the mortgage debt, but have no vested interest on title.</p> <p>Co-signer(s) are required to sign all closing documents except the security instrument and any related riders.</p>
<b>Non-Occupant Co-Borrowers / Co-Signers</b>	<p>Allowed</p> <p><b>Note:</b> if a non-occupant co-borrower is the primary wage earner, their credit score will be used for qualifying purposes.</p>
<b>First Time Investors</b>	<p>Not allowed for non-owner occupied properties.</p>
<b>First Time Home Buyers</b>	<p>A First-Time Home Buyer is defined as a purchase transaction where any borrower has had no ownership interest in a residential property in the United States during the preceding 3-year period.</p> <p>The following requirements apply to First-Time Home Buyer transactions:</p> <ul style="list-style-type: none"><li>• Primary residence and second homes only</li><li>• Minimum 620 score</li><li>• 6 months reserves after closing</li></ul>
<b>Limited Power of Attorney</b>	<p>A Limited Power of Attorney (POA) is acceptable when following requirements are met:</p> <ul style="list-style-type: none"><li>• POA is specific to the transaction</li><li>• Recorded with the Mortgage/Deed of Trust</li><li>• Contains an expiration date</li><li>• Used only to execute the final loan documents</li><li>• Borrower who executed the POA signed the initial URLA</li><li>• No interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as Power of Attorney</li><li>• Not permitted on cash-out transactions</li></ul>

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## Borrowers (continued)

<b>Ownership</b>	Ownership must be fee simple.
<b>Vesting</b>	<p>Borrower(s) approved on the transaction must have a vested interest to the subject property. CMS will permit co-signer(s) on refinance transactions. The borrower(s) names and marital status (where applicable) must match the URLA application.</p> <p>Purchase transactions require a certified copy of a Transfer Deed from the title company or settlement agent transferring title from the seller(s) to the borrower(s) and non-borrowing spouse(s) (when applicable).</p> <p>Refinance transactions requiring corrections to the borrower(s) and/or non-borrowing spouse(s) vested name and/or marital status to match the URLA require a Transfer Deed.</p> <p>Acceptable forms of vesting are:</p> <ul style="list-style-type: none"><li>• Individuals</li><li>• Joint tenants</li><li>• Tenants in Common</li></ul> <p><b>Note:</b> Vesting in the name of a Trust or LLC is not permitted.</p>
<b>Vesting for Non-Borrowing / Non-Title Spouse</b>	A non-borrowing spouse may have a vested interest to the subject property (purchase or refinance) so long as they sign the security instrument and any related closing documents. No other non-borrower party is permitted to have a vested interest to the subject property.
<b>Seasoning (Cash-Out)</b>	<p>For Cash-Out, Individual borrower(s) must be on title for at least six (6) months prior to application.</p> <p>For example: For Cash-out, borrowers must have owned the property in the name of a trust for at least 6 months prior to closing. See <a href="#">Seasoning</a> for full detail.</p>
<b>Multiple Financed Properties</b>	<p>There is no limit on the number of properties borrowers may currently have financed. When the transaction is for a second home or investment property, 2 months of additional reserves for each financed property is required. Additional reserves are not required when the subject property is a primary residence.</p> <p>CMS Mortgage exposure may not exceed a maximum of five (5) loans for each individual borrower. Exceptions to this policy will be reviewed on a case-by-case basis.</p> <p><b>Please Note:</b> If the borrower is not personally liable (personally liable means the debt shows on their credit bureau) for the debt and is not listed on title personally as an owner, the Schedule of REO should not reflect the property as owned by the borrower. In this case, it is not necessary to count a commercial property as an additional financed property.</p>

## **Borrowers (continued)**

### **Ineligible Borrowers**

The following borrowers are not eligible:

- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Residents of any country not permitted to transact business with US companies are ineligible (as determined by any U.S. government authority)
- Irrevocable Trusts or Land Trusts
- Borrowers less than 18 years old
- Loans to employees of CMS
- Inter Vivos Revocable Trust
- Limited and General Partnerships
- Corporations
- Limited Liability Company (LLC)
- Foreign Nationals
- Deferred Action for Childhood Arrivals (DACA - EAD Category C33)

## **CREDIT ANALYSIS**

### **Equal Credit Opportunity Act, Fair Housing Act and State Fair Lending Laws**

The Federal Equal Credit Opportunity Act prohibits lenders from discriminating against credit borrowers on the basis of race, color, religion, national or ethnic origin, sex, marital or familial status, age (provided the borrower has the capacity to enter into a binding contract), disability, because all or part of the borrower's income is derived from a public assistance program or because the borrower has, in good faith, exercised any rights under the Consumer Credit Protection Act. State laws may also prohibit discrimination on certain additional basis such as sexual orientation.

Similarly, the Fair Housing Act prohibits lenders from discriminating against mortgage borrowers on the basis of race, color, religion, sex, familial status, national origin, or disability.

### **Credit Report**

A credit report is required for every borrower, guarantor, and any majority member of a borrowing entity. The credit report should provide merged credit information from the 3 major national credit repositories. A valid Social Security number (SSN) is required for all borrowers on the loan.

Either a three-bureau merged report or a Residential Mortgage Credit Report (RMCR) is required. The credit report should include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the individual has resided in the last 2 years.

### **Age of Credit Report / Credit Documentation**

All credit documentation, including the credit report, may not be more than **90** days old at the time of closing.

## Credit Analysis (continued)

### Credit Report (continued)

#### Fraud Alerts

The three national credit repositories have developed automated messaging to help identify possible fraudulent activity on a credit report. Examples of fraud alerts include:

- Initial 90-day Fraud Alert
- Extended Fraud Alert
- Active Duty Alert
- HAWK Alert

All Fraud Alerts must be properly addressed and resolved in accordance with CMS policy. The actions must be reasonable and compliant with applicable laws. An underwriting decision cannot be made without full resolution of the alert.

#### Credit Report Security Freeze

The credit report used to evaluate a loan may not reflect a security freeze and must be resolved prior to an underwriting decision. If a borrower unfreezes his or her credit after the date the original credit report was ordered, a new three-bureau merged report must be obtained to reflect current and updated information from all repositories.

#### Inquiries

A signed letter of explanation from the borrower or creditor is required for all inquiries within the most recent 90 days to determine whether additional credit was granted as a result of the borrower's request. Borrower(s) must write, sign, and date the letter themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content.

#### Updated Payment Histories

Payment histories may be requested directly from a creditor when the credit report indicates delinquencies have been removed or when the majority of credit is from a non-institutional lender.

#### Soft Pull Credit Report

A soft pull credit report is required within 14 calendar days of closing.

### Credit Score Requirements

The primary wage-earner score is used as the Representative Credit Score for each loan. The primary wage-earner may be an occupying or non-occupying co-borrower. The primary wage-earner must have a valid score from at least two (2) of the following three (3) agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable. Additional borrowers on the loan must have at least one (1) valid score of 500 or greater for Carrington Flexible Advantage or 620 or greater for Carrington Flexible Advantage Plus.

To determine the Representative Credit Score for the primary wage-earner, select the middle score when three (3) agency scores are provided and the lower score when only two (2) agency scores are provided.

**Note:** if co-borrowers earn the exact same amount (for example, both own 50% of a company) the borrower with the higher credit score should be listed as the primary wage-earner and must have a valid score from at least two (2) of the three (3) agencies listed above.

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## Credit Analysis (continued)

### Rapid Rescore

Rapid rescore is a method by which borrowers can raise their credit score quickly by submitting proof of positive account changes (for example, paying down a revolving debt) to the three major credit bureaus.

CMS will use the most recent credit score, including a rapid rescore report, for the primary wage-earner who qualified for the loan program at the current credit score and will adjust the loan pricing based on the most recent credit score.

### Tradeline Requirements

Minimum Tradelines			
	Occupancy	Tradeline History	Minimum Standards
Standard Tradelines	Primary and Second Homes	3 tradelines reporting for 12+ months or	0X60 for most recent 12 months
	Investment	2 tradelines reporting for 24+ months	
*Limited Tradelines	Primary and Second Homes	Does not meet minimum tradeline requirements	N/A
<i>*Limited Tradelines allowed only on the Carrington Flexible Advantage Program.</i>			

To qualify as a valid tradeline, the following requirements apply:

- The credit line must be reflected on the borrower's credit report
- The account may be open or closed
- Tradelines used to qualify may not exceed 0x60 in the most recent 12 months of reporting
- An acceptable 12- or 24-month housing history not reporting on credit may also be used as a tradeline
- Manually rated utility bills with at least 12 or 24 payments made may be used to meet Minimum Tradelines if they are added to the credit report or credit supplement. Utilities include mobile and landline phone, internet, cable and satellite, gas, electricity, water, solar, and trash. Video streaming services are not permitted.

Only the primary wage-earner must meet the minimum tradeline requirements listed above.

Credit lines on which the borrower is not obligated to make payments are not acceptable for establishing a minimum history. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts. Student loans can be counted as tradelines as long as they are in repayment and are not deferred.



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## Credit Analysis (continued)

### Tradelines Requirements (continued)

#### Standard Tradelines

Borrowers qualifying with Standard Tradelines are eligible for all occupancy types and programs.

#### Limited Tradelines

The following requirements apply when qualifying with Limited Tradelines:

- Carrington Flexible Advantage Program only (Not eligible for Carrington Flexible Advantage Plus Program)
- Primary residence and second homes only
- 10% minimum borrower contribution
- Minimum 6 months reserves after closing
- Full documentation of income (Bank Statement Documentation not allowed)

When qualifying with Limited Tradelines, the LTV is based on the lower of either the Representative Loan Score (FICO) or a 580 score is used to qualify the borrower on the [Carrington Flexible Advantage Program Matrix](#). The loan may be priced using the actual Representative Loan Score.

#### Insufficient Tradelines / Non-Traditional Credit

Non-traditional credit is not allowed. Each borrower must have a valid and usable score as defined in [Credit Score Requirements](#).

If the borrower does not meet the requirements for Standard Tradelines but still has a valid credit score, he or she may qualify under Limited Tradelines.

### Disputed Tradelines

Borrowers are not required to remove disputed tradelines from their credit report regardless of the number of accounts or the amounts.

A disputed account is not a waiver of the debt from consideration in underwriting. Disputed accounts must meet the guideline requirements for collections and/or charge off status unless there is documentation provided of a bonafide dispute such as a police report due to fraud or theft.

### Mortgage and Rental Payment Verification

Mortgage payments not reflected on the original credit report must be documented via an institutional Verification of Mortgage (VOM). VOMs from servicers and LLCs are considered institutional. Rental payments must be documented via a Verification of Rent (VOR). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history for all borrowers.

Twelve (12) months of cancelled checks or bank statements must be obtained when:

- the borrower is making rental payments to an interested party, or
- the borrower is making mortgage payments to an individual or an interested party.

A VOR/VOM is not required but may be requested for clarification.

All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.



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## Credit Analysis (continued)

### Mortgage and Rental Payment Verification (continued)

#### Carrington Flexible Advantage Plus Housing Verification

Mortgages and rental payments combined may not exceed 1x30 in the past 12 months.

#### Carrington Flexible Advantage Housing Verification

See the [Carrington Flexible Advantage Program Matrix](#).

**Credit Grade C:** All mortgages and rental payments must be paid as agreed for the last 12 months, or since the date the Housing Event was cured (if Housing Event occurred less than 12 months ago). Mortgage and rental lates prior to the Housing Event are disregarded.

See [Housing Events](#) for definition of Housing Event.

#### No Housing History or Less than 12 Months Verified

Borrowers who do not have a complete 12-month housing history are subject to the following restrictions:

- Primary residence and second homes only
- Minimum 6 months reserves after closing
- 10% minimum borrower contribution
- Full documentation of income (1-Year Alternative Income Documentation and Bank Statement Documentation not allowed), with the exception of properties owned free and clear.
- VOR/VOM must be obtained for all months available reflecting paid as agreed
- Properties owned free and clear are considered 0x30 for grading purposes and may utilize Alternative Income Documentation (including 1-Year and Bank Statement Documentation) provided the other restrictions in this section are met.

#### Mortgage Modification

A mortgage modification resulting in any of the attributes listed below is subject to Housing Event seasoning guidelines under [Housing Events](#):

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness
- Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage
- Conversion of any portion of the original mortgage debt from secured to unsecured

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## Credit Analysis (continued)

<b>Rolling Late Payments</b>	Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.
<b>Past Due Accounts</b>	<p>Past due consumer debts can be no more than 30 days past due at time of closing unless the past due consumer debt will be paid off at closing.</p> <p>For mortgage debt requirements refer to <a href="#">Mortgage and Rental Payment Verification</a>.</p>
<b>Delinquent Credit Belonging to Ex-Spouse</b>	<p>Delinquent credit belonging to an ex-spouse can be excluded from the credit evaluation when all of the following apply:</p> <ul style="list-style-type: none"><li>• Borrower provides a copy of the divorce decree or separation agreement which shows the derogatory accounts belong solely to the ex-spouse</li></ul> <p><b>Note:</b> CMS will follow State specific divorce laws for acceptable documentation.</p> <ul style="list-style-type: none"><li>• Late payments occurred after the date of the divorce or separation</li><li>• Evidence of title transfer prior to any delinquent debt must be provided if debt is a mortgage, and evidence of buyout as part of court proceedings</li></ul> <p>Collection accounts assigned to an ex-spouse may be excluded from aggregate collection totals with a divorce decree or separation agreement assigning the account solely to the ex-spouse.</p> <p>See also <a href="#">Contingent Liabilities</a>.</p>
<b>Lawsuit / Pending Litigation</b>	<p>If the application, title, or credit documents reveal that the borrower is presently involved in a lawsuit or pending litigation, a statement from the borrower's attorney is required. The statement must explain the circumstances of the lawsuit or litigation and discuss the borrower's liability and insurance coverage. A copy of the complaint and answer may also be needed. The title company closing the loan must be informed of the lawsuit or litigation and provide affirmative coverage of our first lien position.</p>
<b>Consumer Credit Counseling Service (CCCS)</b>	<p>Borrower enrollment in CCCS is allowed when a minimum of 12 months have elapsed on the plan and evidence of timely payments for the most recent 12 months is provided. The CCCS administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.</p> <p>If accounts included in CCCS plan reflect as charge-off or collection accounts on the credit report, the Underwriter can exclude these balances from the charge-off and collection limits in <a href="#">Collections and Charge-offs</a>. The monthly CCCS plan payment must be included in the DTI calculation.</p> <p>If a completion date is not shown on the credit report, the borrower is required to submit verification from the counseling agency establishing the date of completion.</p> <p><b>Note:</b> If the CCCS accounts are being paid off through our closing transaction, the 12 months seasoning is not required.</p>

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## Credit Analysis (continued)

### Collections and Charge-Offs

The following accounts may remain open:

- Collections and unsecured charge-offs < 24 months old with a maximum cumulative balance of \$2,000
- Collections ≥ 24 months old with a maximum of \$2,500 per occurrence
- Unsecured charge offs ≥ 24 months old
- Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required)
- All medical collections

Collection and charge-off balances exceeding the amounts listed above must be paid in full under Carrington Flexible Advantage Plus Program. Charge offs secured by real estate must be paid in full.

Under all other programs, collection and charge-off account balances remaining after the exclusions listed above may remain open when one of the following is met:

- Borrower has sufficient reserves to cover remaining collection and charge-off balances (in addition to the published reserve requirement); or
- Payment for remaining collections and charge-offs included in DTI results in final DTI ≤ 50% (payment calculated at 5% of balance of remaining unpaid collections and charge-offs).

A combination of the two options above is allowed. A portion of the unpaid collection balance can be included in the DTI while the remainder is covered by excess reserves. Collections and charge-offs that cannot be factored into DTI or reserves must be paid off.

### Collections and Charge-Offs Paid through Closing Transaction

If collection or charge-off accounts are being paid off through our closing transaction, a payoff demand or credit report or supplement will be required. The credit report or supplement must list the same information as a payoff demand (e.g. per diem amount, balance, rate, mailing address.)

The amount reflected on the credit report or supplement can be used UNLESS:

- The account is listed on the Title report
- The reporting date on the credit report is older than 90 days
- Underwriter discretion for layered risk

**Example:** The account is not recently rated, large balance owed and the borrower is short to close.

## Credit Analysis (continued)

### **Judgments and Tax Liens**

Judgments and tax liens must be paid off prior to or at closing, unless the requirements listed below are met. Adverse credit that will impact title must be paid in full as title must insure our lien position without exception.

Court-ordered judgments may remain open when all of the following requirements are met:

- A copy of the repayment agreement is obtained;
- A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; and
- The maximum payment required under the plan is included in the debt-to-income ratio.

Outstanding tax liens may remain open on purchase transactions only (additional LTV reductions may be required based on the size of the lien). All of the following requirements must be met:

- A copy of the repayment agreement is obtained;
- A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided;
- The maximum payment required under the plan is included in the debt-to-income ratio; and
- The title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien, and (b) there is no impact to first lien position.

### **IRS Taxes Owed (No Lien)**

For IRS taxes owed and there is no lien present, all of the following requirements must be met:

- A copy of the repayment agreement is obtained;
- A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided;
- The maximum payment required under the plan is included in the debt-to-income ratio

### **Delinquent Property Taxes**

Delinquent property taxes may be included in Cash-Out refinance transactions and must be paid by with borrower funds or cash-out proceeds. Proceeds from Rate/Term refinance transactions may not be used to pay delinquent property taxes.

## Credit Analysis (continued)

### Bankruptcy

#### Carrington Flexible Advantage Plus Program

All bankruptcies must be discharged or dismissed for a minimum of 36 months from closing date.

#### Carrington Flexible Advantage Program

- **Chapter 7 or Chapter 11 Bankruptcy**

Refer to the [Carrington Flexible Advantage Program Matrix](#).

- **Chapter 13 Bankruptcy**

**For all Credit Grades:** There is no seasoning requirement for Chapter 13 bankruptcies when discharged prior to closing. **For A and B Credit Grades:** If the Chapter 13 bankruptcy was dismissed, 12-months' seasoning is required from the date of the dismissal. **For C Credit Grade:** There is no seasoning requirement for Chapter 13 bankruptcies when dismissed. Full bankruptcy papers may be required.

A Chapter 13 bankruptcy may remain open after loan closing when all of the following requirements are met:

- A minimum 12-month repayment period in the bankruptcy has elapsed
- Bankruptcy plan payments for the last 12 months have been made on time
- Borrower has received written permission from bankruptcy court to enter into the transaction

**Note:** Open Chapter 13 bankruptcy will be graded per the mortgage rating. If the bankruptcy has late payments within the last 12 months, they must be paid off and the loan must be graded as Credit Grade C.

A cash-out refinance to pay off the remaining balance of a Chapter 13 bankruptcy is allowed. In addition to meeting the requirements listed above, the transaction must provide an overall reduction in monthly obligations for the borrower.

### Housing Events

A Housing Event is any one of the following events listed below:

- Foreclosure
- Deed-in-Lieu
- Short Sale
- Modification
- 1x120 mortgage history

Seasoning of a foreclosure is measured from the date of the Sheriff's sale or foreclosure auction. Seasoning of a deed-in-lieu or short sale is measured from the date of final property transfer. The Housing Event must be completed prior to loan closing with no outstanding deficiency balance remaining.

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## Credit Analysis (continued)

### Housing Events (continued)

For a 120-day mortgage late, seasoning is from the date the mortgage was brought current. Seasoning for a modification is from the date the modification was executed. See also [Mortgage Modification](#).

If the property was surrendered in a Chapter 7 bankruptcy, the bankruptcy discharge date is used for seasoning. Bankruptcy papers are required to show the property was surrendered. The foreclosure action is not required to be fully complete.

### Carrington Flexible Advantage Plus Program

Housing Events must be seasoned for a minimum of 36 months from loan closing.

### Carrington Flexible Advantage Program

- **Credit Grades A and B**

Refer to the [Carrington Flexible Advantage Program Matrix](#)

- **Credit Grade C**

There is no seasoning requirement for a Housing Event under the Credit Grade C. It must be completed prior to loan closing with no outstanding deficiency balance remaining.

## LIABILITIES

### Installment Debt

Installment debt is a monthly obligation with fixed payments and terms. Payments on installment loans must be included in the borrower's debt-to-income ratio.

Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. The installment debt may be paid down to meet the 10 payment requirement. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the Underwriter should review the overall transaction to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Installment debt paid in full prior to closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

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## Liabilities (continued)

<b>Revolving Debt</b>	<p>Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment as stated on the credit report or current account statement should be used to calculate the debt-to-income ratio. If no payment is stated on the credit report, the greater of \$10 or 5% of the current balance should be included in the debt-to-income ratio calculation.</p> <p>Revolving accounts are allowed to be paid off prior to or at closing in order to exclude the payment from the debt ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full. See <a href="#">Asset Documentation</a> for sourcing and seasoning requirements.</p>
<b>Authorized User Account</b>	<p>Authorized user account should not be considered in the borrower's debt-to-income ratio.</p>
<b>Business Debt</b>	<p>A business debt is a financial obligation of a business and can be the sole responsibility of the business or be personally secured by the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt and it must be included in the debt-to-income ratio.</p> <p>Debts paid by the borrower's business can be excluded from the debt-to-income ratio with any of the following supporting documentation:</p> <ul style="list-style-type: none"><li>• Most recent 6 months canceled checks drawn against the business account; or</li><li>• Tax returns reflect the business expense deduction; or</li><li>• Business bank account statement showing assets remain after funds to close and reserve requirements are with a balance greater than or equal to the balance of the debt.</li></ul> <p>If the debt is less than 6 months old, the payment must be included in the debt-to-income ratio. If a recently opened debt replaced a similar paid-off liability, both liabilities may be used to meet the 6 month requirement provided a continuous payment history exists; for example, a business replacing an automobile liability with a new automobile liability.</p>
<b>Child Support, Alimony or Maintenance Obligations</b>	<p>Monthly alimony, child support or separate maintenance fees should be current at time of application and must be included in the borrower's debt-to-income ratio. File should contain supporting documentation as evidence of the obligation, such as a final divorce decree, property settlement agreement, signed legal separation agreement, or court order. If payments are past due, the arrearages must be brought current prior to loan closing or must be repaid through an active repayment plan and included in the DTI calculation.</p> <p>If 10 or fewer payments remain, see <a href="#">Installment Debt</a> to determine if the obligation may be excluded from the DTI calculation.</p>



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## Liabilities (continued)

### Contingent Liabilities

An individual has a contingent liability when an outstanding debt has been assigned to another party and the creditor does not release the borrower from liability. Contingent liabilities can be excluded from the debt-to-income ratio under any of the following scenarios:

- Property resulting from buyout of former co-owner (i.e. divorce): file must include the court order and evidence of transfer of ownership
- Mortgage assumption by third party: file must include the formal assumption agreement and evidence of transfer of ownership
- Court ordered assignment of debts: file must include a copy of the court order assigning the debt to another party

The Underwriter is not required to evaluate the payment history for the assigned debt after the effective date of the assignment.

### Debts Paid By Others

If the Underwriter obtains documentation that a non-mortgage debt has been satisfactorily paid by another party for the past 12 months, then the debt can be excluded from the debt-to-income ratio. This policy applies regardless of whether the other party is obligated on the debt. The other party may not be an interested party to the transaction.

### Housing Payments

The monthly mortgage payment (PITIA) used for qualification consists of the following:

- Principal and Interest
- Hazard and flood and insurance premiums
- Real Estate Taxes
- Special Assessments
- Association Dues
- Any subordinate financing payments on mortgages secured by the subject property

### Lease Obligations

Lease obligations must be included in the debt-to-income ratio calculation, regardless of time remaining on the lease.

### Material Recurring Non-Debt Obligations

Underwriters are not permitted to make inquiries or verifications prohibited by Regulation B.

A recurring non-debt obligation is defined as medical expenses for the borrower or a dependent of the borrower that are expected to continue for greater than one year.

If the borrower informs the Underwriter of a recurring non-debt obligation, the loan file must be noted. If the Underwriter believes it could be material to the borrower's ability to repay the loan, escalation is required.

Documentation of material recurring non-debt obligations should be done consistent with CMS ability to repay policies.



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## Liabilities (continued)

### Open 30-Day Charge Accounts

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, 5% of the outstanding balance will be considered to be the required monthly payment.

Open-end accounts do not have to be included in the monthly debt payment if the borrower has sufficient funds to pay off the outstanding account balance. The funds must be verified in addition to any funds required for closing and reserves.

If the borrower paid off the account balance prior to closing, the Underwriter may provide proof of payoff in lieu of verifying funds to cover the account balance.

### Retirement, Saving Plan Loans

Repayment for loans against a financial asset (retirement/savings plan, insurance policy) can be excluded from the total debt-to-income ratio provided the debt can be repaid by liquidating the asset. Value of the asset must be reduced by the amount of the debt when calculating funds to close and reserves.

### Student Loans

Student loan obligations must be included in the debt-to-income ratio calculation, whether they are deferred or in repayment. If no payment is shown on the credit report, then the payment should be provided by the student loan lender. If a payment is unable to be determined, 1% of the current loan balance may be used.

### Income Based Repayment (IBR)

If the borrower has an income-based repayment plan, CMS must use 1% of the current balance to determine the monthly payment to be included in the DTI.

### Timeshares

For credit review purposes, timeshare obligations will be considered installment loans.

### Undisclosed Debts

If asset statements provided reflect payments made on obligations not listed on the credit report or URLA, additional information must be obtained to determine if the liability should be included in the borrower's debt-to-income ratio.

If the obligation does not belong to the borrower, supporting documentation is required. If there is a non-borrower also on the account, a signed letter of explanation from the borrower is sufficient. Borrower(s) must write, sign, and date all Letters of Explanation themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content.

If the borrower is the obligor on the debt, an account statement and pay history should be obtained to review the account for acceptability. The payment must be included in the debt ratio. Proof the debt is no more than 30 days past due is required at closing.

## Liabilities (continued)

**Forbearance  
due to  
Presidentially  
Declared  
Disasters,  
including  
COVID-19**

Generally, borrowers who have missed mortgage payments on any mortgage while in forbearance related to a presidentially declared disaster will not be penalized, however any such disaster forbearance must be documented as follows:

- Borrower has continued to make all payments within the month due: No additional action is necessary, the borrower is eligible for any Carrington non-agency loan program. The borrower is not required to remove the disaster forbearance status on mortgages that are paid timely.
- Borrower has missed payments after establishing a disaster forbearance: If any mortgage payment was not paid within the month due after the disaster forbearance was established, the forbearance may be resolved through one of the following two options:
  1. Remove the disaster forbearance status and reinstate the mortgage by making a lump-sum payment to bring the mortgage current. The impact of any lump sum payment must be considered in the asset analysis. Funds may not be borrowed for the purpose of a full reinstatement after the date of the loan application. Or
  2. Complete three (3) regular monthly payments after an approved loss mitigation option with the current servicer, such as a repayment plan, payment deferral, or trial payments for a loan modification. Any remaining balance due after three timely payments are made pursuant to a loss mitigation option may be included in a rate and term or cash out refinance.

Borrowers who have missed payments pursuant to a disaster forbearance must provide documentation of acceptable resolution of any hardship. Missed mortgage payments during the period of a disaster forbearance will not be deemed as "late" payments for the purpose of establishing eligibility or credit grade, provided the forbearance is documented per the requirements above. Missed mortgage payments after termination of the forbearance plan or during an approved loss mitigation option will be considered late for the purposes of establishing eligibility and graded accordingly. A borrower who experiences a Housing Event, including foreclosure, short sale, or deed-in-lieu of foreclosure after a forbearance must continue to meet all program guidelines related to Housing Events, including seasoning and credit grading.

## DOCUMENTATION

<b>Age of Loan Documentation</b>	Credit report, credit documentation (assets/income), title report, and closing protection letter (CPL) must be dated within 90 days of closing. All other loan documentation must be dated within 120 days of closing.
<b>Document Images</b>	<p>CMS permits the use of any available technology to produce copies of the documents in the mortgage loan file, such as a photocopier, facsimile machine, document scanner, or camera. Copies of documents provided by the borrower may be photos or scanned versions of the original documents and can be delivered to CMS in hardcopy or via email or other electronic means.</p> <p>Document images must be typical of what the actual document would look like and must have good image quality, be legible, and not have borders showing phone/mobile background content.</p>
<b>Employment / Income Documentation</b>	<p>Documentation of income is required using <a href="#">Full Documentation</a>, <a href="#">Bank Statement Documentation</a>, and <a href="#">1-Year Alternative Income Documentation</a>.</p> <p><b>IRS 4506-C</b></p> <p>IRS Form 4506-C must be completed and signed by all borrowers at closing. 4506-C transcripts are not required to be signed or processed for business tax returns or loans utilizing Bank Statement Documentation for income.</p> <p>Documentation received from executing the 4506-C must be reviewed and compared to the qualifying income to confirm consistency. Results from processing the 4506-C should generally be equal to or greater than the income used to qualify the loan. Any inconsistencies between the 4506-C results and qualifying income should be addressed by the Underwriter.</p> <p><b>Note:</b> If there are no transcript records available, CMS will accept a copy of the tax return, stamped or otherwise, and proof of receipt of the refund or a cancelled check/bank draft documenting the taxes were paid. The refund or check/bank draft must match the tax return exactly.</p> <p><b>Pay Stubs and W-2s</b></p> <p>Pay stubs and W-2s should be typed or computer generated. They should provide the borrower's full name, address, employer name, year-to-date earnings, and rate of pay.</p> <p>CMS will consider handwritten pay stubs as long as the borrower can provide the most recent two years of tax returns along with the W-2s and tax transcripts.</p> <p>If pay stubs reflects garnishments (child support, IRS, etc.) or any loan deductions, additional information will be required to determine if a monthly payment should be included in the debt-to-income ratio calculation.</p> <p>W-2s should reflect a nine-digit Employer ID Number (EIN). Also, Social Security and Medicare withholding should be calculated at the appropriate rates on the W-2s and pay stubs.</p> <p>W-2 transcripts may be used in lieu of paper W-2s.</p>

## Documentation (continued)

### Employment / Income Documentation (continued)

#### Federal Income Tax Returns

For some types of income, federal income tax returns (personal and/or business) are required. See [Self-Employed Income](#) for detailed requirements.

1040 transcripts may be used in lieu of paper 1040s when the breakdown of the individual schedules are not required for qualifying purposes.

#### Written Verification of Employment (WVOE)

Income and employment for wage-earners or salaried borrowers may be obtained via direct written verification from the borrower's employer (FNMA Form 1005). The verification should be signed by a member of the company's human resource department or one of the business owners or officers. At a minimum, the verification must include the borrower's name, position, dates of employment, and base salary.

#### Verbal Verification of Employment (VVOE)

Verbal Verifications of Employment must be obtained for each borrower using employment income to qualify. VVOEs must meet all of the following criteria:

- Completed within 10 business days of closing
- Confirm that the borrower is employed at time of verification
- Include the name and phone number of person processing the VVOE
- Include the name, position and phone number of the person providing the verification (employer)
- Telephone number for the borrower's employer must be verified independently via any of the following: telephone book, the internet, directory assistance, or by contacting the applicable licensing bureau

#### Self-Employed Confirmation of Employment Requirements

Verification of the existence of a self-employed borrower's business for a minimum of 2 years from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau is required. A CPA letter must include the name of the business, the owner(s) of the business, and how long the business has been in existence.

In addition to the requirement above, the underwriter must document verification of the self-employed borrower's business within 60 days of the note date as follows:

- Self-employed borrowers with qualifying income from LLCs, Partnerships, S Corporations and Corporations must have a valid Secretary of State internet printout from the state the business was incorporated in showing the business is active and in good standing.

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Documentation (continued)

### Employment / Income Documentation (continued)

- Businesses, including sole proprietorships that require licensing must have a valid internet printout from the licensing authority confirming the license is active and in good standing. Examples of common business licenses include, but are not limited to, state or local tax licenses, city business licenses, professional licenses for borrowers in the fields of real estate, construction, law, medicine, etc.
- In jurisdictions where the Secretary of State and/or state or local licensing authority does not offer an internet verification of the corporation, business, and/or professional license, the underwriter must obtain a TLO report on the business. In the event that a TLO report is unavailable, the underwriter may rely on a CPA letter but must document their attempts to obtain an independent verification of the business in the loan level conversation log.

### Asset Documentation

Assets to be used for down payment, closing costs, debt payoff, and reserves must be seasoned for 60 days or sourced. Asset statements must be dated within 90 days of closing and must be verified with one of the following:

- Most recent two (2) months' account statements, or most recent quarterly account statement, indicating opening and closing balances, and reflecting a consecutive 60 days of asset verification
  - Supporting documentation should be obtained for single, unexplained deposits that exceed 50% of the borrower's gross monthly qualifying income for the loan.
  - Documentation of large deposits is not required on refinance transactions
- If account summary page provides the required information, additional pages are not required.
- Written Verification of Deposit (VOD), completed by the financial institution
  - Must include the current and average balances for the most recent two (2) months
  - Large disparities between the current balance and the opening balances will require additional verification or supporting documentation
- Account statements must provide all of the following information:
  - Borrower as the account holder
  - Account number
  - Statement date and time period covered
  - Current balance in US dollars

## EMPLOYMENT / INCOME ANALYSIS

### **Full Documentation**

#### **Wage Earners**

Income derived from a consistent hourly, weekly or monthly wage, must be verified by all of the following:

- W-2s for the most recent two (2) years; and
- Pay stub(s) covering the most recent 30-day period providing year-to-date earnings at approval date. (E.g. paid weekly = 4 paystubs, Bi-weekly/semi-monthly = 2 paystubs); and
- Signed and executed 4506-C (W-2 transcripts only); and
- Verbal Verification of Employment (VVOE) completed within 10 days of closing.

#### **Self-Employed Borrowers**

See [Self-Employed Income](#) for detailed documentation requirements.

### **1-Year Alternative Income Documentation**

1-Year Alternative Income Documentation is available under the Carrington Flexible Advantage Plus and Carrington Flexible Advantage Programs only. See applicable CMS Program Matrix for LTV and credit score restrictions.

In lieu of the standard 2-year documentation requirement for wage-earners and self-employed borrowers, the following will be accepted:

- Wage-Earners: the transcript(s) for most recent year W-2(s) **and** pay stub(s) covering the most recent 30-day period providing year-to-date earnings at closing
- Self-Employed Alternative Doc: the most recent year filed federal income tax returns (personal and business; extensions are not allowed) **and** year-to-date P&L if end of applicable tax year is > 120 days from closing
- Self-Employed Bank Statements: 12 months complete personal or business bank statements from the same account
- Self-Employed 1099: 1 Year IRS Form 1099 Statements
- Self Employed P&L: 12 or 24 months P&L income documentation

Bonus, overtime, and/or commission income for wage-earners may also be documented for 1 year. A full Written VVOE must be obtained and must state that the bonus, overtime, and/or commission income is likely to continue.

Supplemental income is not eligible for 1-Year Alternative Income Documentation (i.e. dividend/interest income, capital gains, alimony, child support, pension or retirement).

All other requirements for [Full Documentation](#) apply. See the following sections for complete documentation requirements:

- [Wage-Earners](#)
- [Self-Employed Income](#)
- [Personal Bank Statements](#)
- [Business Bank Statements](#)
- [1099 Income Documentation](#)
- [Profit & Loss Income Documentation](#)



# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Employment / Income Analysis (continued)

<b>Bank Statement Documentation</b>	<p>Self-employed borrowers are eligible for either Personal Bank Statement Documentation or Business Bank Statement Documentation. The following restrictions apply to both documentation types:</p> <ul style="list-style-type: none"><li>• Deposits into all bank accounts must be considered as acceptable business deposits in order to be considered as effective income. Deposits should be consistent to the Borrower's deposit pattern within the 12-24 month history in the loan file. Any unusual or large deposits must be sourced by the business through invoices, receipts, etc. Any deposits from gifts, loans or any other non-income sources may not be considered as income.</li><li>• Borrowers must be self-employed for at least two (2) years verified by two (2) years of business licenses or a CPA letter.</li><li>• Borrower may not be an employee of any other borrower</li><li>• Business must be in existence for at least two (2) years.</li><li>• Standard Tradelines and a 12-month housing history are required, with the exception of properties owned free and clear.</li><li>• Properties owned free and clear are considered 0x30 for grading purposes and may utilize Bank Statement Documentation provided the other restrictions in this section are met.</li><li>• Foreign Nationals are ineligible. Exceptions are not permitted.</li><li>• Foreign sources of income are ineligible.</li><li>• Statements must be consecutive and reflect the most recent months available as of the application date.</li><li>• Statements must support stable and generally predictable deposits. Unusual deposits must be documented.</li><li>• Evidence of a decline in earnings may result in disqualification.</li><li>• More than 3 NSF's or overdrafts within the most recent 12 months require explanation, supporting documentation, and underwriter analysis for acceptability. <b>Note:</b> Overdraft Protection Transfers from a linked bank account or line of credit are not considered an NSF. Refer to <u>NSF Checks and Overdrafts</u> below for additional guidance.</li><li>• If bank statements provided reflect payments being made on obligations not listed on the credit report, see Undisclosed Debts for additional guidance.</li><li>• Money transfer service business account statements, including PayPal, Venmo, Zelle, etc. are not eligible. Money transfer service earnings must be deposited into a business or personal bank account for consideration.</li><li>• <u>W-2 Wages</u>: Additional income deposited into the bank statements but derived from a source other than the self-employed business may not be included in the bank statement average. W-2 earnings must be documented as per the requirements in Wage-Earners along with a processed 4506-C verifying the W-2 earnings only.</li></ul>
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# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Employment / Income Analysis (continued)

### Bank Statement Documentation (continued)

- Rental Income: Borrowers who receive rental income as a secondary income source may utilize Bank Statement Documentation for calculating business income and the most recent lease agreement(s) for rental properties for calculating rental income. Obtain proof of receipt at the current lease rate using a cancelled check or bank statement. Calculate the qualifying rents by using 75% of the current lease minus the full PITIA.

Borrowers whose primary source of income is derived solely from the ownership of rental properties as declared on personal or business tax returns must be calculated using Full Documentation of Income. See [Rental Income](#).

### Personal Bank Statements

Personal Bank Statement Documentation is allowed under all programs. See the applicable CMS Matrix for credit score and LTV restrictions.

The Carrington Flexible Advantage Plus and Carrington Flexible Advantage Programs allow for either 12 or 24 months of bank statements.

The following documentation is required:

- 12 or 24 months complete personal bank statements. Bank statements should be from the same account. Account changes during the review period are acceptable for circumstances such as account closure when the borrower is a victim of fraud or the borrower changes banking institutions, provided there is a clear account transfer date and no deposits are duplicated. Transaction history printouts are not acceptable.
- 2 months complete business bank statements to evidence
  - the borrower's business maintains a separate business account for business deposits and expenses, and
  - the borrower's personal account reflects deposits transferred from the business account (i.e., the personal account receives net income from the business)

If the borrower does not maintain a separate business account, or business expenses are comingled in the borrower's personal account, the guidelines for Business Bank Statements must be followed.

- Initial signed URLA with monthly income disclosed
- Verification business has been in existence for 2 years
- Verification of business existence required within 10 calendar days of closing

The following requirements apply when analyzing the personal bank statements:

- All parties listed on each bank account must be included as borrowers on the loan.
- Multiple bank accounts may be used, but a combination of business and personal is prohibited
- 100% of deposits used for income and averaged over 12 or 24 months
- Transfers between personal accounts should be excluded
- Transfers from a business account into a personal account are acceptable



## Employment / Income Analysis (continued)

### Bank Statement Documentation (continued)

#### Calculating Qualifying Income

Qualifying income using Personal Bank Statement Documentation is calculated as follows:

- Personal Bank Statement Average (total deposits [minus any disallowed deposits] / \*24 months)

*\*12 months should be used for the calculation when the 12-month bank statement option is chosen.*

#### Business Bank Statements

Business Bank Statement Documentation is allowed under all programs. See the applicable CMS Matrix for credit score and LTV restrictions.

The following documentation is required (see also [1-Year Alternative Income Documentation](#)):

- 12 or 24 months complete business bank statements. Bank statements should be from the same account. Multiple bank accounts may be used, but a combination of business and personal is prohibited. Account changes during the review period are acceptable for circumstances such as account closure when the borrower is a victim of fraud or the borrower changes banking institutions, provided there is a clear account transfer date and no deposits are duplicated. Transaction history printouts are not acceptable.

**Note:** If borrower elects 12 months, additional LLPA's apply.

- Initial signed URLA with monthly income disclosed
- Required Expense Statement Documentation applicable to Calculation Option chosen (see [Calculating Qualifying Income](#) for requirements)
- Verification borrower is 100% owner of business and business has been in existence for two (2) years

#### Documenting Business Bank Account Ownership

- Verification business has been in existence for two (2) years
- Document Business Bank Account Ownership
  - Verification borrower is 100% owner of business, or
  - If the borrower is not 100% owner of the business, or multiple parties appear on a business bank account but are not borrowers on the loan, business records must be provided to prove the borrower's percentage of ownership and entitlement to profits. Qualifying income must be multiplied by the percentage of profits that the borrower is entitled to. Examples of acceptable documentation include:
    - Articles of Incorporation with stock ownership breakdown
    - the business's Operating Agreement,
    - a Corporate Resolution, or
    - letter from the company's tax preparer.
- Verification of business existence required within 10 business days of closing

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Employment / Income Analysis (continued)

### Bank Statement Documentation (continued)

The following requirements apply when analyzing the business bank statements:

- Types of bank statements to be used for qualification:
  - Business bank accounts,
  - Personal bank accounts addressed to a DBA,
  - Personal accounts where separate business accounts are not maintained
  - Personal accounts with evidence of business expenses (i.e., comingled accounts)

Wire transfers and transfers from other accounts must be documented or excluded

- Statements should show a trend of ending balances that are stable or increasing over time
- Decreasing or negative ending balances must be explained
- Business expenses must be reasonable for the type of business (examples of businesses with higher expense ratios may include construction companies, builders, restaurants and retail firms)
- The business owner must provide a signed letter of explanation describing the business in order to differentiate as a “Service Business” or “Product Business”. The letter must include the number of years the business has been in operation.
- Underwriters have discretion to request a CPA letter if the business bank statements reflect expenses that appear higher than the factors set forth in these guidelines.

### Calculating Qualifying Income

To calculate qualifying income using Business Bank Statement Documentation, choose one of the documentation options below applicable to the Expense Statement method chosen:

#### **OPTION 1: DEFAULT EXPENSE FACTOR**

Add up the deposits over the 12 or 24 months of statements provided to determine a gross deposit number as follows:

Multiply Gross deposits by the result of [100% (minus) Expense Factor%] to determine a net deposit number. Divide the net deposit number by 12 or 24 months as determined by the number of months of bank statements utilized to support monthly income. Qualifying income must be multiplied by the percentage of ownership the borrower is entitled to.

Default Expense Factors will be applied as follows:

- Service Business = 50% Expense Factor (examples include Consulting, Accounting, Legal, Counseling, Therapy, Financial Services, Insurance, IT)
- Product Business = 60% Expense Factor (examples include Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction)

If the borrower's business expense factor is lower than 50% an Expense Statement prepared and signed by a third-party (i.e. CPA or licensed tax preparer) (See OPTION 2 below) may be used to determine monthly income.

## Employment / Income Analysis (continued)

### Bank Statement Documentation (continued)

#### **OPTION 2: THIRD-PARTY PREPARED EXPENSE STATEMENT**

Net income using the Expense Statement

If the borrower's business operates more efficiently, or typically has a materially different expense factor than the default expense factors above, then a reduced expense factor is acceptable subject to the following requirements:

- Expense Statements must be prepared and signed by a third-party licensed or registered tax preparer. Tax preparers must be a Certified Public Accounts (CPA), Enrolled Agent (EA), hold a state license for tax preparation, or belong to a professional trade organization within their state, such as the California Tax Education Council (CTEC).
- Expense Statements must specify business expenses as a percentage of the gross annual sales/revenue of the business.
- Expense Statements must not include unacceptable disclaimers or exculpatory language regarding its preparation.
- Expense Factors may never be lower than:
  - Service Business = 20% Expense Factor Floor
  - Product Business = 35% Expense Factor Floor

Net income from the Expense Statement is calculated by determining total deposits per bank statements (minus any disallowed deposits) multiplied by the expense percentage provided by CPA or tax preparer.

$$\text{Net Income} = \frac{\text{Total Deposits} * (1 - \text{Expense Statement Percentage})}{24 \text{ months}}$$

Qualifying income must be multiplied by the percentage of ownership the borrower is entitled to.

#### **NSF Checks and Overdrafts**

NSF (non-sufficient funds) is a term used to indicate that a demand for payment can't be honored due to insufficient funds available in the account. Overdraft protection transfers are not considered an NSF.

Excessive NSFs will be highly scrutinized and may cause the loan to be deemed ineligible.

The Underwriter is responsible for evaluating the borrower's most recent 12 months bank statements for NSF patterns. When a borrower has more than 3 NSFs within the past 12 months, the Underwriter must justify their approval thought process on the 1008 to differentiate between financial mismanagement and an extenuating circumstance or one-off event. The borrower is required to provide a letter of explanation (LOE) and additional documentation if needed to support the LOE. Borrower(s) must write, sign, and date all Letters of Explanation themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content.

Recent NSFs within the most recent 90 days must be scrutinized more in depth to support the borrower's income stream is not negatively affected as a result of the NSFs.

## Employment / Income Analysis (continued)

Acceptable examples include, but are not limited to:

- Multiple NSF's within the 1 month period or rolling to the next month may be treated as an isolated event (i.e. 1 NSF) as long as they are the direct result of an extenuating circumstance or one-time event. The one-time event must be outside of the borrower's control and be documented.
- No NSF's in most recent 9 months (with prior NSF history in months 10-12) with LOE from borrower explaining how they were able to resolve their financial situation going forward.

Examples that may be unacceptable include, but are not limited to:

- Most recent 6 months bank statements reflect a trend of several NSF's without documentation supporting extenuating circumstances or a one-time event.
- Most recent 12 months with scattered multiple NSF's

### **1099 Income Documentation**

**1099 Income Documentation is permitted under the Carrington Flexible Advantage (CFA) and Carrington Flexible Advantage Plus (CFA+) program. Refer to matrix for FICO and reserve requirements.**

Self-employed borrowers with earnings on IRS Form 1099, such as independent contractors and gig workers, may submit 1 or 2 years 1099 forms, subject to the following requirements:

- Borrowers must be self-employed for at least two (2) years verified by two (2) years of business licenses or a CPA letter.
- Business must be in existence for at least two (2) years.
- Standard Trade Lines are required.
- Foreign Nationals are ineligible. Exceptions are not permitted.
- IRS form 4506-C must be processed for 1 or 2 years 1099 forms
- Multiple 1099 forms from the same line of work may be added together, for example a borrower with earnings from Lyft and Uber will be qualified based on combined earnings. Multiple 1099 forms from different industries will be reviewed independently as separate businesses, for example a borrower with earnings from Uber and IT Consulting must have a two-year history in each line of work to consider earnings from both sources.
- Evidence of a decline in earnings may result in disqualification

## Employment / Income Analysis (continued)

### 1099 Income Documentation (continued)

- Year-to-Date earnings must support the qualifying income calculated per instructions below. YTD earnings must be documented with one of the following, utilizing the most recent documentation available as of the loan application date:
  - YTD Profit & Loss statement prepared by a licensed or registered CPA or tax preparer. Net monthly earnings on the P&L must not be more than 10% less than qualifying net income of the previous 1 or 2 years.
  - Earnings Statement with YTD income or Pay Stub with YTD income from the Payer listed on the 1099 forms. Gross earnings on the YTD Earnings Statements must not be more than 10% less than gross monthly 1099 earnings.
  - Most recent two (2) months bank statements, earnings statements without YTD income, or pay stubs without YTD income. Earnings statements or pay stubs must come from the Payer listed on the 1099 forms. Gross deposits or earnings on bank statements, earnings statements, or pay stubs must not be more than 10% less than gross monthly 1099 earnings.
- Rental Income: Borrowers who receive rental income as a secondary income source may utilize 1099 Income Documentation for calculating self-employment income and the most recent lease agreement(s) for rental properties for calculating rental income. Obtain proof of receipt at the current lease rate using a cancelled check or bank statement. Calculate the qualifying rents by using 75% of the current lease minus the full PITIA.  
Borrowers whose primary source of income is derived solely from the ownership of rental properties, including short-term rentals, as declared on personal or business tax returns must be calculated using Full Documentation of Income. See Rental Income.

### Calculating Qualifying Income

To calculate qualifying income using 1099 Income Documentation, choose one of the options below to account for business expenses:

#### Option 1: Default Expense Factor

Default Expense Factors will be applied as follows:

- Service Business = 50% Expense Factor (examples include Consulting, Accounting, Legal, Counseling, Therapy, Financial Services, Insurance, IT, Rideshare, Freelance Workers, Writers)
- Product Business = 60% Expense Factor (examples include Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction)

Multiply gross 1099 earnings by the default expense factor to determine estimated business expenses. Subtract the expense estimate from gross earnings and divide the result by 12 months for 1 year 1099 form or by 24 months for 2 years 1099 forms.

## Employment / Income Analysis (continued)

### 1099 Income Documentation (continued)

#### Option 2: Third-Party Prepared Expense Statement

If the borrower's business operates more efficiently, or typically has a materially different expense factor than the default expense factors above, then a reduced expense factor is acceptable subject to the following requirements:

- Expense Statements must be prepared and signed by a third-party licensed or registered tax preparer. Tax preparers must be a Certified Public Accounts (CPA), Enrolled Agent (EA), hold a state license for tax preparation, or belong to a professional trade organization within their state, such as the California Tax Education Council (CTEC).
- When a YTD Profit and Loss statement is provided from a licensed or registered CPA or tax preparer per the YTD Income option above, the expense factor will be calculated from the expenses listed on the YTD P&L.
- Expense Statements must specify business expenses as a percentage of the gross annual self-employment earnings.
- Expense Statements must not include unacceptable disclaimers or exculpatory language regarding its preparation.
- Expense Factors may never be lower than:
  - Service Business = 20% Expense Factor Floor
  - Product Business = 35% Expense Factor Floor

Net expenses from the Expense Statement is calculated by multiplying gross 1099 earnings by the expense percentage provided by the CPA or tax preparer.

Net Income =  $\frac{\text{Total Deposits} * (1 - \text{Expense Statement Percentage})}{12 \text{ or } 24 \text{ months}}$

### Profit & Loss Income Documentation

**Profit and Loss Income Documentation is permitted under the Carrington Flexible Advantage (CFA) and Carrington Flexible Advantage Plus (CFA+) program. Refer to matrix for FICO and reserve requirements.**

Self-employed borrowers may submit Profit and Loss (P&L) statements covering 12 or 24 months, subject to the following requirements.

#### Documenting Business Ownership

- Borrowers must be self-employed for at least two (2) years verified by two (2) years of business licenses or a CPA letter.
- Business must be in existence for at least two (2) years.
- Foreign Nationals are ineligible. Exceptions are not permitted.
- Documentation must be provided to show the borrower's percentage of business ownership. Qualifying income will be multiplied by the percentage of profits that the borrower is entitled to. Examples of acceptable documentation include:
  - Articles of Incorporation with stock ownership breakdown
  - Business's Operating Agreement,
  - Corporate Resolution, or
  - Letter from the tax preparer.



## Employment / Income Analysis (continued)

### Profit & Loss Income Documentation (continued)

#### Requirements for P&L Documentation

- Standard Trade Lines are required.
- IRS form 4506-C is not required for income documented with profit and loss statements.
- The borrower or tax preparer must provide a signed letter of explanation describing the nature of the business, how income is generated, and how long the business has been in existence.
- Profit and Loss statements must be provided for the most recent 12 or 24 months, and:
  - P&L statements must be prepared and signed by a third-party licensed or registered tax preparer. Tax preparers must be a Certified Public Account (CPA), Enrolled Agent (EA), hold a state license for tax preparation, or belong to a professional trade organization within their state, such as the California Tax Education Council (CTEC). Evidence of licensing or professional organization membership must be documented.
  - The borrower must sign all P&L statements.
  - P&L statements must not include unacceptable disclaimers or exculpatory language regarding their preparation.
  - P&L statements may be provided for the 12- or 24-month period immediately predating the loan application, or for the prior 12- or 24-month calendar or fiscal year period. If more than 120 days have passed since the end of the most recent calendar or fiscal year, a Year-to-Date P&L statement must be provided. The YTD P&L must be prepared by the same licensed party that prepared the 12- or 24-month P&L.
  - Business expenses must be fully itemized and must be reasonable and reflect all expenses expected for the type of business. Underwriting may request additional documentation if necessary.
- Multiple businesses are permitted, P&L statements must be supplied for each business and each business must have been in existence for at least two (2) years.
- Evidence of a decline in earnings will require additional evaluation by the underwriter and may result in disqualification
- Rental Income: Borrowers who receive rental income as a secondary income source may utilize Profit and Loss Income Documentation for calculating self-employment income and the most recent lease agreement(s) for rental properties for calculating rental income. Obtain proof of receipt at the current lease rate using a cancelled check or bank statement. Calculate the qualifying rents by using 75% of the current lease minus the full PITIA.  
Borrowers whose primary source of income is derived solely from the ownership of rental properties, including short-term rentals, as declared on personal or business tax returns must be calculated using Full Documentation of Income. See Rental Income.

## Employment / Income Analysis (continued)

### Profit & Loss Income Documentation (continued)

#### Calculating Qualifying Income

To calculate qualifying income using Profit and Loss Income Documentation:

- If necessary, adjust net income on the P&L to account for the following minimum expense thresholds. Total business expenses as a proportion of total business earnings may never be lower than:
  - Service Business = 20% Expense Floor (examples include Consulting, Accounting, Legal, Counseling, Therapy, Financial Services, Insurance, IT, Rideshare, Freelance Workers, Writers)
  - Product Business = 35% Expense Floor (examples include Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction)
- Divide the P&L net income by 12 or 24 months, as applicable, to determine qualifying income.
- When a YTD P&L is provided, compare monthly YTD earnings to confirm qualifying income is supported within a 10% tolerance.

### Employment History

Employment must be stable with at least a 2-year history in the same job or jobs in the same field. Income from self-employment is considered stable if the borrower has been self-employed for 2 or more years.

#### Frequent Job Changes

Frequent job changes to advance within the same line of work may be considered favorable. Job changes without advancement or in different fields of work should be carefully reviewed to ensure consistent or increasing income levels and the likelihood of continued stable employment.

#### Gaps in Employment

Borrowers re-entering the workforce following a gap in employment of 6 months or more are allowed provided borrower has been in his/her current position more than 6 months and evidence of 2 years previous employment is documented.

Borrowers should provide a signed, written letter of explanation for any employment gaps that exceed 30 days in the most recent 12-month period, or that exceed 60 days in months 13-24. Borrower(s) must write, sign, and date the letter themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content.

Recent graduates with evidence of post-secondary education from a college, university, community college, Junior college, Career school, technical school, or vocational/trade school are allowed.



## SOURCES OF INCOME

For all income sources, borrowers are qualified based on calculated stable monthly income over the most recent 2-year period. Income may be obtained from a variety of sources such as salary, bonus, commission, self-employment, etc., and should be reasonably expected to continue for the next 3 years.

See [Full Documentation](#) for detailed income documentation requirements.

### **Annuity Income**

Annuity income can be used for qualification when the following requirements are met:

- 12-month history must be verified using 1099s or 1099 transcripts, tax returns, and/or bank statements
- Letter from issuer of annuity to be obtained stating that it has been set up on periodic withdrawal, amount of withdrawal, duration and balance
- Account asset balance must support the continuance of the monthly payments for at least 3 years after the close of escrow

Annuities less than 12 months old must be in a non-revocable trust with a minimum term of 40 months in order to use the income to qualify.

For annuity distributions from a 401(k) or pension, see [Pension/Retirement](#).

## Sources of Income (continued)

### **Asset Conversion**

Asset Conversion may be used to determine qualifying income under the Carrington Flexible Advantage Plus Program only. Permitted on Purchase, Rate and Term and Cash Out. All occupancy types are permitted. See the Carrington Flexible Advantage Plus Program Matrix for credit score and LTV restrictions.

Borrowers must have the lesser of (a) 1.5 times the loan balance or (b) \$1mm in qualified assets, both of which must be net of down payment, loan costs and required reserves to qualify.

Qualified Assets can be comprised of stocks, bonds, mutual funds, vested amount of retirement accounts and bank accounts. If a portion of the qualified assets are being used for down payment, closing costs, or reserves, those amounts must be excluded from the balance before analyzing a portfolio for income determination. **Please note:** Restricted stock and margined accounts are not considered qualified assets and are not eligible.

The following assets are considered Qualified Assets and can be utilized to calculate income:

- 100% of checking, savings, and money market accounts
- 100% of the remaining value of stocks & bonds
- 70% of retirement assets
- 100% Cash Value of Life Insurance
- 3-months seasoning of assets required

The following assets are not permitted:

- Funds in Foreign Banks
- Funds in Business Accounts

Asset Conversion may be used in conjunction with Full Income Documentation. May not use Asset Conversion in addition to Bank Statement Income Documentation.

The income calculation is as follows:

$$\text{Monthly Income} = \text{Net Qualified Assets} / 60 \text{ Months}$$

### **Automobile Allowance**

Automobile allowances can be used to qualify the borrower, subject to additional requirements. Allowances may not be used to offset a car payment, and automobile payments must be included in the debt-to-income ratio calculation.

Payments must have been received a minimum of 2 years, and the allowance must be documented on the borrower's pay stub. Qualifying income is the allowance received from the employer minus the expenses the borrower has deducted on IRS Form 2106. If the allowance is less than the expenses, the loss must be deducted from qualifying income.

### **Bonus and Overtime**

Bonus and overtime can be used to qualify if the borrower has received the income for the past 2 years and it is likely to continue. The Underwriter should use an average of bonus or overtime income.

A written Verification of Employment (FNMA Form 1005) should be obtained to provide a breakdown of bonus or overtime earnings for the most recent 2 years. If the employment verification states the income is unlikely to continue, it may not be used in qualifying.

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## Sources of Income (continued)

### Capital Gains

When income from capital gains is used to qualify the borrower, tax returns for the most recent 2 years are required to determine if the income is recurring and may be considered in qualifying. If a capital gain appears to be a onetime occurrence, it should not be considered when calculating income available.

For the income to be considered stable and likely to continue, the Underwriter must document sufficient assets to show the borrower will continue receiving the capital gains for a minimum of 3 years from note date. If the income is declining and/or there will be no asset base to generate the capital gains, it cannot be used for qualification purposes.

In addition, if assets that generated capital gains are being sold as part of the mortgage transaction, the income from capital gains must be reduced by a percentage equal to the percentage reduction in the value of the assets that generated the income.

### Child Support, Alimony or Maintenance Income

In order for child support, alimony or separate maintenance to be considered stable income, it must continue for at least 3 years from note date as specified by the court order. The following requirements apply:

- A copy of the divorce decree or legal separation agreement must be obtained
- Documentation must be received to evidence receipt of the most recent 6 months of payments through copies of deposit slips, canceled checks, and/or bank statements

Full and timely payments must have been received for 6 months or longer. Income received for less than 6 months is considered unstable and may not be used to qualify the borrower. Also, if full or partial payments are made on an inconsistent or sporadic basis, the income is not acceptable for qualifying the borrower.

### Commission Income

A commissioned borrower is one who receives more than 25% of his or her annual income from commissions. Commission earnings should be averaged over the most recent 2 years and require the following documentation:

- Copies of federal income tax returns for most recent 2 years
- Most recent year-to-date pay stub reflecting the commission earnings

A borrower on his current job for less than 2 years with a minimum 2-year history of receiving commission in the same line of work may also qualify to use commission earnings.

If there are large fluctuations, the borrower must provide a signed, written letter of explanation to support the increase or decrease in income. Borrower(s) must write, sign, and date the letter themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content. Additional supporting documentation is required to use commission income for qualification when documentation shows a decline in earnings from one year to the next.

With borrowers that receive a draw against the commission earnings, the draw income is not to be considered in addition to the commission income. Draws are only to be considered income paid in advance of receiving commissions, where the amount is then subtracted once the commissions are earned.

See also [Unreimbursed Business Expenses](#).

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## Sources of Income (continued)

### **Declining Income**

Declining income sources should be closely reviewed to determine if the income may be used for qualifying purposes. Income showing a consistent decline over the prior years should not be considered as stable or usable income for qualification purposes.

A signed, written letter of explanation for the decline should be obtained from the borrower and/or employer. Borrower(s) must write, sign, and date the letter themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content. In instances where there is sufficient information to support the use of the income, the most recent lower income over the prior 2-year period must be used and may not be averaged.

### **Disability Income**

Long-term and short-term disability income can be used for qualification. The following documentation should be obtained for both long-term and short-term disability:

- Documentation from either the insurance company or employer providing the payment amount, conditions for termination of payment, and the likelihood of it continuing for at least 3 years
- Copy of most recent check or bank statement is required if the award letter does not reflect the current payment being received

Short-term disability also requires the following documentation:

- Signed letter from borrower stating intent to return to work, once the disability no longer exists. Borrower(s) must write, sign, and date all Letters of Explanation themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content.
- Verification from employer stating that the borrower will be allowed to return to work once the disability no longer exists. The letter must identify the borrower's position and rate of pay upon return. If the future employment income will be less than the disability income, the lower income amount must be used to qualify for the loan.

In documenting disability income, CMS employees must not make inappropriate and/or unlawful inquiries regarding the nature or severity of the borrower's disability.

### **Dividend / Interest Income**

Dividend and interest income derived from investments can be used as qualifying income when the following requirements are met:

- 2 most recent years federal income tax returns received supporting a 2-year history of receipt; and
- Verification of stock asset values no older than 30 days at closing.

Sufficient assets should remain after closing to continue to generate an acceptable level of earnings. If assets that generated dividend/interest income are being sold as part of the mortgage transaction, the qualifying income must be reduced by a percentage equal to the percentage reduction in the value of the assets that generated the income.

Earnings should generally be averaged over the time period verified when current earnings are consistent with historical dividend and interest earnings.

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## Sources of Income (continued)

### Employment by a Relative

Income for borrowers who are employed by a relative must be verified with all of the following:

- Federal income tax returns for the most recent 2 years;
- W-2s for the most recent 2 years; and
- Pay stub(s) covering the most recent 30-day period.

Income should be averaged over the 2-year period. Clarification of potential ownership by the borrowers of family-owned businesses may also be required. A borrower may be an officer of a family operated business but not an owner. Verification of their status should be provided by written confirmation obtained from a CPA or legal counsel.

**Note:** if a borrower is employed by a relative, and the relative is also a borrower on the loan, the relative that owns the business may not use bank statement documentation for qualifying.

### Foreign Income

Foreign income is income earned by a borrower who is self-employed, employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if the following requirements are met:

- Two years U.S. federal income tax returns reflecting the foreign income
- Income is translated to U.S. dollars
- Standard income stability and continuance requirements are met
- Standard documentation requirements apply based on the type of income
- Income from sanctioned countries administered by OFAC is not allowed

### Foster Care Income

Income derived from foster care payments may be considered if there is a 2-year history of receipt and it is expected to continue for the next 3 years.

The income can be verified by letters from the organizations and copies of borrower's deposit slips or bank statements showing regular deposit of the payments, or by providing federal income tax returns for the most recent 2 years. The documentation received must clearly show the number of foster children involved, their ages, and length of care.

Income must be averaged over the 2-year period, and may not be considered for children who will reach the age of 19 within 3 years.

### Hourly Wages

Borrowers paid on an hourly basis, or who may not work a regular 40-hour work week throughout the year, will generally have their income averaged over the minimum employment history required. If there is an indication of declining income, the current income is used instead of the average.

### Lump Sum Distributions

Proceeds from the sale of investments held in a 401(k) or IRA account are not eligible as an income source. See [Dividend/Interest Income](#) for related allowable income sources.

## Sources of Income (continued)

### **Minister / Clergy Income**

Ministers are individuals duly ordained, commissioned or licensed by a church or church denomination. Ministers and members of the clergy are generally considered self-employed unless exempted by IRS from self-employment taxes. If exempt, an exception from the IRS must be provided.

Rental or housing allowance received can be considered income for qualifying the borrower. Written documentation, such as a WVOE provided by the church, must be obtained showing receipt of the income. The borrower's pay stub should also reflect receipt of the housing allowance. If the borrower is newly employed, obtain a copy of the church budget (in lieu of a check) showing funds have been allocated for housing allowance. Housing allowance for ministers is non-taxable income and can be grossed up for qualifying.

The church may budget for educational, medical insurance, life insurance, retirement, etc. to be paid on behalf of borrower; however, these items will not be considered as qualifying income, unless exempted by the IRS. The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower's 1040 should include housing allowance paid.

### **Non-Taxable Income**

Non-taxable income can be grossed up by 25%. Examples of non-taxable income may include military allowances for clothing, quarters, and subsistence, child support, worker's compensation, disability retirement, social security income, clergy housing allowance, foster care income, food stamps, income from municipal bonds, and certain types of insurance benefits.

Some income types may contain both taxable and non-taxable income. Federal income tax returns may be required to accurately determine the non-taxable portion.

Income may not be grossed-up for calculating [Residual Income](#).

### **Notes Receivable Income**

Income from notes receivables can be used to qualify provided the income is regular and recurring. The borrower should have a documented history of receiving the income for at least 12 months and can verify that the income will continue for at least 3 years from note on the new mortgage.

Evidence of receipt for the last 12 months must be verified with either canceled checks, bank deposit slips, or federal income tax returns. A copy of the note verifying payment amount and remaining term of at least 3 years must also be obtained.



## Sources of Income (continued)

### **Part Time / Second Job Income**

Income from part-time employment or a second job can be considered stable income if it has been received for the previous 2 years and is likely to continue. Earnings must be documented with current pay stubs and W-2s for the most recent 2-year period.

### **Pension / Retirement**

Pension and retirement income must be verified with any of the following:

- Letters from the organization providing the income
- Copy of retirement award letters
- Tax returns for the most recent 2 years
- W-2 forms or 1099 forms or 1099 Transcripts for the most recent 2 years
- Bank statements reflecting regular deposits for the most recent 2 months

### **Proof of Continuance**

If the borrower is of retirement age, proof of continuance does not have to be documented when the income is received from corporate, government or military retirement/pension.

If retirement income is in the form of monthly annuity distributions, such as 401(k) or IRA, proof of continuance for 3 years is required. If the borrower intends to use the retirement account to also satisfy asset requirements, the value of the asset must be reduced by the funds being withdrawn prior to determining a 3-year continuance of income. Assets available beyond the deduction for continuance of income may be used as reserves. See also [Retirement Accounts](#).

### **Forthcoming Retirement**

Any borrower presently employed but anticipating retirement within 3 years from note date must be evaluated upon the verified anticipated retirement income. Effective income for borrowers planning to retire (or end employment for other reasons) during the period must include the amount of documented retirement or other benefits to be received, Social Security payments, or other payments expected to be received in retirement. A combination of present earnings and future retirement income does not represent a supportable level of earnings.

### **Public Assistance**

Income from government assistance programs, such as food stamps, Aid to Dependent Children, or welfare, can be used as qualifying income provided such income has a reasonable likelihood of continuing for at least 3 years.

The applicant must provide a copy of a benefits awards letter as evidence of eligibility. This documentation must verify the amount of assistance, duration of payment and what portion if any is non-taxable. Verification of receipt of benefits for the previous 2 years can be documented with copies of checks, copies of bank statements, copies of award letter or copies of grant statements.

In documenting and evaluating public assistance income, CMS expects employees to comply fully with the requirements of the federal Equal Credit Opportunity Act and applicable state anti-discrimination laws.

## Sources of Income (continued)

**Rental Income** Rental income may be used for qualifying. The following requirements apply:

- Rental income must be disclosed on the loan application
- Rental income from a 1-unit primary residence or second homes may not be used
- Boarder income may not be used
- Required forms:
  - Single Family Comparable Rent Schedule (FNMA Form 1007)
  - 1-4 Family Rider Assignment of Rents for all investment properties (FNMA Form 3170)

**Note:** If rental income from the subject property is not being used to qualify, the gross monthly rent must still be documented with appraisal forms 1007 for lender reporting purposes.

### Income or Loss

The treatment of the monthly qualifying rental income or loss in the total debt-to-income ratio (as calculated in [Calculating Rental Income from the Subject Property](#) and [Rental Income from Other Real Estate Owned](#)) varies based on occupancy of the property.

If the property is a primary residence, the following applies:

- The monthly qualifying rental income must be added to the borrower's total monthly income (income is not netted against the PITIA); and
- The full PITIA must be included in the borrower's total monthly obligations when calculating the DTI.

If the rental income or loss relates to a property other than the borrower's primary residence, the following calculations apply:

- If the monthly qualifying rental income minus the full PITIA is positive, it must be added to the borrower's total monthly income
- If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations

The full PITIA for the rental property is factored into the amount of the net rental income or loss; therefore, it should not be counted as a monthly obligation.



## Sources of Income (continued)

### Rental Income (continued)

#### Calculating Rental Income from the Subject Property

Rental income from the subject property owned prior to loan application should be calculated using the borrower's federal income tax returns for the most recent 12-month period ([Cash Flow Analysis of Schedule E](#)). Income should be averaged. Net rental losses should be included in ratios as a liability.

Rental income should be calculated using the lesser of:

- 75% of the current lease minus the full PITIA; or
- Cash flow analysis of the Schedule E from the most recent year's federal income tax return (if applicable)

The underwriter may determine circumstances warrant utilizing 75% of the current lease agreement despite the rental appearing on Schedule E. In such cases, the underwriter must provide an explanation and justification in the loan file.

Rental income from a new property being acquired through a purchase transaction can be used to qualify, using the lesser of:

- 75% of the current lease minus the full PITIA (evidence of deposit must be obtained); or
- 75% of the appraiser's opinion of rent on appraisal form 1007 minus the full PITIA

If no lease exists and rental income is calculated using only the appraiser's opinion of rent, an additional 3 months PITIA reserves is required.

#### Rental Income from Other Real Estate Owned

To calculate rental income from a departure residence when converting a current residence into a rental: 75% of a lease minus the full PITIA may be used.

Rental income from another property owned prior to loan application should be calculated using the borrower's federal income tax returns for the most recent 12-month period ([Cash Flow Analysis of Schedule E](#)). Income should be averaged. Net rental losses should be included in ratios as a liability.

Rental income should be calculated using the lesser of:

- 75% of the current lease minus the full PITIA; or
- Cash flow analysis of the Schedule E from the most recent year's federal income tax return (if applicable)

The underwriter may determine circumstances warrant utilizing 75% of the current lease agreement despite the rental appearing on Schedule E. In such cases, the underwriter must provide an explanation and justification in the loan file.

## Sources of Income (continued)

### Rental Income (continued)

#### Cash Flow Analysis of Schedule E

Cash Flow Analysis of Schedule E should be completed as follows:

Gross Rents and Royalties Received

- Total Expenses

+ Depreciation

+ Insurance

+ Mortgage Interest

+ Taxes

+ HOA fees (if included on Schedule E)

Subtotal

Subtotal / 12 = Monthly Total

Monthly Total

- Proposed or Existing Monthly PITIA

MONTHLY NET RENTAL INCOME/LOSS

### Rental Income from an ADU

Rental income from an ADU may be considered when permitted by local zoning laws and/or regulations. Any rental income received from the accessory unit and used for qualifying must be documented as follows:

- The loan file must contain documentation to support that the ADU may be legally rented per local codes or regulations.
- Purchase transactions involving a property with an ADU:
  - For ADUs that are currently leased, obtain a copy of the current lease.
  - Obtain the appraiser's estimate of market rent on FNMA Form 1007, Comparable Rent Schedule or FNMA Form 1025, Small Residential Income Property Appraisal Report.
  - The lesser of the actual or market rents less a 25% vacancy and maintenance factor may be used for qualifying.
- Refinance transactions involving a property with an ADU:
  - For full doc loans, obtain the most recent tax return. For alt doc loans using bank statements, P&Ls, or 1099s for qualifying, or properties acquired since the most recent tax filing, obtain the current lease and proof of receipt at the current lease rate using a cancelled check or bank statement.
  - Obtain the appraiser's estimate of market rent on FNMA Form 1007, Comparable Rent Schedule or FNMA Form 1025, Small Residential Income Property Appraisal Report.

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## Sources of Income (continued)

### Rental Income from an ADU (continued)

- For full doc loans, the lesser of the Sch E net rents or market rents less a 25% vacancy and maintenance factor may be used for qualifying. For alt doc loans and properties acquired since the most recent tax filing, the lesser of the actual or market rents less a 25% vacancy and maintenance factor may be used for qualifying.
- Rental income may not be considered for ADUs that do not have a history of being leased.
- Transactions where other Real Estate Owned has an ADU that may be legally rented:
  - For full doc loans, obtain the most recent tax return. Sch E net rents may be used for qualifying.
  - For alt doc loans using bank statements, P&Ls, or 1099s for qualifying, or properties acquired since the most recent tax filing, obtain the current lease and proof of receipt at the current lease rate using a cancelled check or bank statement. The actual rents less a 25% vacancy and maintenance factor may be used for qualifying.
  - Rental income may not be considered for ADUs that do not have a history of being leased.

### Royalty Payment Income

Obtain copies of the royalty contract, agreement, or statement confirming amount, frequency, and duration of the income; and borrower's most recent signed federal income tax return, including the related IRS Form 1040, Schedule E.

Income from royalty payments may be considered with confirmation that the borrower has received royalty payments for at least 12 months and that the payments will continue for a minimum of three years after the date of the mortgage application.

### Seasonal Income

Income from seasonal employment may be considered if the applicant has worked the same job during the season for the past 2 years and expects to be rehired for the next season.

A written Verification of Employment (WVOE) and W-2s for the most recent 2 years are required. The WVOE must reference the likelihood of the borrower's rehire. Seasonal income should be averaged over a 2-year period.

### Temporary / Contract Income

Borrower must have 2 years in the same line of work. Underwriter must verify working with temp agency is common for the borrower's line of work. The contract must show continuance and/or the temp agency must verify they guarantee employment at the end of contract expiration date.

A written Verification of Employment (WVOE) and W-2s for the most recent 2 years are required. The WVOE must reference the likelihood of the borrower's continuance. Temporary/Contract income should be averaged over a 2-year period.

## **Sources of Income (continued)**

### **Self-Employed Income**

A borrower is considered self-employed with 25% or more ownership interest in a business. The business may be a sole proprietorship, general partnership, limited partnership, corporation, or S-corporation. A Liquidity Test is not required to qualify the borrower.

#### **Tax Return Requirements**

If the borrower has filed an extension for the current year due, they must provide a copy of the extension request and the prior two years self-employed tax returns if qualifying using Full Documentation of income, or prior one year self-employed tax return if qualifying using 1-Year Alternative Income Documentation. The prior tax return(s) must include a history of filing for the same business.

The following circumstances will require the borrower to utilize the bank statement option:

- Filing past the allowable extension period
- Filing the last 2 (or more) years of self-employed tax returns after the application date if qualifying using Full Documentation of income, or prior one year self-employed tax return if qualifying using 1-Year Alternative Income Documentation

#### **Sole Proprietorship**

A sole proprietorship is a business structure in which an individual and his or her company are considered a single entity for tax and liability purposes. Income and losses are reported on the owner's schedule C of the individual federal income tax return.

Documents required for determining income from a sole proprietorship are:

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- Year-to-date profit and loss statement (if the loan application is > 120 days after the year-end reflected on the most recent business tax returns provided); and
- Balance sheet; and
- Signed and processed IRS form 4506-C (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 10 calendar days of closing.

## Sources of Income (continued)

### Self-Employed Income (continued)

#### Partnerships

A partnership is a business organization in which 2 or more individuals manage and operate the business. The partners share profits and losses and control of the business.

Documents required for determining partnership income are:

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years (if applicable); and
- Partnership tax returns (IRS Form 1065) for the most recent 2 years, including all schedules and K-1s (**Note:** if borrower is a limited partner with less than 50% ownership, partnership tax returns are not required); and
- Year-to-date profit and loss statement (if the loan application is > 120 days after the year-end reflected on the most recent business tax returns provided); and
- Balance sheet; and
- Signed and processed IRS form 4506-C (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 10 calendar days of closing.

#### Corporations

A corporation is a legal entity that is separate and distinct from its owners. If a borrower has more than 25% ownership in a corporation, they are considered to be self-employed. A borrower that is self-employed as a corporate officer will receive a pay stub and W-2, and will report income on his or her personal tax returns. Corporate income or losses are reported on the corporate tax returns (IRS Form 1120).

Documents required for determining income from a corporation:

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years; and
- Corporate tax returns (IRS Form 1120) for the most recent 2 years, including all schedules; and
- Year-to-date profit and loss statement (if the loan application is > 120 days after the year-end reflected on the most recent business tax returns provided); and
- Balance sheet; and
- Signed and processed IRS form 4506-C (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 10 calendar days of closing.

## Sources of Income (continued)

### Self-Employed Income (continued)

#### S Corporations (Subchapter S Corporations)

S Corporation (S-Corp) is a type of corporation which enables the company to have the benefits of a corporation but be taxed as if it were a partnership. S-Corps are generally small corporations. The profit of the corporation is given to each owner according to his or her share of ownership. The adjusted profit is then divided by the borrower's share of ownership and combined with W-2 income used for qualifying. Income is reported with both a W-2 and K-1 (reporting on the Schedule E) or only with a K-1.

Documents required for determining income from an S-corporation:

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years; and
- Corporate tax returns (IRS Form 1120-S) for the most recent 2 years, including all schedules and K-1s; and
- Year-to-date profit and loss statement if the loan application is dated more than 120 days after the end of the business's tax year; and
- Balance sheet; and
- Signed and processed IRS form 4506-C (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 10 calendar days of closing.

#### 1099 Miscellaneous Income

Payments to sole proprietors or contract individuals will also be reported on IRS Form 1099 form and included in the borrower's Schedule C. Borrowers who receive self-employed 1099 earnings may be qualified under the Sole Proprietorship guidelines by providing IRS Form 1040 tax returns for the most recent 1 or 2 years, or under the 1099 Income Documentation guidelines by providing IRS Form 1099 for the most recent 1 or 2 years.

When a borrower is qualified solely on W-2 wages and secondary 1099 income is discovered during the underwriting process, tax returns are not required unless the borrower requests the secondary business income to be considered.

1099 forms covering a full 2-year period are not required when a borrower changes from being paid W-2s to 1099s while working for the same employer in the same position. Documentation from the employer should be obtained to verify the borrower is not responsible for additional expenses.

## **Sources of Income (continued)**

### **Self-Employed Income (continued)**

#### **Reduced Documentation for a Secondary Business**

Business tax returns, associated schedules, and profit and loss statements may be waived when all of the following requirements are met:

- Income/loss referenced on personal tax returns is generated from a secondary business that is not the borrower's primary income source; and
- Income/loss from each separate business is  $\leq 10\%$  of qualifying income for the transaction; and
- All losses are subtracted from the borrower's qualifying income.

If income from a business is used to qualify the borrower, or if business expenses are added back to income or a loss, then business tax returns, associated schedules, and profit and loss statements must be obtained. Underwriters may also use discretion to obtain all documentation for self-employed earnings when the secondary business may have a significant impact on the loan.

#### **Cash Flow Analysis**

The Underwriter must prepare a written evaluation of the analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's federal income tax returns. A copy of the Underwriter's written analysis must be included in the loan file.

Adjustments to the net profit or loss of the business may be required to arrive at the borrower's cash flow. For example, tax returns (IRS Forms 1040 Schedule C, 1065, 1120S, 1120) may reveal income that was not obtained from the profits of the borrower's business; if such income is not recurring, the borrower's cash flow is adjusted by deducting the nonrecurring income.

Items that may be added back to the business cash flow include depreciation, depletion, amortization, business use of a home, casualty losses, net operating losses, and other special deductions that are not consistent and recurring.

The following items must be subtracted from the business cash flow:

- travel and meals exclusion,
- other reported income that is not consistent and recurring,
- tax liability and amount of any dividends for Corporations (IRS Form 1120), and
- the total amount of obligations on mortgages, notes, or bonds that are payable in less than one year. These adjustments are not required if there is evidence that these obligations roll over regularly and/or the business has sufficient liquid assets to cover them.



# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Sources of Income (continued)

### **Social Security Income**

When a borrower is drawing Social Security benefits from their own account/work record in the form of Retirement or Disability, one of the following items is required:

- Social Security Administrator's (SSA) Award letter, or
- Proof of current receipt

When a borrower is drawing benefits from their own account/work record in the form of Supplemental Security Income (SSI), both the award letter AND proof of current receipt must be obtained.

When a borrower is drawing Social Security benefits from another person's account/work record, all of the following items are required:

- SSA Award letter
- Proof of current receipt; and
- Proof benefit will continue for at least 3 years (e.g., verification of beneficiary's age)

See also [Non-Taxable Income](#).

### **Teacher Income**

Teachers are paid on a 9-month, 10-month or 12-month basis. The Underwriter should determine how the pay is structured before calculating the monthly income. If uncertainty exists, the borrower may provide a copy of their contract or the Underwriter may verbally confirm with the school district's personnel office.

### **Tips and Gratuities**

Tips and gratuity income can be considered if receipt of such income is typical for borrower's occupation (i.e., waitperson, taxi driver, etc.). Income should be received for at least 2 years and documented through the most recent pay stub, 2 years W-2s and written verification of employment (VOE). Income should be averaged over the time period verified. If the tip income is not reported on the pay stubs or tax returns, then it may not be included in qualifying income.

### **Trailing Spouse or Co-Borrower Income / Relocation**

Trailing spouse income or co-borrower income to be received when the borrower is being relocated is not allowed to be used as qualifying income.

## Sources of Income (continued)

- Trust Income** Trust income can be used for qualification when all of the following requirements are met:
- Copy of the trust agreement or the trustee's statement must be obtained to confirm the amount, frequency, and duration of payments;
  - Trust income to continue for at least 3 years from date of the mortgage application; and
  - History of receiving the trust income must be documented for a minimum of 3 months.

Lump-sum distributions from the trust made prior to loan closing can be used for down payment or closing costs if the withdrawal does not affect the qualifying amount of continuing distributions to the borrower. The funds must be verified by a copy of the check or the trustee's letter that shows the distribution amount. See also [Trust Accounts](#).

- Unreimbursed Business Expenses** Unreimbursed business expenses reported on IRS Form 2106 should be evaluated when commission earnings represent 25% or more of the borrower's total income.

Unreimbursed expenses should be averaged over the most recent 2-year period and deducted from the borrower's cash flow. If the borrower's employment situation has changed (new job or position, retirement, etc.) the expense deduction should be adjusted accordingly to reflect the borrower's present earnings situation.

When the borrower uses "Actual Expenses" for a leased automobile rather than the "Standard Mileage Rate," the "Actual Expenses" section of the IRS Form 2106 must be analyzed to determine the amount of the lease payments. The lease expense should only be counted once in the borrower's cash flow analysis, either as an expense on Form 2106 or as a monthly obligation.

If automobile depreciation is referenced on IRS Form 2106, the borrower's cash flow needs to be adjusted based on the depreciation method selected by the borrower:

- Standard Mileage Deduction: multiply business miles driven by the depreciation factor for the appropriate year and add the calculated amount to the borrower's cash flow
- Actual Depreciation Expense Deduction: add the amount the borrower claimed to the borrower's cash flow

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## Sources of Income (continued)

### Unacceptable Income

- Gambling winnings (except lottery continuing for 5 years)
- Educational benefits
- Stock options
- Refunds of federal, state, or local taxes
- Expense account reimbursement
- Illegal income
- Income from medical marijuana dispensaries
- Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.

### Unemployment Compensation

Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work and where unemployment compensation is often received (i.e., construction). The income can be used to qualify on with a 2-year employment history in the same field of work and a 2-year history of receipt of unemployment compensation with 2 years tax returns or 2 years 1099 forms or 1099 Transcripts. Income should be averaged over the time period verified.

### VA Survivor's Benefits / Dependent Care

VA benefits must be documented with a copy of the award letter or distribution forms and must continue for at least 3 years.

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## RATIOS AND QUALIFYING

### Ratios

The debt-to-income ratio (DTI) is calculated by adding the borrower's total PITIA and the borrower's total monthly obligations and dividing by the borrower's total monthly qualifying income.

Standard Ratios		
Debt Ratio	Carrington Flexible Advantage Program	Carrington Flexible Advantage Plus Program
	43%	50%

Expanded Ratios		
Debt Ratio	Carrington Flexible Advantage Plus Program	Carrington Flexible Advantage Program
	50%	
	No additional requirements apply	<u>BOTH</u> of the following requirements apply: <ul style="list-style-type: none"><li>• Grades A and B only</li><li>• Credit Score <math>\geq</math> 640</li></ul>

### Residual Income

Residual income is only required for primary and second home transactions using the following calculation:

$$\text{Residual Income} = \text{Gross Monthly Income} - \text{Total Monthly Obligations}$$

Residual Income of \$1,500 is required for all transactions under the Carrington Flexible Advantage Program and \$2,500 is required for the Carrington Flexible Advantage Plus Program. An additional \$150 per dependent must also be included for all programs. The initial URLA should reflect the number of dependents for all borrowers on the transaction.

### Adjustable Rate Qualifying

For all ARM loans, the greater of the note rate or the fully indexed rate rounded up to the nearest eighth percentage is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index. Floor is the start rate.

Investor products are 30-year and 40-year terms.

See the [Carrington Flexible Advantage Program Matrix](#) / [CMS Carrington Flexible Advantage Plus Program Matrix](#) for the margin, index, and other restrictions.

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Ratios and Qualifying (continued)

### Interest Only Payment Qualifying

All Interest-only loans qualify using the fully amortized payment calculated over the fully amortizing period, based on the greater of the note rate or the fully indexed rate rounded up to the nearest eighth percentage to determine the qualifying PITIA. For example, a 30-year loan with a 10-year interest-only period would have a 20-year fully amortizing period.

See the [Carrington Flexible Advantage Program Matrix](#) / [CMS Carrington Flexible Advantage Plus Program Matrix](#) for the margin, index, and other restrictions.

## ASSET ANALYSIS

### Overview

Loan files must evidence sufficient funds from acceptable sources for down payment, closing costs, prepaid items, debt payoff, and applicable reserves. A borrower's ability to accumulate assets provides insight into the individual's ability to successfully manage personal finances.

See [Asset Documentation](#) for sourcing and seasoning requirements.

### Down Payment

See the [Carrington Flexible Advantage Program Matrix](#) / [CMS Carrington Flexible Advantage Plus Program Matrix](#) for specific LTV and down payment requirements.

### Reserves

Reserves are measured by the number of months of housing expense a borrower could pay using his or her financial assets. See the [Carrington Flexible Advantage Program Matrix](#) / [CMS Carrington Flexible Advantage Plus Program Matrix](#). The highest reserve requirement, rather than a cumulative total, should be used when a transaction has multiple required reserves.

Cash-out proceeds are permitted for reserves with a FICO score greater than or equal to 620. **Excess gift funds verified in the borrower's bank account prior to closing are permitted for reserves.** Gift funds **provided at closing** may not be considered **toward reserves**.

Additional reserves are also required when the following situations are present:

- [Multiple Financed Properties](#): 2 months for each additional property
- [Use of Rental Income Without a Lease](#): 3 months in addition to standard requirement
- [First-Time Homebuyer](#): 6 months
- [Limited Tradelines](#): 6 months
- [No Housing History or Less Than 12 Months Verified](#): 6 months
- [Bank Statement Income](#): 6 months

### Qualifying Reserves on ARM Loans

Reserves on ARM loans must be determined based on the Fully Indexed Rate.

Reserves are measured by the number of months of the qualifying payment amount for the subject mortgage (based on PITIA) that a borrower could pay using his or her financial assets.

## VERIFICATION OF ASSETS

**Borrowed  
Funds  
Secured by an  
Asset**

Borrowed funds that are secured by an asset can be used as a source of funds for down payment, closing costs, and reserves. Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate, stocks and/or bonds, and 401(k) accounts.

The terms of the secured loan and transfer of funds to the borrower should be documented. The individual providing the secured loan cannot be a party to the transaction.

The monthly payments for the loan secured by non-financial assets must be counted in the debt-to-income ratio. However, when the loan is secured by the borrower's financial assets and there are sufficient assets to pay off the loan currently verified, the monthly payment for the loan does not have to be considered as a long-term debt when qualifying the borrower (as in the case of a 401(k) loan). After a 401(k) loan is distributed, if the account balance including the 401(k) loan balance is sufficient to cover the payoff of the loan, the monthly payment does not need to be included in the debt-to-income ratio.

If the same financial asset is also used as part of the borrower's financial reserves, adequacy of the borrower's reserves must be determined after taking into consideration the net value of the asset after it has been reduced by the proceeds from the secured loan (and any related fees). If any 401(k) assets are to be used as reserves, the net value after the loan proceeds are deducted must be used when calculating the amount of reserves. See also [Retirement Accounts](#).

## Verification of Assets (continued)

### **Business Assets**

For self-employed borrowers, business assets are an acceptable source of funds for down payment, closing costs, and reserves. The borrowers on the loan must have 50% ownership of the business and must be the owners of the account or demonstrate ability to access the account. Business assets must be multiplied by the borrower's ownership percentage of the business. For bank accounts solely in the name of a business, access must be demonstrated using a cancelled check signed by the borrower, signature card or other documentation from the bank, CPA letter, or corporate documents such as a corporate resolution, operating agreement or similar.

A letter from a CPA or borrower must be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business. If a CPA letter is not provided, a cash flow analysis of the tax returns, business bank statements, and P&L (when applicable) must be completed by the Underwriter to determine if the withdrawal of funds from the business is acceptable.

**Note:** The requested information shall not be interpreted as an assurance of solvency.

### **Concessions and Contributions**

#### **Interested Parties**

Interested parties to a transaction include, but are not limited to, the property seller, the builder/developer, the real estate agent or broker, or an affiliate who may benefit from the sale of the property and/or the sale of the property at the highest price possible. A lender or employer is not considered an interested party to a sales transaction unless it is the property seller or is affiliated with the property seller or another interested party to the transaction.

#### **Financing Concessions / Seller Contributions**

For primary residence and second home transactions with LTVs of 75% or less, the property seller and/or interested parties may contribute up to 9% of the lesser of the property's sales price or appraised value toward the buyer's closing costs, prepaid expenses, discount points, and other financing concessions.

For LTVs from 75.01% and greater, interested parties may contribute up to 6%.

For investment property transactions, the property seller and/or interested parties may contribute up to 2%.

#### **Sales Concessions**

Sales concessions include:

- Financing concessions in excess of the max financing concession limitations; or
- Contributions such as cash, furniture, automobiles, decorator allowances, moving costs, and other giveaways granted by any interested party to the transaction (contributions with a combined value under \$1,000 should be excluded)

The value of sales concessions must be deducted from the sales price when calculating LTV for underwriting and eligibility purposes. The LTV is then calculated using the lower of the reduced purchase price or the appraised value.



## Verification of Assets (continued)

### **Depository Accounts**

Funds held in a checking, savings, money market, certificate of deposit, or other depository accounts can be used for down payment, closing costs, and reserves.

The Underwriter must investigate any indications of borrowed funds, including recently opened accounts, recent large deposits, or account balances that are considerably greater than the average balance over the previous few months. A signed, written letter of explanation of the source of funds should be obtained from the borrower and the source of funds verified. Unverified funds are not acceptable. Borrower must write, sign, and date the letter themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content. See also [Asset Documentation](#).

If the borrower does not hold the deposit account solely, all non-borrower parties on the account (excluding a non-borrowing spouse) must provide a written statement that the borrower has full access and use of the funds. See also [Spousal Accounts](#).

If bank statements provided reflect payments being made on obligations not listed on the credit report, see [Undisclosed Debts](#) for additional guidance.

**NOTE:** Payable on death (POD) depository accounts are regular accounts which pass to a designated individual or individuals upon death of the primary owner. POD bank accounts are permitted for the primary account owner only. The surviving owner(s) must have a death certificate for the deceased owner to claim ownership.

### **Earnest Money / Cash Deposit on Sales Contract**

If earnest money is needed to meet the borrower's minimum contribution requirement, the Underwriter must verify that the funds are from an acceptable source. Satisfactory documentation includes any of the following:

- Copy of the borrower's canceled check
- Certification from the deposit holder acknowledging receipt of funds
- VOD or bank statement showing that the average balance was sufficient to cover the amount of the earnest money at the time of the deposit

If the earnest money check has cleared the bank, bank statements should cover the period up to and including the date the check cleared the account. A copy of the check that has not cleared may also be obtained along with a processor's certification verifying with the bank the date the check cleared, the dollar amount of the check, and the individual providing the information.

## Verification of Assets (continued)

### Gift Funds

Gift funds are allowed after the borrower has made the minimum required borrower contribution towards the down payment.

Gift funds can be used for down payment and closing costs but are not allowed to meet the reserve requirement. Gift funds are not allowed under the Investment Property Program.

Gift funds must be from a relative: defined as the borrower's spouse, child, or other dependent; or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner.

A signed gift letter is required to provide all of the following information:

- Donor's name, address, phone, and relationship to borrower (donor must be a relative); and
- Dollar amount of gift; and
- Date funds were transferred; and
- Donor's statement that no repayment is expected.

Underwriters must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account. Acceptable documentation includes any of the following:

- Copy of the donor's check and the borrower's deposit slip
- Copy of the donor's withdrawal slip and the borrower's deposit slip
- Copy of the donor's check to the closing agent
- Evidence of wire transfer from donor to borrower
- Settlement statement showing receipt of the donor's check

When the funds are not transferred prior to closing, the Underwriter must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, money order, or wire transfer. See also [Spousal Accounts](#).

### Gifts of Equity

Gifts of equity on non-arm's length transactions are allowed. Transactions with gifts of equity are subject to the maximum LTVs available for cash-out transactions, and no minimum borrower contribution is required.

The following requirements apply:

- Primary residence transactions only
- Gift of equity is from a relative
- Six months of reserves required of borrower's own funds
- Non-arm's length criteria is met
- Signed gift letter is provided
- Gift of equity is listed on the settlement statement

## Verification of Assets (continued)

### **Foreign Assets**

For U.S. citizen and permanent resident alien borrowers, all funds required for down payment, closing costs, and reserves must be seasoned for 60 days. See [Asset Documentation](#). Foreign assets deposited into a U.S. institution within 60 days of application are acceptable if there is evidence that the funds were transferred from the country from which the borrower previously or currently resides. It must also be established that the funds belonged to the borrower before the date of transfer.

Funds required for closing (down payment and closing costs) must be seasoned in a U.S. depository institution for 30 days prior to closing.

Assets held in a foreign account can be used for reserves. The most recent 30-day account statement is required, and funds are to be converted to U.S. dollars using the current exchange rate. A letter of reference on company letterhead from a verifiable banking institution may also be obtained. Contact information must be provided by the person signing the letter, and the letter must state the type of relationship, length of the relationship, how accounts are held, and current balance. Any translation must be signed and dated by a certified translator.

### **Life Insurance**

Net proceeds from the surrender of a life insurance policy or from a loan against the cash value are acceptable for down payment, closing costs, and reserves.

If the funds are needed for the down payment or closing costs, CMS must document the borrower's receipt of the funds from the insurance company by obtaining either a copy of the check from the insurer or a copy of the payout statement issued by the insurer. If the cash value of the life insurance is being used for reserves, the cash value must be documented but does not need to be liquidated and received by the borrower.

The Underwriter must assess any repayment obligations to determine any impact on borrower qualification or reserves. If penalties for failure to repay the loan are limited to the surrender of the policy, payments on a loan secured by the cash value of a borrower's life insurance policy do not have to be considered in the total debt-to-income ratio. If additional obligations are indicated, the amount must be factored into the total debt-to-income ratio or subtracted from the borrower's reserves.

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## Verification of Assets (continued)

### **Minimum Borrower Contribution**

Borrowers must contribute a minimum of 5% of their own funds towards the down payment on purchase transactions. Investment Property transactions require all funds come from the borrower.

A minimum borrower contribution of 10% is required on the following transactions:

- Primary residence with unverifiable housing history
- Loan amount over the FHFA 1-unit Conforming Loan Limit
- Second home
- Limited tradelines (Refer to [Limited Tradelines](#) for additional requirements)

### **Net Proceeds from Sale of Real Estate**

If part of the down payment is expected to be paid from the sale of the borrower's current home, a final settlement statement verifying sufficient net proceeds must be obtained.

### **Like-Kind Exchanges**

Assets for the down payment from a "like-kind exchange," also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031.

### **Real Estate Commission**

Borrower's real estate commission is an eligible source of funds for down payment and/or closing costs when the borrower is a licensed real estate agent that is due to receive a sales commission from their purchase of the subject property.

The Settlement/Closing Disclosure Statement must reflect the commission earned by the borrower and credited toward the mortgage transaction.

### **Rent Credit for Lease with Purchase Option**

Borrowers may apply a portion of the rent paid to their down payment requirements. Credit for the down payment is determined by calculating the difference between the market rent and the actual rent paid for the last 12 months. The market rent is determined by the appraiser in the appraisal for the subject property. See [Lease with Purchase Option](#) for full requirements.

The Underwriter must obtain the following documentation:

- Copy of the rental/purchase agreement evidencing a minimum original term of at least 12 months, clearly stating the monthly rental amount and the terms of the lease
- Copies of the borrower's canceled checks or money order receipts for the last 12 months evidencing the rental payments
- Market rent as determined by the subject property appraisal

## Verification of Assets (continued)

### Relocation and Employer Assistance

#### Forms of Employer Assistance

The employer assistance may be in the form of:

- a grant,
- a direct, fully repayable second mortgage or unsecured loan,
- a forgivable second mortgage or unsecured loan, or
- a deferred-payment second mortgage or unsecured loan.

A borrower of a mortgage loan secured by a principal residence may use funds provided by an employer to fund all or part of the down payment or closing costs subject to the minimum borrower contribution requirements below. Employer assistance can also be used for financial reserves for all types of assistance with the exception of unsecured loans (which may only be used for the down payment and closing costs). Employer assistance funds are not allowed on a second home or an investment property.

Funds must come directly from the employer, including through an employer-affiliated credit union.

#### Minimum Borrower Contribution Requirements

See the [Carrington Flexible Advantage Program Matrix](#) / [CMS Carrington Flexible Advantage Plus Program Matrix](#) for the minimum borrower contribution requirements.

#### Documentation Requirements

CMS must document:

- that the program is an established company program, not just an accommodation developed for an individual employee.
- the dollar amount of the employer's assistance.
- an unsecured loan from an employer with an award letter or legal agreement from the note holder and must disclose the terms and conditions of the loan.
- the terms of any other employee assistance being offered to the borrower (such as relocation benefits or gifts).
- that the borrower received the employer assistance funds directly from the employer (or through the employer-affiliated credit union).

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## Verification of Assets (continued)

### Retirement Accounts

Vested funds from individual retirement accounts (IRA/SEP/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for the down payment, closing costs, and reserves. The lender must verify the ownership of the account and confirm that the account is vested and allows withdrawals regardless of current employment status.

If the retirement assets are in the form of stocks, bonds, or mutual funds, the account must meet the requirements of [Stocks, Bonds, and Mutual Funds](#) for determining value and whether documentation of the borrower's actual receipt of funds is required when used for the down payment and closing costs. When funds from retirement accounts are used for reserves, the funds do not have to be withdrawn from the account.

Retirement accounts must qualify at 60% of the retirement assets (70% for borrowers of retirement age that do not have a 10% withdrawal penalty), see also [Proof of Continuance](#).

### Sale of Personal Assets

Proceeds from the sale of personal assets are an acceptable source of funds for down payment, closing costs, and reserves, provided the individual purchasing the asset is not a party to the property sale or mortgage financing transaction.

The Underwriter must document the following:

- Borrower's ownership of the asset
- Value of the asset, as determined by an independent and reputable source
- Transfer of ownership of the asset, as documented by either a bill of sale or a statement from the purchaser
- Borrower's receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser's canceled check

### Secondary / Subordinate Financing

Secondary or subordinate financing is allowed with a maximum CLTV of 90%. Secondary financing is not permitted for investor-occupied properties.

If the subordinate financing has a simultaneous closing, the following is required:

- A copy of the loan approval and repayment terms for the new financing; and
- A copy of the executed note at closing.

If the subordinate financing is being subordinated, the following is required:

- The repayment terms of the existing second lien;
- An unsigned copy of the subordination agreement prior to closing; and
- A copy of the executed subordination agreement at closing.

## Verification of Assets (continued)

### **Secondary / Subordinate Financing, (continued)**

The following requirements apply to all subordinate liens:

- Seller-held subordinate liens are not permitted
- Subordinate financing must be recorded and clearly subordinate to the new mortgage
- Payment on the subordinate financing must be included the borrower's DTI. If a payment is unable to be determined, 1.5% of the original loan balance can be used.
- If the debt is an equity line of credit, the CLTV ratio is calculated by adding the total HELOC credit line limit (rather than the amount of the HELOC in use) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the value of the property
- Negative amortization is not allowed and the scheduled payments must be sufficient to cover at least the interest due
- Subordinate financing from the borrower's employer may not include a provision requiring payment upon termination

Subordinate liens can be paid off through closing. See [Rate/Term Refinance](#) and [Cash-out Refinance](#) for more information.

Refer to Texas Home Equity Loans - [Secondary Financing](#) section for additional Texas subordination restrictions.

### **PACE, HERO and other Energy Efficiency Loans**

Liens for Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) and other energy efficiency loans may not remain on title.

Loans used to finance energy improvements such as PACE or HERO loans may be paid off and included in the new mortgage as follows: loans with seasoning of 12 months or longer may be refinanced as a Rate/Term transaction. Loans with seasoning of less than 12 months must be refinanced as a cash-out transaction. Seasoning is measured from the recording date of the energy improvement loan to the Note date of the new refinance loan transaction.

### **Spousal Accounts**

Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only and are subject to the seasoning requirements outlined in [Asset Documentation](#).

Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.

### **Stock Options**

Vested stock options are an acceptable source of funds for down payment and closing costs when immediately available to the borrower. Stock options may not be used to meet reserve requirements. The value of vested stock options can be documented by:

- Referencing a statement listing the number of options and the option price; and
- Determining the gain that would be realized from exercise of an option and the sale of the optioned stock using the current stock price



# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Verification of Assets (continued)

### **Stocks, Bonds, and Mutual Funds**

Vested assets in the form of stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs, and reserves provided their value can be verified. The lender must verify the borrower's ownership of the account or asset.

When used for the down payment or closing costs, if the value of the asset is at least 20% more than the amount of funds needed for the down payment and closing costs, no documentation of the borrower's actual receipt of funds realized from the sale or liquidation is required. Otherwise, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented.

When used for reserves, 100% of the value of the assets (as determined above) may be considered, and liquidation is not required.

### **Trust Accounts**

Funds disbursed from a borrower's trust account are an acceptable source for down payment, closing costs, and reserves provided the borrower has immediate access to the funds.

To document trust account funds, the Underwriter must:

- Obtain written documentation of the value of the trust account from either the trust manager or the trustee; and
- Document the conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage.

See [Trust Income](#) if trust is also being used as a source of income to qualify the borrower.

### **Ineligible Sources of Assets**

- Cash-on-hand
- Sweat equity
- Gift or grant funds which must be repaid
- Down payment assistance programs
- Bridge loans
- Unsecured loans or cash advances
- Section 8 Voucher Assistance
- Cryptocurrency (digital assets such as bitcoins)
- Private Savings Club accounts

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## PROPERTY

### **General Property Requirements**

A completed appraisal report is required on all loan transactions to assess the adequacy of the property as collateral for the mortgage requested. The Underwriter is responsible for all of the following:

- The accuracy and completeness of the appraisal and its assessment of the marketability of the property
- Underwriting the completed appraisal report to determine whether the subject property presents adequate collateral for the mortgage
- Continually evaluating the quality of the appraiser's work through normal underwriting review of all appraisal reports and spot-check field review of appraisals as part of its quality control program
- Ensuring that the appraiser uses sound reasoning and provides evidence to support the methodology used for developing the value opinion
- Ensuring that the appraiser provides an accurate opinion, an adequately supported value, and an accurate description of the property
- Ensuring that the appraiser provides his or her license or certification on the appraisal report
- Complying with the Appraiser Independence Requirements (AIR) published by Fannie Mae/Freddie Mac and the requirements of the Federal Truth in Lending Act and Regulation Z with respect to valuation independence
- Disclosing to the appraiser any information about the subject property of which it is aware of that could impact the marketability of the property
- Providing the appraiser with the ratified sales contract and other financing or sales concessions that are associated with the transaction
- Ordering and receiving the appraisal report for each mortgage transaction
- Ensuring the appraiser does not use unsupported assumptions or use race, color, religion, sex, handicap, familial status, national origin for any party in the transaction, or impermissible demographics of the community in which the property is located, as the basis for market value

### **Uniform Residential Appraisal Report (URAR)**

Appraisers are required to use current appraisal report forms that are acceptable to Fannie Mae and/or Freddie Mac. The following appraisal report forms should be used:

- Uniform Residential Appraisal Form (FNMA Form 1004)
- Small Residential Income Property Appraisal Report (FNMA Form 1025)
- Individual Condominium Unit Appraisal Report (FNMA Form 1073)
- Market Conditions Addendum to the Appraisal Report (FNMA Form 1004MC)

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Property (continued)

### Uniform Residential Appraisal Report (URAR) (continued)

- Appraisal Update and/or Completion Report (FNMA Form 1004D)
- Single Family Comparable Rent Schedule for all 1-unit investment properties (FNMA Form 1007)
- 1-4 Family Rider (Assignment of Rents) for all investment properties (FNMA Form 3170)

### Appraisal Report Requirements

The following items must be contained in the appraisal report:

- Street map showing the location of the subject property and all comparables used.
- Exterior building sketch of the improvements indicating dimensions. A floor plan sketch is required along with calculations demonstrating how the estimate for gross living area is determined. For a unit in a condo project, the sketch of the unit must indicate interior perimeter unit dimensions rather than exterior building dimensions.
- Original color photographs or digital color images of the front, street, and rear views of the subject property. Original digital black and white photographs/pictures are permitted if the appraisal clearly indicates the subject property meets our standards.
- Interior photos of the subject are required to include the kitchen, all bathrooms, the main living area, any areas with physical deterioration, and any renovations/ improvements.
- Any other data as an attachment or addendum to the appraisal report form necessary to provide an adequately supported estimate of market value.
- Appraisal report must contain analysis of all agreements of sale, options or listings for the subject property current as of the effective date of the appraisal, and analysis of all sales of the subject property that occurred within the 3 years prior to the effective date of the appraisal.
- Appraisal report must include a completed Sales Comparison Approach section of FNMA Form 1004 where there are comparables used with more than one sale or transfer in the 12 months prior to the effective date of the appraisal.
- Appraiser comments on any unfavorable conditions, such as adverse environmental or economic factors, and how those conditions impact the market value of the property. In those cases, the appraiser's analysis must reflect and include comparable sales that are similarly affected.
- Certification and Statement of Limiting Conditions signed by the appraiser.

### Appraiser Qualifications

See [CMS Appraisal Management Policy](#).

**Property (continued)**

**Uniform  
Residential  
Appraisal  
Report (URAR)  
(continued)**

**Electronic Submission of Appraisal Report**

Appraisal reports which have been transmitted electronically using internet, wireless transmissions, or other types of electronic transmissions are acceptable, provided the following are met:

- The appraisal report accurately identifies the appraiser and is signed by the appraiser. Digitized signatures are acceptable.
- The appraisal report was created by the appraiser whose name appears on the appraisal report and that the appraisal is complete, unaltered, and submitted by the identified appraiser.

**Transferred Appraisals**

Transferred appraisals are permitted with underwriting approval and proof the transferred appraisal complies with Appraiser Independence Requirements (AIR).

Refer to [CMS Appraisal Management Policies and Procedures](#).

**Appraisal Re-Use**

Re-use of an appraisal inspection report is not permitted. Appraisal inspections must be specific to the CMS loan transaction.

**Age of Appraisal and Appraisal Updates**

Properties must be appraised within the 240 days that precede the date of the note and mortgage.

When an appraisal report will be more than 120 days old on the date of the note and mortgage, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D), with exterior photos.

If the appraiser indicates on the Form 1004D that the property value has declined, then the Underwriter must obtain a new appraisal for the property.

If the appraiser indicates on the Form 1004D that the property value has not declined, then the Underwriter may proceed with the loan in process without requiring any additional fieldwork.

**Note:** The appraisal update must occur within the 120 days that precede the date of the note and mortgage.

The original appraiser should complete the appraisal update; however, Underwriters may use substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report. The Underwriter must note in the file why the original appraiser was not used.

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## Property (continued)

### Minimum Property Standards

All properties must:

- Be improved real property
- Be designed and available for year around residential use
- Contain a kitchen and a bathroom
- Contain a minimum of 600 square feet of gross living area
- Be heated by a continuously fueled heat source which is permanently affixed to the real estate. Alternative heat sources are acceptable when marketability has been demonstrated.
- Average or better than average condition
- Represent the “highest and best” use of the subject
- Be free of all health and safety violations
- Not exhibit items that adversely affect the ownership, habitability, or marketability of the subject property
- Must have a remaining economic life of 30 years

### Property Location

See the [Carrington Flexible Advantage Program Matrix](#) / [CMS Carrington Flexible Advantage Plus Program Matrix](#). Subject property must be subject to the laws of the state in which the loan is made.

### Eligible Property Types

- Single-Family Residence
- Planned Unit Development Type E (existing)
- Planned Unit Development Type F (new)\*
- Townhomes
- 2-4 unit Multi-Family Properties\*
- Modular Homes\*
- Condominium (low-rise and high-rise)\*
- Site Condominium
- Hobby Farms

\*See the [Carrington Flexible Advantage Program Matrix](#) / [CMS Carrington Flexible Advantage Plus Program Matrix](#) for LTV restrictions.

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Property (continued)

### Ineligible Property Types

- Manufactured / Mobile Homes
- Co-operative Units
- Condotels or Condo Hotels
- Non-Warrantable Condominiums
- Leaseholds
- Log Homes
- Rural Properties
- Farms or Hobby/Working / Income Producing Farms
- Unique Properties (Earth Homes, Berm Homes, Dome Homes, etc.)
- Properties with active oil, gas, or mineral drilling, excavation, etc.
- Hawaiian properties in lava zones 1 and 2
- Builder Model Leaseback
- Non-Conforming zoning regulations that prohibit rebuilding
- Illegally zoned properties
- State-approved medical marijuana producing properties

### Market Analysis Neighborhood Review

The neighborhood section should contain an accurate description of the subject's neighborhood and any factors about the neighborhood that may influence value. Specific neighborhood characteristics include the following:

- Degree of development
- Demand and supply
- Present land use
- Owner-occupancy
- Price range and predominant value
- Age of subject property
- Appeal to market and marketing time

### Compatibility of Subject Property and Neighborhood

The age and price of the subject property should generally be within the age and price ranges of properties in the subject neighborhood as reported on the URAR. Neighborhood factors indicating compatibility of the subject, such as present land use, predominant occupancy, and anticipated change in present land use are considered. Residential properties in areas that are zoned as either agricultural or commercial may be considered acceptable risks so long as their location does not impact marketability.

**Property (continued)**

**Market Analysis  
(continued)**

**Proximity of Comparable to Subject Property**

Whenever possible, comparable sales in the same neighborhood as the subject property should be used. Sales prices of comparable properties in the neighborhood should reflect the same positive and negative location characteristics.

For properties in established subdivisions, condo projects or PUDs, comparable sales from within the same subdivision or project as the subject property must be used if the subdivision or project has resale activity. Use of comparable properties located outside of the established subject neighborhood must be explained in the appraisal analysis.

For properties in new subdivisions, condo projects or PUDs, the subject property must be compared to other properties in its general market area as well as to properties within the subject subdivision or project. The appraiser must select one comparable sale from the subject subdivision or project and one comparable sale from outside the subject subdivision or project. The third comparable sale can be from inside or outside of the subject subdivision or project, provided it is a good indicator of value for the subject property.

**Age of Comparables**

Generally, appraisals should contain comparables sales dated within 6 months from the report date. Comparables from 6 to 12 months are permitted on a limited basis with an explanation from the appraiser. Older comparable sales that are the best indicator of value for the subject property may be used if appropriate. Underwriters to ensure value is supported and market acceptance has been demonstrated when older comparables are utilized.

**Property Values within Market Area**

The value of subject property should be in line with the home prices in the subject's market area. The appraiser must report the primary indicators of market condition for properties in the subject neighborhood as of the effective date of the appraisal by noting the following:

- the trend of property values
- the supply of properties in the subject neighborhood
- marketing time for properties

The appraiser must provide their conclusions for the reasons a market is experiencing declining property values, an over-supply of properties, or marketing times over 6 months. The Market Conditions Addendum (FNMA Form 1004MC) is required for all loans with appraisals of 1-4 unit properties.



# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Property (continued)

### Market Analysis (continued)

#### Redlining Prohibition

Prohibited bases such as race, ethnicity, gender, minority geography or any other prohibited basis category should not be included as an appraisal factor or considered when reviewing an appraisal. As a matter of policy, appraisal reports which make reference to a prohibited basis category (e.g. race or minority geography) are not acceptable. The use of code phrases as proxies for race which are not necessarily descriptive of value or risk is unacceptable. The information in the appraisal report must support in an objective manner any statement or conclusion contained in the report.

#### Over Improvements

An over-improvement is an improvement that costs more than its contributory value within the marketplace. The appraiser must comment on over-improvements and indicate their contributory value in the “sales comparison analysis” adjustment grid. Improvements can represent an over-improvement for the neighborhood, but still be within the neighborhood price range—such as a property with an in-ground swimming pool, a large addition, or an oversized garage in a market that does not demand these kinds of improvements. Underwriters must review appraisals on properties with over-improvements that may not be acceptable to the typical purchaser to ensure that only the contributory value of the over-improvement is reflected in the appraisal analysis.

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Property (continued)

### Valuation Analysis

#### Sales Comparison Approach

Each appraisal must contain an estimate of market value. Market value is defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller of property are typically motivated
- Both parties are well informed or well advised, acting in what they consider their best interest
- A reasonable time is allowed for exposure in the open market
- Payment is made in terms of cash in US dollars or in terms of comparable financial arrangements comparable
- The price represents the normal consideration for the subject property sold unaffected by special financing or sales concessions granted by anyone associated with the sale

A minimum of 3 closed comparables must be reported in the sales comparison approach. Additional comparable sales may be reported to support the opinion of market value provided by the appraiser. The subject property can be used as a fourth comparable sale or as supporting data if it was previously closed. Contract offerings and current listings can be used as supporting data, if appropriate.

Comparable sales utilized in the market approach should:

- Be within one mile of the subject property
- Have been closed within the last 6 months
- Indicate properties that are similar to the subject property with respect to age, size, features, amenities, etc.
- Result in an overall net adjustment not exceeding 15% of the sales price of that comparable and a gross adjustment not exceeding 25% of the sales price of that comparable
- Reflect adjustments for individual line items not exceeding 10%
- Have a sales price that is within the general range of value as the subject
- Have at least 3 of the comparables should be recently closed sales

In instances where comparables conforming to the criteria stated above cannot be used, the appraiser must clearly justify reasons for alternate comparables.

**Property (continued)**

**Valuation  
Analysis  
(continued)**

**Cost Approach**

When completed, the cost approach must clearly segregate value attributed to land, outbuildings, etc. If the ratio of land value to total value exceeds 35%, an explanation from the appraiser may be required to demonstrate conformance with neighboring properties. See also [Land Value](#). Appraisals that rely solely on the cost approach as an indicator of market value are not acceptable.

**Income Approach**

When the income approach to value is used, the appraisal report must include the supporting comparable rental and sales data and the calculations used to determine the gross rent multiplier. Appraisals that rely solely on the income approach as an indicator of market value are not acceptable.

**Valuation Analysis and Final Reconciliation**

In the final reconciliation, appraisers must reconcile the reasonableness and reliability of each applicable approach to value along with validity of the indicated values. The appraiser must select and report the approaches that were given the most weight. An averaging technique cannot be used.

**Appraisal  
Review Process**

The Appraisal Review Process requires a secondary due diligence product to support the appraised value for the transaction. Acceptable products, subject to the restrictions below include:

- Fannie Mae Collateral Underwriter (CU) score of 2.5 or lower
- Desk Review (must contain a value and comparative sales data to support the valuation result)
- Field Review
- Second Full Appraisal (**Note: appraisals must be completed by different, independent appraisers and the lower of the two appraised values used to determine value**)
- Review by Carrington Capital Management (CCM)

Due diligence product restrictions:

- To utilize the Fannie Mae Collateral Underwriter (CU) score, all of the following must be met:
  - LTV ≤ 80%,
  - Loan amount ≤ \$1,500,000, and
  - CU Score ≤ 2.5
- The following require a Desk Review (ineligible for CU):
  - Any loan where the LTV > 80%, or
  - CU Score > 2.5

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## Property (continued)

### Appraisal Review Process, continued

- The following require a Second Full Appraisal:
  - Loan amount > \$1,500,000
  - Flip Transactions
  - HPML\* New Construction Properties with any title transfer within 180 days prior to the sales contract date, or any title transfer after the sales contract date, including land-only and zero value title transfers, require a Second Full Appraisal.

**Please note:** title transfers from a builder to a wholly owned subsidiary of the builder are considered a “change of ownership” and require a Second Full Appraisal.

\*Refer to [HPML Requirements](#). Only Principal Dwellings are subject to HPML regulations, and the borrower may not pay for the second appraisal when ordered solely due to HPML flipping rules.
- The following requires a CCM Review:
  - Appraised value ≥ \$1,500,000. When two appraisals are present the lowest value is used.
- Desk Reviews, Field Reviews, and Second Full Appraisals, when required, must be ordered from a CMS-approved AMC. **A Second Full Appraisal must be completed by a different, independent appraiser than the first appraisal.** CMS reserves the right to request additional appraisal products at our discretion based on review of the appraisal and loan file.

### Appraisal Review Tolerance

A 10% tolerance is permitted for secondary review products. If the review product value is more than 10% below the appraisal value, the lower of the two values may be used, or an additional review product of a higher-level review may be ordered. The following review options may be utilized:

- Desk review
  - If the desk review value is not more than 10% below the appraised value, then use the appraised value.
  - If the desk review value is more than 10% below the appraised value, then
    - Use lower of the two values, or
    - Order a field review, or
    - Order a second full appraisal.
- Field review
  - If the field review value is not more than 10% below the appraised value, then use the appraised value.
  - If the field review value is more than 10% below the appraised value, then
    - Use lower of the two values, or
    - Order a second full appraisal.
- Second full appraisal
  - Use the lower of the two appraised values.

## PROPERTY CONSIDERATIONS

### **Accessory Units**

Properties with accessory units, also known as Granny units, mother-in-law suites, etc., are acceptable if all of the following are met:

- Property is typical, readily-acceptable, and common in the subject's market area
- Property must conform to all zoning laws and/or regulations. Illegal Accessory Units are not permitted.
- For an ADU that is legal non-conforming, the appraisal contains two (2) comparables with similar additional accessory units
- Accessory unit is substantially smaller than the primary dwelling
- Legal non-conforming use is acceptable provided its current use does not adversely affect value and marketability
- Any rental income received from the accessory unit may not be used for qualifying
- Existence of the unit must not jeopardize any future hazard insurance claim that may need to be filed for the property

See also [Rental Income from an ADU](#).

### **Additions without Permits**

If the appraiser identifies an addition(s) that does not have the required permit, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market value of the subject property.

### **Dampness**

If the appraisal report notes evidence of dampness, the appraiser must clearly define the effect on value and marketability of the subject property, as well as comment regarding the probable cause of the dampness problem. Generally, a structural engineer's report is required prior to making a loan decision. The cause of the dampness must be corrected prior to closing should the dampness problem indicate a structural deficiency and/or significant negative impact on value or marketability.

### **Deed Restrictions**

Deed restrictions impact the future transferability of a property. The following deed restrictions are allowed:

- Age Restricted Communities

Deed restrictions must be reviewed to ensure all of the following requirements are met:

- Appraisal supports property is common and typical for the market area
- Deed restriction must not impair or restrict the first mortgage holder's legal rights in the event of a default (or cure), foreclosure, or any other default measure
- Declarations must not contain any provisions that would require the first mortgage holder to send a notice of default or foreclosure to any third party
- Deed restriction must not require the lender to provide notification to the governing authority of any delinquency or default

## **Property Considerations (continued)**

### **Deferred Maintenance**

Property must be in average or better condition. Properties in C5 or C6 condition are not acceptable. Deferred maintenance is allowed subject to the requirements below.

CMS permits appraisals to be based on the “as is” condition of the property provided existing conditions are minor and do not affect the safety, soundness, or structural integrity of the property, and the appraiser’s opinion of value reflects the existence of these conditions.

Deferred maintenance is typically due to normal wear and tear from the aging process and the occupancy of the property. While such conditions generally do not rise to the level of a required repair, they must be reported. Examples of minor conditions and deferred maintenance include worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass.

Roofs must be water tight. If the appraiser notes any issues with the roof, a certification from a qualified contractor or roofer is required to verify the roof is water tight.

### **Disaster Areas**

CMS is responsible for identifying areas impacted by disasters and taking the appropriate steps to ensure the subject property has not been adversely affected. Examples of disasters include, but are not limited to, hurricanes, earthquakes, floods, landslides, tornadoes, wildfires, volcanic eruptions, civil unrest, and terrorist attacks.

Adverse events that receive a formal disaster declaration issued by local, state or federal departments of emergency management must follow the procedures listed below. A list of all federally declared disaster areas may be found on the FEMA website at <http://www.fema.gov/disasters>.

In addition, when there is knowledge of an adverse event occurring in and around the subject property’s geographic region and a formal declaration has not yet been made, additional due diligence is required to determine whether the disaster area guidelines must be followed.

#### **Time Period**

Guidelines for disaster areas should be followed for 90 days from the incident period ending date or the date the adverse event occurred, whichever is later.

#### **Appraisal Not Completed or Appraised Prior to Disaster Incident**

When the appraisal was completed prior to the disaster incident, or the appraisal has not been completed, an interior and exterior inspection of the subject property is required.

- Inspection must be completed by licensed third-party professional to certify the condition of the subject property and to identify any impact to habitability or marketability
- Inspection report must include photographs of front, rear and street view of the property
- Any damage must be repaired and re-inspected prior to purchase
- File must contain a copy of the inspection report and evidence of inspector licensing

## Property Considerations (continued)

### **Disaster Areas, continued**

An appraisal update or final inspection from the appraiser must also be obtained.

- Appraiser must comment on the adverse event and certify there has been no decline in value
- Existing damage must meet requirements in [Deferred Maintenance](#)

### **Appraised After Disaster Incident**

When the inspection date of the appraisal is after the disaster incident, the following requirements must be met:

- Appraiser must comment on the adverse event and any effect on marketability or value
- Existing damage must meet requirements in [Deferred Maintenance](#)

### **Disaster Incident Occurs After Closing, Prior to Funding or Purchase**

Loan is ineligible for purchase or funding until an appraisal update or final inspection from the appraiser is obtained.

- Appraiser must comment on the adverse event and certify there has been no decline in value
- Existing damage must meet requirements in [Deferred Maintenance](#)

### **Verbal Verification of Employment Re-Verification**

If a disaster event occurs after the Verbal Verification of Employment (VVOE) has been completed, CMS must obtain an update to ensure the borrower is still employed and that they are continuing to receive the same amount of income.

### **Electrical Systems**

An electrical certification from a licensed electrician is required if the appraisal notes a fair or poor rating concerning the adequacy or condition of the system. Any electrical inadequacies must be corrected prior to closing.

### **Environmental Hazards**

The appraisal report should note the existence of known environmental hazards and its effect on value and marketability of the subject property. Environmental hazards may include but are not limited to:

- Evidence of radon above EPA safety levels which is left untreated
- Properties built on or near toxic waste dumps, cleanup sites, etc.
- Presence of urea formaldehyde foam insulation (UFFI)

A property inspection completed by a licensed inspector is required in order to make final determination of the acceptability of the property. The mortgagor's acknowledgment of condition is required.

### **Escrows for Work Completion**

Not Allowed.



## Property Considerations (continued)

**Flood Zone** The appraisal should indicate if the property is located in a flood zone. Refer to [Flood Insurance](#) for additional information on flood certifications and flood insurance.

**Foundation Settlement** If the appraisal report notes evidence of excessive settlement, the appraiser must clearly define the effect on value and marketability of the subject property. Settlement problems which denote structural deficiencies and/or significant negative impact on value and marketability must be corrected prior to closing. Generally, a structural engineer's report is required prior to making a loan decision.

Properties with evidence of sinkhole activity are ineligible for financing.

**Hawaiian Lava Zones** Only mortgage loans secured by properties that are located within lava zones 3 through 9 on the island of Hawaii are eligible. Properties in lava zones 1 and 2 are not eligible due to the increased risk of property destruction from lava flows within these areas.

Hawaiian lava flow maps and other information are available online at the U.S. Geological Survey Hawaiian Volcano Observatory website.

**Heating Systems** A central heat source with ductwork or baseboard in all rooms is required on all properties. If subject does not have central heat, the appraiser must provide similar comparable properties and an addendum indicating:

- the heat source is typical for the area
- the heat source is permanently attached
- the heat source is adequate for the dwelling
- the heat source is externally vented

**Hobby Farms** Are typically small farms where the homeowner engages in farming activity for personal use and are eligible properties. In this case the primary use of the property is residential and the secondary use is for insignificant farming activity. CMS must determine whether the property is primarily residential based on the property characteristics, zoning and land use of the property. If the primary use of the property is residential, despite the presence of agricultural-type outbuildings, then the property is eligible. Working/income producing properties used primarily for farming or ranching are ineligible.

**Land Value and Acreage** Acreage and land value must be typical and common for the subject's market. Maximum acreage permitted is 10 acres. Investment property transactions are limited to 2 acres.

Special consideration should be taken for properties with land values that exceed 35% of the total property value to ensure the value is justified and the property has marketability. The appraisal report must provide data which indicates like-size properties with similar land values are typical and common in the subject's market area.

See also [Rural Properties](#).

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Property Considerations (continued)

### Log Homes

Log homes are ineligible.

### Mixed Use Properties

Properties that have a business use in addition to their residential use, such as a property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office are eligible when the following special eligibility criteria are met:

- The property must be a one-unit dwelling that the borrower occupies as a principal residence.
- The borrower must be both the owner and the operator of the business.
- The property must be primarily residential in nature.
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property.

The appraisal requirements for mixed-use properties must:

- provide a detailed description of the mixed-use characteristics of the subject property;
- indicate that the mixed use of the property is a legal, permissible use of the property under the local zoning requirements;
- report any adverse impact on marketability and market resistance to the commercial use of the property; and
- report the market value of the property based on the residential characteristics, rather than of the business use or any special business-use modifications that were made.
- report that no modifications have been made that would adversely affect marketability

### Modular Homes

Modular, prefabricated, panelized, or sectional housing homes are eligible for financing at a maximum LTV of 80%. Modular homes must meet all of the following requirements:

- Must assume the characteristics of site-built housing; and
- Must be legally classified as real property; and
- Must conform to all local building codes in the jurisdiction in which they are permanently located.

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## Property Considerations (continued)

### Multiple Dwellings on One Lot

Properties with two (2) or more detached single-family homes on a single lot are generally ineligible for financing. Single-family properties containing additional residential dwellings (guesthouse, carriage house, etc.) must comply with local zoning regulations. They must be typical and common within the subject's neighborhood. Typically, the additional dwelling is smaller than the main dwelling and will not be rented. The subject property should be appraised as a single-family residence. Any value for additional dwellings should be supported by comparable sales. See also [Accessory Units](#).

### Multiple Parcels

When a property consists of more than one parcel of real estate, the following requirements must be met:

- Each parcel must be conveyed in its entirety.
- Parcels must be adjoined to the other, unless they comply with the following exception. Parcels that otherwise would be adjoined, but are divided by a road, are acceptable if the parcel without a residence is a non-buildable lot (for example, waterfront properties where the parcel without the residence provides access to the water). Evidence that the lot is non-buildable must be included in the loan file.
- Each parcel must have the same basic zoning (for example, residential, agricultural).
- The entire property must contain only one dwelling unit. Limited additional nonresidential improvements, such as a garage, are acceptable. For example, the adjoining parcel must not have an additional dwelling unit. An improvement that has been built across lot lines is acceptable. For example, a home built across both parcels where the lot line runs under the home is acceptable.
- The mortgage must be a valid first lien that covers each parcel.

### New Construction

The following are required for all new construction properties:

- Appraisal Update and/or Completion Report (FNMA Form 1004D) with complete interior and exterior photos reflecting completion, if applicable. Proposed improvements are not allowed.
- To calculate property taxes for new construction, use the estimated taxes from the builder or escrow/closing agent or the following Prequalification Tax Rate Table can be used when other resources do not exist to provide tax information for the subject property county. This table contains recommended percentages; however, actual values should be used whenever possible.

For new construction property tax impounds set-up based solely on the land value, a letter from the borrower(s) is required. The letter must acknowledge the borrower(s) have been advised that the property tax amount disclosed on the First Payment Letter will be based on the land value only and the monthly payment amount will increase once the property is reassessed to include the land plus any improvements.

Refer to the [Property Tax Policy](#) for calculation of monthly taxes for qualification.

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## Property Considerations (continued)

New  
Construction  
(continued)

State	Prequalification Rate*	State	Prequalification Rate*
AK	1.50%	MT	1.00%
AL	0.50%	NC	1.00%
AR	0.75%	ND	1.75%
AZ	0.85%	NE	1.75%
CA	1.25%	NH	2.00%
CO	0.60%	NJ	2.00%
CT	1.25%	NM	0.75%
DC	0.75%	NV	1.00%
DE	0.50%	NY	1.50%
FL	1.50%	OH	1.40%
GA	1.00%	OK	1.00%
HI	0.30%	OR	1.00%
IA	1.50%	PA	1.50%
ID	0.80%	RI	1.50%
IL	1.50%	SC	0.70%
IN	1.00%	SD	1.50%
KS	1.30%	TN	1.00%
KY	1.00%	TX	2.25%
LA	0.60%	UT	0.75%
MA	1.25%	VA	1.25%
MD	0.80%	VT	1.50%
ME	1.25%	WA	1.00%
MI	1.50%	WI	1.75%
MN	1.25%	WV	0.60%
MO	1.00%	WY	0.60%
MS	0.70%		

Another source for a specific county may be utilized if this table is not reflective of that specific county. Additionally, if the actual tax information for the property is available then that is the information that should be used for all the calculations.

\*When the title report reflects additional tax assessments such as Mello Roos Community Facilities District (CFD), then a copy of the tax bill listing the additional tax assessment(s) must be obtained to determine the amount of property taxes above the Prequalification Tax Rate Table.

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## Property Considerations (continued)

<b>Pest Infestation</b>	If the appraisal report or sales contract notes evidence of termites or other insect infestation, a pest inspection report certifying treatment of the infestation prior to closing is required. Any significant structural damage due to pest infestation must be corrected prior to closing.
<b>Plumbing</b>	A plumbing certification from a licensed plumber is required whenever the appraisal states a fair or poor rating concerning the adequacy or condition of the system. Any inadequacies must be corrected prior to closing.
<b>Private Roads</b>	<p>Properties on private roads are acceptable subject to the following:</p> <ul style="list-style-type: none"><li>• The title company must insure access to the subject property from a public street; and</li><li>• A legally enforceable agreement or covenant for maintenance of the street is required.<ul style="list-style-type: none"><li>○ The agreement should include provisions for the responsibility for payment of repairs, including each party's representative share, default remedies in the event a party to the agreement or covenant fails to comply with his or her obligations, and the effective term of the agreement which in most cases should be perpetual and binding on any future owners.</li><li>○ If the property is located within a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required. Any maintenance costs are to be included in the borrower's housing ratio.</li></ul></li></ul> <p><b>Note:</b> Maintenance agreements are not required for private roads in Homeowners Associations (HOAs).</p>
<b>PUD (Planned Unit Development)</b>	<p>A Planned Unit Development (PUD) is a project or subdivision that consists of common property and improvements that are owned and maintained by an owners' association for the benefit and use of the individual PUD units. In order for a project to qualify as a PUD, each unit owner's membership in the owners' association must be automatic and non-severable and the payment of assessments related to the unit must be mandatory. Zoning is not a basis for classifying a project or subdivision as a PUD. The PUD project must be analyzed to ensure that an individual unit in the project will be acceptable security for the mortgage.</p> <p>There are two distinct classifications for PUD projects: Type E (established) and Type F (new).</p> <p><b>Detached PUDs</b></p> <p>If the subject property is a detached unit, no analysis is required.</p>

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Property Considerations (continued)

### PUD (Planned Unit Development) (continued)

#### Attached PUDs

Attached Type E PUD: the developer must have turned over voting control of the HOA to the unit purchasers. This is the sole criteria to qualify a Type E Project.

Attached Type F PUD: the developer has not turned over voting control of the HOA to the unit purchasers. The project must meet the following eligibility criteria:

- The project cannot have been created by the conversion of existing buildings into a PUD
- The project must not include any multi-dwelling units that represent the security for a single mortgage
- The project must not be composed of manufactured homes
- A sufficient number of the total units in the project (or legal phase) must have been conveyed or be under contract to be sold to the purchasers in order to determine whether the presales will support the responsibilities of the owners' association for at least 2 years
- The units must be owned in fee simple and the unit purchasers must have the sole ownership interest in, and right to the use of, the projects' facilities once control of the owners' association has been turned over to them

### Repairs and Escrow Holdbacks

The appraisal must identify all items that require repair. It should also include and describe physical deficiencies that could affect a property's soundness, structural integrity, livability or improvements that are incomplete. Any immediate or necessary repairs must be completed and re-inspected by the appraiser prior to closing. See also [Deferred Maintenance](#).

**Escrow Holdbacks are permitted only for delayed installation of landscaping on new construction properties, subject to the following requirements:**

- The builder must provide the contract, invoice, or bid from their landscape contractor. If the cost of landscaping has not been prepaid by the builder, the closing agent must withhold 150% of the bid amount from the builder's sales proceeds.
- An Escrow Holdback Agreement must be executed at closing.
- The default holdback period is 30 days. Extensions up to 6 months may be approved by CMS for weather delayed repairs.
- Once complete, a final inspection on FNMA form 1004D must be obtained. The closing agent must withhold the cost of the inspection at closing.
- Any excess builder funds may be disbursed back to the builder upon approval by CMS.

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## Property Considerations (continued)

### Rural Properties

Rural properties are not permitted. Properties are considered rural if the appraiser identifies the subject's Location as Rural in the Neighborhood section of the appraisal report. Additionally, properties with zip codes contained in Exhibit A – Tier 3 Markets by Zip Code require a 10% LTV reduction from the matrix LTV.

- Zip codes included in [Exhibit A - Tier 3 Markets by Zip Code](#), and:
  - Subject's Location is indicated as Rural by the appraiser: Ineligible. An exception may be considered where the LTV is at least 10% below the matrix LTV. Exception review and approval by CCM is required.
  - Subject's Location is indicated as Urban or Suburban on the appraisal report: Eligible with a 10% LTV reduction from the matrix LTV. LTV exceptions must be reviewed by CCM.
- Zip codes not included in [Exhibit A - Tier 3 Markets by Zip Code](#), refer to the Neighborhood section of the appraisal report:
  - Subject's Location is indicated as Rural by the appraiser: Ineligible. An exception may be considered, review and approval by CCM is required.
  - Subject's Location is indicated as Urban or Suburban on the appraisal report: Eligible.

### Septic System / Sewage Disposal System

Sewage disposal systems require certification if the appraiser or purchase contract indicates the necessity. The report should be provided by a city, county, state (or governing body) official or qualified entity stating:

- Sewage disposal system complies with applicable local and/or state health standards, is in proper working order, and can be expected to function satisfactorily; or
- Local and/or state health standards do not apply for the sewage disposal system; however, it is found to be in proper working order and adequate for the subject property.

For systems one-year-old or less, the certification must be no more than one-year-old on the date of closing. For systems more than one-year old, the certification should be no more than 120 days old on the date of closing.



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## Property Considerations (continued)

### Solar Panels

Properties with solar panels are eligible for financing. If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance, and title). If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, the following requirements apply (whether to the original agreement or as subsequently amended):

- The solar panels must not be included in the appraised value of the property.
- The property must maintain access to an alternate source of electric power that meets community standards.
- The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation unless the lease is structured to:
  - provide delivery of a specific amount of energy at a fixed payment during a given period, and
  - have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
- Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- The lease or power purchase agreement must indicate that:
  - any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
  - the owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the lender may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and
  - in the event of foreclosure, the lender or assignee has the discretion to:
    - terminate the agreement and require third-party owner to remove the equipment;
    - become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
    - enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

## Property Considerations (continued)

<b>Unconventional Floor Plans</b>	Properties with unusual floor plans or functional obsolescence are allowed if the appraisal demonstrates acceptability in the market place and includes appropriate adjustments. A floor plan sketch is required for all appraisals.
<b>Unpermitted Additions</b>	See <a href="#">Additions without Permits</a>
<b>Water Supply</b>	<p>Water certification must be obtained if required by the appraiser or purchase contract. The report should be provided by a city, county, state (or governing body) official or a qualified entity stating:</p> <ul style="list-style-type: none"><li>• The water supply system is in proper working order and pumping an adequate supply of water for the subject property; and</li><li>• The water supply is potable and complies with local and/or state health authority standards (in the absence of a local health authority, a reputable chemical testing agency must certify that the water is fit for human consumption). The water certification(s) for existing properties can be no more than 120 days old on the date of closing. If new construction, the report may be one-year old as of the date of closing.</li></ul>
<b>Zoning and Land-Use Regulations</b>	<p>Property improvements must constitute a legally permissible use of the land based on the zoning ordinance. If the improvements represent a legal, non-conforming use of land, a letter from the local building authority or appraiser must be obtained to certify the subject property can be rebuilt “as is” in the event of partial or total destruction.</p> <p>The appraiser must compare the existing and potential use of the subject property to the zoning regulations. In addition, the appraiser should note any adverse effect that a non-conforming use has on the value and marketability of the subject property.</p> <p>Special consideration must be given to properties that are subject to other types of land use regulations, such as coastal tideland or wetland laws, as setback lines or other provisions may prevent reconstruction or maintenance of the property improvements in the event of damage or destruction. The intent of some land-use regulations is to remove existing land uses and to stop land development (including the maintenance, or new construction, or seawalls) within specific setback lines. Except as stated above, properties with land-use restrictions which prohibit the reconstruction to maintenance the dwelling are ineligible.</p>

## CONDOMINIUMS

A condominium is a form of ownership in which the interior space is individually owned and the balance of the property (including land and building) is owned collectively with the other unit owners.

### **Definitions of Established and New Condominiums**

Specific eligibility criteria are dependent upon whether the condo project reviewed classified as established or new.

Established condominium projects meet the following criteria:

- At least 90% of the total units in the project have been conveyed to the unit purchasers
- Project is 100% complete, including all units and common elements
- Project is not subject to additional phasing or annexation
- Control of the HOA has been turned over to the unit owners

New condominium projects meet the following criteria:

- Fewer than 90% of the total units in the project have been conveyed to the unit purchasers
- The project is not fully completed, such as proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condo
- The project is newly converted
- The project is subject to additional phasing or annexation

### **General Condominium Requirements**

All condominium projects must meet the following requirements:

- All common areas and amenities within the project or subject phase must be complete.
- Subject unit must have at least 600 square feet of living space.
- The sustainability, marketability and financial stability of the project must be supported.
- Project must be located in an area where acceptability of condominium ownership is demonstrated.
- The project must be in compliance with all applicable state or local laws. The homeowners' association must be incorporated in the state where the project is located.
- Condo projects must have acceptable insurance coverage.
- An environmental hazard assessment is required for condo projects if an environmental problem is identified by CMS through performance underwriting or due diligence.

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## Condominiums (continued)

### General Condominium Requirements (continued)

- Projects with pending or threatened litigation are typically ineligible. Litigation may be acceptable if it is determined to be minor and immaterial.
- The project must be located on one contiguous parcel of land. The project may be divided by a public street.
- The structures within the project must be within a reasonable distance from each other. Common elements and facilities, such as recreational facilities and parking, must be consistent with the nature of the project and competitive in the marketplace.
- All programs are limited to a maximum number of units within one project of 20% or 20 loans, whichever is less.
- The maximum loan concentration by an individual borrower in a single condo development is 10%.

### Condominium Project Review

A valid project review is required for all condominium transactions, along with a completed *CMS Mortgage Homeowners' Association Certification*. The HOA certification may not be greater than 120 days old at the time of closing.

**Note:** 2-4 Unit properties require a full review including review of the budget/financials.

The project review methods below should be utilized to determine the acceptability of a condominium project:

#### PERS (Project Eligibility Review Service)

PERS project approvals: <https://www.fanniemae.com/singlefamily/project-eligibility>

Projects with Fannie Mae PERS approvals are acceptable and can be found on the Fannie Mae website. Projects must also meet the [General Condominium Requirements](#) and may not be an [Ineligible Project](#). A PERS approval is valid for 18 months from the date of issue and must be valid as of the note date.

New projects are acceptable only with a PERS approval.

#### FHA Approved Condominiums

FHA condo approvals: <https://entp.hud.gov/idapp/html/condlook.cfm>

Projects with FHA condo approvals are acceptable and can be verified on the HUD website. Projects must also meet the [General Condominium Requirements](#) and may not be an [Ineligible Project](#). An FHA condo approval must be valid as of the date of the note.

## Condominiums (continued)

### HOA Certification Review

For all established condominium projects without valid [PERS](#) or [FHA](#) approvals, or for projects that do not meet all the requirements of the various project review methods, an HOA Certification Review is required. CMS must review the completed CMS Mortgage Homeowners' Association Certification to ensure compliance with the following requirements:

- Project must meet the definition of an [established condo](#).
- At least 50% of the total units in the project must be conveyed to purchasers as primary or second homes.
- No more than 15% of the total units in a project may be 60 days or more past due on their HOA dues.
- No single entity, the same individual, investor group, partnership, or corporation may own more than 10% of the total units in the project. For projects with 1-4 total units, single entity ownership may not exceed 1 unit. For 5-20 unit projects, single entity ownership may not exceed 2 units.
- No more than 25% of the total square footage of the project may be used for commercial purposes.
- Mortgagee may not be responsible for more than the greater of 6 months or the maximum amount permitted under applicable state law of delinquent HOA dues. For condos in Florida, the first mortgagee's liability for dues assessed prior to its acquisition of title is limited to the lesser of 12 months' assessments or 1% of the original mortgage debt.
- All facilities related to the project must be owned by the unit owners or the HOA cannot be subject to a lease between the unit owners or HOA and another party.
- HOA certification reflects the funding of replacement reserves for capital expenditures and deferred maintenance that is at least 10% of the budget.

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## Condominiums (continued)

**Condominium Conversions** A condominium conversion is the conversion of an existing building to a condominium project. Project conversions legally created in the past 3 years are not allowed.

**Site Condominiums** Projects consisting of single-family detached dwellings (also known as site condominiums) are acceptable provided the appraisal supports market acceptance of site condominiums in the subject's market area. A Homeowners' Association Certification is not required.

Appraisals for site condos are to be documented on FNMA Forms 1004 Uniform Residential Appraisal Report or 1073 Individual Condominium Unit Appraisal Report. The appraiser should include an adequate description of the project, information about the homeowners' association fees, and note the quality of the project maintenance.

**Ineligible Projects**

- Projects comprised of manufactured homes
- Projects with units used for 'live-work'
- Projects managed and operated as a hotel or motel
- Projects containing the word hotel or motel in the name
- Projects that restrict the owner's ability to occupy the unit
- Projects with mandatory rental pooling agreements that require unit owners to either rent their units or give a management firm control over unit occupancy
- Projects with non-incidental business operations owned or operated by the homeowners' association (such as a restaurant, spa, health club, etc.)
- Common interest apartments
- Timeshare or segmented ownership projects
- Continuing Care Retirement Communities or Life Care Facilities
- Multi-unit dwelling condos that permit an owner to hold title to more than one dwelling unit, with ownership of all of his or her owned units evidenced by a single deed and financed by a single mortgage

## PROPERTY INSURANCE

### **Hazard Insurance**

#### **Minimum Hazard Insurance Coverage Amount**

Hazard insurance must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

Hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such limitations or exclusions, unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

The minimum requirements for the Hazard Insurance is outlined in the CMS Insurance Binder/Policy, which must be provided covering the subject property to include the following:

Coverage must be in an amount at least equal to the lesser of the replacement cost from the property appraisal or the base loan amount, or the policy must include "Guaranteed Replacement Cost" (if the policy includes "Extended Replacement Cost" the additional amount may be applied towards the dwelling amount).

Dwelling Coverage determined by totaling the following:

Dwelling Amount +  
Dwelling Amount (other structures)\*  
Extended Replacement Cost %

Example: \$100,000 (Dwelling) + \$10,000 (Other Structures) = \$110,000  
50% (Extended Replacement Cost) = \$165,000 (Total Dwelling Coverage)

- A Cost Estimator from the insurance agent may only be used to determine the replacement cost of the subject property in absence of an appraisal with a completed replacement cost.



## Property Insurance (continued)

### **Hazard Insurance (continued)**

#### **Deductible Amount**

The maximum allowable deductible for insurance covering a property securing a first mortgage loan is 5% of the face amount of the policy. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

#### **Evidence of Hazard Insurance**

Policy must be effective for at least 30 days after the date of funding (does not apply to condominium project insurance policies). Evidence of Insurance may be provided in one of the following forms:

- Policy
- Certificate of Insurance (COI)
- Insurance Binder

Evidence of Insurance must provide the following information:

- Names of borrowers reflect the same as the names on the note
- Property address agrees with the note/security instrument
- Mailing address is the same as property address
- Policy Number
- Loan Number
- Name of insurance company
- Insurance Agent information
- Effective and expiration dates of coverage
- Premium Amount
- Coverage amount and deductible
- Loss payee clause as applicable
- Signed and dated by agent

#### **Optional Coverage**

Hazard insurance policies may include optional coverage(s) which are acceptable, but are not required. For example, a “homeowners” or “package” policy is acceptable as long as any part of the coverage that exceeds the required coverage is not obligated for renewal.

## Property Insurance (continued)

### Hazard Insurance (continued)

#### Rating Requirements

The hazard insurance policy must be written by a carrier that meets at least one of the following requirements:

- Carriers rated by A.M. Best Company, Inc. must have:
  - a “B” or better Financial Strength Rating in Best’s Insurance Reports, or an “A” or better Financial Strength Rating and a Financial Size Category of “VIII” or
  - greater in Best’s Insurance Reports Non-US Edition
- Carriers rated by Demotech, Inc. must have an “A” or better rating in Demotech’s Hazard Insurance Financial Stability Ratings
- Carriers rated by Standard and Poor’s must have a “BBB” or better Insurer Financial Strength Rating in the Standard and Poor’s Ratings Direct Insurance Service

Policies underwritten by a state’s Fair Access to Insurance Requirements (FAIR) plan or other state insurance plan are also acceptable, if it is the only coverage that can be obtained.

An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

- A Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).
- A Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the subject property’s insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

Unless a higher maximum amount is required by state law, the maximum deductible amount for policies covering the common elements in a PUD project is the lesser of \$10,000 or 5% of the policy face amount. However, for losses related to individual PUD units that are covered by the blanket policy for the project, the maximum deductible related to the individual unit may not exceed 5% of the face amount of the insurance policy. Funds to cover these deductible amounts should be included in the operating reserve account that is maintained by the homeowners’ association.

## Property Insurance (continued)

### **Condominium and PUD Project Insurance Requirements**

#### **Minimum Hazard Insurance Coverage**

Insurance should cover 100% of the insurable replacement cost of the project improvements and common elements, including the individual units in the project.

If the subject property is an attached PUD or a condominium, the respective associations may acquire a blanket policy to cover the project. The entire project insurance policy should be reviewed to ensure the homeowners' association maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The policy must show the HOA as the named insured.

For PUD projects, individual insurance policies are also required for each unit. If the project's legal documents allow for blanket insurance policies to cover both the individual units and the common elements, blanket policies are acceptable in satisfaction of its insurance requirements for the units.

The policy must require the insurer to notify in writing the HOA (or insurance trustee) and each first mortgage loan holder named in the mortgagee clause at least 10 days before it cancels or substantially changes a condo project's coverage.

#### **HO-6 Insurance Coverage for Condominiums**

If the unit interior improvements are not included under the terms of the condominium policy, the borrower is required to have an HO-6 hazard policy ("wall-in coverage"), which is sufficient to repair the condo unit to its condition prior to a loss claim event.

#### **Deductible Amount**

For policies covering the common elements in a PUD project and for policies covering condo projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy.

For losses related to individual PUD units that are covered by the blanket policy for the project, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit. If, however, the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

**Property Insurance (continued)**

**Condominium  
and PUD  
Project  
Insurance  
Requirements  
(continued)**

**General Liability Coverage**

Project liability insurance requirements are as follows:

- The homeowners' association must maintain a commercial general liability insurance policy for condo projects or Type F PUD projects, including all common areas and elements, public ways, and any other areas that are under its supervision.
- The insurance should cover commercial spaces that are owned by the homeowners' association, even if they are leased to others. The commercial general liability insurance policy should provide coverage for bodily injury and property damage that result from the operation, maintenance, or use of the project's common areas and elements.
- The amount of liability coverage should be at least \$1,000,000 for bodily injury and property damage for any single occurrence.
- The policy should provide for at least ten days' written notice to the owners' association before the insurer can cancel or substantially modify it. For condominium projects, similar notice must also be given to each holder of a first mortgage or share loan on an individual unit in the project.

An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

- A Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); or
- A Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the subject property's insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

**Fidelity Bond Coverage**

Fidelity bond coverage is required for condominium projects over 20 units (or per state requirements). The insurance coverage must be at least equal to the greater of 3 months HOA dues or reserves or minimum required by state law. Coverage is not required when the calculated amount is \$5,000 or less.

## **Property Insurance (continued)**

### **Flood Insurance**

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). SFHAs are labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30.

Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing.

#### **Flood Certificate**

Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). The appraisal report should also accurately reflect the flood zone.

The flood insurance requirement can be waived if:

- Subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
- Borrower obtains a letter from FEMA stating that its maps have been amended so that the subject property is no longer in an area of Special Flood Hazard

#### **Minimum Flood Insurance Coverage**

The minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:

- 100% of the replacement cost of the insurable value of the improvements;
- the maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling; or
- the unpaid principal balance of the mortgage

#### **Project Flood Insurance Requirements**

The flood policy for a PUD or condominium project must cover any common element buildings and any other common property located in a SFHA. The amount of flood insurance coverage for a PUD or condo project should be at least equal the lesser of 100% of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Program (NFIP).

#### **Deductible Amount**

The maximum allowable deductible is the maximum available from the NFIP, which is currently \$10,000. The maximum allowed deductible for a PUD or condo project is \$25,000.

## Property Insurance (continued)

### **Flood Insurance (continued)**

#### **Evidence of Flood Insurance**

Flood insurance must be maintained throughout the duration of the loan. If final evidence of flood insurance is not available at closing, the following may be used:

- Completed and executed NFIP application with a copy of the borrower's premium check, the insurance agent's paid receipt.
- Completed and executed NFIP General Change Endorsement Form showing the assignment of the current flood insurance policy by the property seller to the borrower
- Agent-executed NFIP Certification of Proof of Purchase of Flood Insurance

Evidence of Insurance must provide the following information:

- Names of borrowers reflect the same as the note
- Property address agrees with the note/security instrument
- Mailing address is the same as property address
- Policy Number
- Loan Number
- Name of insurance company
- Insurance Agent information
- Effective and expiration dates of coverage
- Premium Amount and deductible
- Coverage amount
- Loss payee clause as applicable
- Signed and dated by agent

## TITLE INSURANCE

### **Title Policy Requirements**

Loans must be covered by a title insurance policy that has been paid in full and is valid, binding, and remains in full force and effect.

Preliminary title must indicate that the final title policy will be issued after funding.

The title insurer must be qualified to do business in the state where the subject property is located. The title insurer and policy must conform to Fannie Mae/Freddie Mac requirements.

### **Borrower Information**

All borrower names must be indicated on the title commitment. If the borrower's marital status appears to be different than on the URLA, the discrepancy must be addressed. The property seller's name must be cross referenced to the purchase agreement and valuation chain of title.

### **Coverage Amount**

The amount of title insurance coverage must at least equal the original principal amount of the mortgage.

### **Insured Name**

Title policy must insure that CMS's name appears in the security instrument. It must also include the language "its successors and assigns as their interest may appear."

### **Age of Report**

The preliminary title report/title commitment should be dated no later than 90 days prior to closing. Any requirements by title, such as Statements of Information or copies of trust agreements, must be cleared prior to closing.

### **Vesting**

Final title policy vesting should reflect the name(s) of the individual borrower(s). See [Vesting and Ownership](#).

### **Gap Coverage**

The preliminary title report/title commitment must be updated after closing in writing to ensure the mortgage is in first lien position and documented through one of the following:

- Final title policy
- Title bring-down search representing the period of time from the original search through the time the mortgage is recorded
- Gap coverage from the time of the original search until the mortgage is recorded, when the mortgage is not recorded at the time of diligence



## **Title Insurance (continued)**

### **Title Policy Requirements (continued)**

#### **Title Policy Forms**

The final title policy must be written on one of the following forms:

- 2006 American Land Title Association (ALTA) standard form
- ALTA short form
- ALTA form with amendments required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted, provided those amendments are acceptable to Fannie Mae/Freddie Mac

#### **Title Policy Underwriter**

A nationally recognized insurer or reinsurer which has received one of the following ratings must have underwritten the title insurance policy:

- BBB or better rating from Duff and Phelps Credit Rating Company
- C or better rating from LACE Financial Corporation
- Baa or better rating from Moody's Investors Service
- BBB or better rating from Standard and Poor's, Inc.
- A Financial Stability Rating of S (Substantial) or better, or a Statutory Accounting Rating of C (Average) or better from Demotech, Inc.

### **Title Commitment Review**

#### **Chain of Title**

All files are to contain a 24-month title history from an acceptable source. Transfer date, price, and buyer and seller names on any title transfers that occurred within the previous 24 months should be provided. The vesting history should be reviewed for inconsistencies or any indication of flipping activity.

#### **Title Exceptions**

The following items are allowable title exceptions:

- Customary public utility subsurface easements; the location of which are fixed and can be verified. The exercise of rights of easement will not interfere with use and enjoyment of any improvement of the subject property or proposed improvements upon which the appraisal or loan is based.
- Above-surface public utility easements that extend along one or more property lines for distribution purposes, or along the rear property line for drainage, provided they do not extend more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements, or with the use of the subject property; and public utility restrictions, provided their violation will not result in the forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the subject property.

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## Title Insurance (continued)

### Title Commitment Review (continued)

- Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them.
- Encroachments on one foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a 10-foot clearance between the buildings on the subject property and the property line affected by the encroachments.
- Encroachments on the subject property by improvements on adjoining property provided these encroachments extend one foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements.
- Encroachments on adjoining properties by hedges or removable fences.
- Liens for real estate or ad valorem taxes and assessments not yet due and payable.
- Outstanding oil, water, or mineral rights as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes.

## Survey Requirements

If the title company requires a survey or plat map due to an exception noted on the title policy, a copy must be submitted in the loan file. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. Unimproved land surveys are not acceptable.

Surveys should be reviewed for easements, encroachments, flood zone impacts, and possible boundary violations, taking into account the location of the dwelling on the property.

## Servicing

Borrowers are required to establish initial and monthly escrow for annual taxes, hazard insurance, flood insurance (if applicable), and HO-6 insurance coverage (if applicable), unless otherwise specified by applicable state law. One twelfth (1/12) of the annual premiums are to be paid with the principal and interest payments.

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**End of Document**

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## REVISION SUMMARY

Revision Summary	Date	Version	Description of Change
	09/15/23	8.3	<ul style="list-style-type: none"> <li>Revised <b>Non-Permanent Resident Alien &gt; Income / Employment</b> Requirements to remove note reading non-permanent residents as ineligible.</li> <li>Revised <b>Collections and Charge-Offs</b> requirements.</li> <li>Revised <b>Bank Statement Documentation</b> to remove non-permanent residents as ineligible.</li> <li>Revised <b>1099 Income Documentation</b> to remove non-permanent residents as ineligible.</li> <li>Revised <b>Profit &amp; Loss Income Documentation</b> to remove non-permanent residents as ineligible.</li> </ul>
	08/07/23	8.2	<ul style="list-style-type: none"> <li>Revised <b>Mortgage and Rental Payment Verification</b> to clarify VOM and VOR requirements.</li> <li>Revised <b>Reserves</b> to clarify gift fund requirements.</li> <li>Renamed <b>Repairs</b> to <b>Repairs and Escrow Holdbacks</b> and revised to add requirements for escrow holdbacks on delayed landscaping on new construction properties.</li> </ul>
	06/01/23 (06/16/23)	8.1	<ul style="list-style-type: none"> <li>Revised <b>Properties Listed for Sale</b> to add minimum 2-year prepayment requirements.</li> <li>Revised <b>Tradeline Requirements</b> to remove requirement for activity within the past 12 months and add requirements for manually rated trade lines.</li> <li>Updated <b>OPTION 1: DEFAULT EXPENSE FACTOR</b> calculation.</li> <li>Revised <b>Rural Properties</b> to add requirements for exceptions.</li> </ul> <p>Updated document with 40-Year Fixed program (06/16/23).</p>
	04/27/23	8.0	<ul style="list-style-type: none"> <li>Revised <b>General Refinance Requirements</b> seasoning to "property was acquired ≤ 6 months from the note date of the new mortgage (was application date).</li> <li>Revised <b>Fraud Report and Background Check</b> to clarify that a fraud report is not required for the business entity itself.</li> <li>Revised <b>Credit Score Requirements</b> to clarify FICO requirements are 500 or greater for Carrington Flexible Advantage or 620 or greater for Carrington Flexible Advantage Plus.</li> </ul>

Revision Summary (continued)	Date	Version	Description of Change
	03/22/23	7.9	<ul style="list-style-type: none"> <li>Revised <b>General Refinance Requirements</b> for determining LTV.</li> <li>Revised <b>Higher Priced Mortgage Loan Requirements</b> to remove second appraisal requirement for a different AMC.</li> <li>Revised <b>Flip Transactions</b> to simplify requirements and clarify a second full appraisal is required.</li> <li>Revised Power of Attorney to clarify Power of Attorney is not allowed on Texas Home Equity transactions.</li> <li>Revised <b>Business Bank Statements</b> documentation requirements to add multiple bank accounts may be used, but a combination of business and personal is prohibited.</li> <li>Revised 1099 Income Documentation to add <b>Carrington Flexible Advantage (CFA) is permitted and Refer to matrix for FICO and reserve requirements.</b></li> <li>Revised Profit &amp; Loss Income Documentation to add <b>Carrington Flexible Advantage (CFA) is permitted and Refer to matrix for FICO and reserve requirements.</b></li> <li>Added <b>Rental Income from an ADU</b> requirements.</li> <li>Revised <b>Reserves</b> to lower FICO requirement to 620 (was 700).</li> <li>Revised <b>Appraisal Review Process</b> to remove second appraisal requirement for a different AMC</li> <li>Revised <b>Accessory Units</b> requirements to add Illegal Accessory Units are not permitted and For an ADU that is legal non-conforming, the appraisal contains 2 comparables (was 3) with similar additional accessory units</li> <li>Revised <b>Site Condominiums</b> to update FNMA form requirements to 1004 Uniform Residential Appraisal Report or 1073 Individual Condominium Unit Appraisal Report.</li> </ul>

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## Revision Summary (continued)

Date	Version	Description of Change
01/04/23	7.8	Revised <b>Bank Statement Documentation</b> to clarify effective income requirements.
11/01/22 (11/08/22)	7.7	Revised <b>Prepayment Penalties, Points, and Fees</b> to remove requirement to obtain the Business Purpose Affidavit. Rebranded document with new logo (11/08/22).
04/28/22	7.6	Revised <b>Asset Documentation</b> to add "Asset statements must be dated within 90 days of closing".
04/18/22	7.5	<ul style="list-style-type: none"> <li>Revised <b>1-Year Alternative Income Documentation</b> to add Self-Employed 1099: 1 Year IRS Form 1099 Statements</li> <li>Added <b>1099 Income Documentation</b> and <b>P&amp;L Income Documentation</b> requirements (Permitted under the Carrington Flexible Advantage Plus (CFA+) program.)</li> <li>Revised <b>Self-Employed Income</b> to add "Borrowers who receive self-employed 1099 earnings may be qualified under the Sole Proprietorship guidelines by providing IRS Form 1040 tax returns for the most recent 1 or 2 years, or under the 1099 Income Documentation guidelines by providing IRS Form 1099 for the most recent 1 or 2 years."</li> </ul>
12/13/21	7.4	<ul style="list-style-type: none"> <li>Revised <b>First Time Home Buyers</b> required minimum credit score to 620.</li> <li>Revised <b>Business Assets</b> requirements to require 50% and add business assets must be multiplied by the borrower's ownership percentage of the business.</li> </ul>
10/12/21	7.3	Revised <b>Business Assets</b> to add " <b>Note:</b> The requested information shall not be interpreted as an assurance of solvency."
09/02/21	7.2	<ul style="list-style-type: none"> <li>Updated Asset Conversion (formerly Depletion) requirements.</li> </ul>
08/11/21	7.1	<ul style="list-style-type: none"> <li>Revised Soft Pull Credit Report requirement to 14 days.</li> <li>Revised Ineligible Property Types to add illegally zoned properties.</li> <li>Revised Appraisal Review Process.</li> </ul>
06/23/21	7.0	<ul style="list-style-type: none"> <li>Revised <b>Higher Priced Mortgage Loan Requirements</b> to add second appraisal must be "from a different AMC."</li> <li>Updated references to Letters of Explanation to clarify "Borrower(s) must write, sign, and date all Letters of Explanation themselves. The Lender or Broker may identify the subject matter only and not contribute to the letter's content."</li> <li>Updated <b>Flood Insurance</b> with SFHA zones.</li> </ul>
06/10/21	6.9	Added <b>Appraisal Re-Use</b> requirements.
05/24/21	6.8	<ul style="list-style-type: none"> <li>Revised <b>General Refinance Requirements &gt; Determining Loan-to-Value</b> to 6 months seasoning.</li> <li>Revised <b>Age of Credit Report / Credit Documentation</b> seasoning requirements.</li> <li>Revised <b>Forbearance due to Presidentially Declared Disasters, including COVID-19</b> payment requirements.</li> <li>Revised <b>Age of Loan Documentation</b> seasoning requirements.</li> <li>Revised <b>Personal Bank Statements</b> and <b>Business Bank Statements</b> documentation requirements.</li> </ul>
04/19/21	6.7	Revised <b>Appraisal Review Process</b> for Collateral Underwriter and Desk Review occupancy types.
03/23/21	6.6	Revised <b>Reserves</b> to add Cash-out proceeds are permitted for reserves with a FICO score greater than or equal to 700.
02/18/21	6.5	Updated references to Uniform Residential Loan Application (URLA) and 4506-T to 4506-C throughout.

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## Revision Summary (continued)

Date	Version	Description of Change
01/19/21	6.4	<ul style="list-style-type: none"> <li>Revised <b>Points and Fees</b> to add Texas Conversion loans are excluded from the 2.00% fee limitation.</li> <li>Revised <b>Bank Statement Documentation</b> to clarify requirements for money transfer service business account statements.</li> <li>Revised <b>Rural Properties</b> to remove exceptions are not permitted.</li> </ul>
11/06/20	6.3	Updated <b>Documenting Business Bank Account Ownership</b> .
09/29/20	6.2	Updated <b>Rural Properties</b> requirements.
09/23/20	6.1	Updated <b>Forbearance Due to a Disaster</b> requirements.
09/10/20	6.0	<ul style="list-style-type: none"> <li>Revised <b>Programs</b> to remove Investment Property Programs.</li> <li>Removed <b>Expanded Loan to Values</b> requirements.</li> <li>Revised <b>Occupancy &gt; Investment Property</b> to state "Investment properties are permitted on the Carrington Flexible Advantage Plus program only."</li> <li>Revised Purchase to state "Assignment of the sales contract is not permitted."</li> <li>Updated <b>Cash-Out Refinance &gt; Cash-Out Limits LTV</b> requirements.</li> <li>Revised <b>Higher Priced Mortgage Loan Requirements</b> to add HPML requirements.</li> <li>Revised <b>Flip Transactions</b> to remove assignments requirement.</li> <li>Revised <b>Land Contract /Contract for Deed</b> to clarify Cash-out and non-arm's length transactions are ineligible for both Land Contracts and Contracts for Deed.</li> <li>Revised <b>Credit Report &gt; Age of Credit Report</b> to 60 days (was 120 days).</li> <li>Revised <b>Carrington Flexible Advantage Housing Verification</b> to remove Investment Property Program requirements.</li> <li>Revised <b>Credit Analysis &gt; Housing Events</b> to remove Investment Property Program requirements.</li> <li>Revised <b>Age of Loan Documentation</b> seasoning requirements.</li> <li>Revised <b>Personal Bank Statements</b> remove Investment Property Program requirements and update business bank statements requirements.</li> <li>Revised <b>Business Bank Statements</b> to update the types of bank statements to be used for qualification</li> <li>Updated <b>Annuity Income</b> 1099 requirements.</li> <li>Revised <b>Asset Depletion</b> to not permitted and removed requirements.</li> <li>Revised <b>Pension / Retirement</b> 1099 requirements.</li> <li>Revised <b>Unemployment Compensation</b> 1099 requirements.</li> <li>Revised <b>Ratios and Qualifying</b> to update FICO requirement and remove 55% expanded ratio requirements.</li> <li>Revised <b>Residual Income</b> to remove 55% expanded ratio requirements.</li> <li>Revised <b>Asset Analysis &gt; Reserves</b> requirements.</li> <li>Revised <b>Concessions and Contributions</b> LTV requirements.</li> <li>Revised <b>Minimum Borrower Contribution</b> to clarify loan amount used is FHFA 1-unit Conforming Loan Limit.</li> </ul>

**Revision  
Summary  
(continued)**

Date	Version	Description of Change
09/10/20	6.0 (cont)	<ul style="list-style-type: none"> <li>Revised <b>Eligible Property Types</b> to remove Non-Warrantable Condominiums.</li> <li>Revised <b>Ineligible Property Types</b> to add Non-Warrantable Condominiums.</li> <li>Revised <b>New Construction</b> to add property tax impound requirements.</li> <li>Removed <b>Non-Warrantable Condominiums</b> requirements.</li> </ul>
02/06/20	5.9.2	<ul style="list-style-type: none"> <li>Revised <b>Rate / Term Refinance</b> to clarify requirement that property taxes must be pre-paid. Payment of delinquent property taxes is not permitted for rate/term refinances.</li> <li>Revised <b>Cash Out Refinance</b> to clarify requirement that payment of delinquent property taxes is permitted for cash out refinances and must be paid with borrower funds or cash out proceeds.</li> <li>Added <b>Delinquent Property Taxes</b> requirements.</li> <li>Revised <b>Bank Statement Documentation</b> to add Borrower may not be an employee of any other borrower.</li> <li>Revised <b>Employment History &gt; Gaps in Employment</b> to clarify recent graduates with evidence of post-secondary education from a college, university, community college, Junior college, Career school, technical school, or vocational/trade school are allowed.</li> <li>Revised <b>Employment by a Relative</b> to add note that if a borrower is employed by a relative, and the relative is also a borrower on the loan, the relative that owns the business may not use bank statement documentation for qualifying.</li> <li>Revised <b>Eligible Property Types</b> to add Hobby Farms.</li> <li>Revised <b>Ineligible Property Types</b> to remove Hobby Farms and add Income Producing Farms.</li> <li>Added description of <b>Hobby Farms</b>.</li> </ul>



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## Revision Summary (continued)

Date	Version	Description of Change
12/16/19	5.9.1	<ul style="list-style-type: none"> <li>Added <b>Foreign Borrowers</b> requirements.</li> <li>Revised <b>First Time Home Buyers</b> requirements.</li> <li>Revised requirements for <b>Gaps in Employment</b>.</li> <li>Revised <b>Appraisal Review Process</b> to update New Construction requirements.</li> </ul>
11/19/19	5.9	<ul style="list-style-type: none"> <li>Added <b>Expanded Loan-to-Values</b></li> <li>Revised <b>Payoff of Debt</b> to add Personal debt being paid through the closing is required to reflect the name of the creditor as the payee.</li> <li>Revised <b>Non-Permanent Resident Alien &gt; Credit Requirements</b> to remove Qualifying Foreign Credit requirements</li> <li>Revised <b>OPTION 1: DEFAULT EXPENSE FACTOR</b> to remove "higher or"</li> <li>Revised <b>Minimum Borrower Contribution</b> to remove 5% Waiver requirements.</li> <li>Revised <b>Ineligible Property Types</b> to remove properties subject to Rent Control</li> <li>Revised <b>Condominium Project Review</b> to add 2-4 Unit properties require a full review including review of the budget/financials.</li> </ul>
09/25/19	5.8	<ul style="list-style-type: none"> <li>Revised <b>Bank Statement Documentation</b> add Exceptions are not permitted for Non-Permanent Resident Aliens and Foreign Nationals and Foreign sources of income are ineligible.</li> <li>Revised <b>Bank Statement Documentation &gt; Rental Income</b> requirements.</li> <li>Revised <b>Foreign Income</b> to add borrower who is self-employed.</li> <li>Added <b>Royalty Payment Income</b> requirements (mirrors FNMA)</li> <li>Revised <b>Adjustable Rate Qualifying and Interest Only Payment Qualifying</b> to state qualifying rate is rounded up to the nearest eighth percentage.</li> <li>Revised <b>Borrowed Funds Secured by an Asset</b> to clarify requirements for using 401(k).</li> <li>Revised <b>Property Considerations &gt; New Construction</b> to remove calculation for CA and refer to Property Tax Policy for calculation of monthly taxes for qualification.</li> </ul>
08/12/19	5.7	<ul style="list-style-type: none"> <li>Revised <b>Collections and Charge-Offs Paid through Closing Transaction</b> to require either a payoff demand or credit report or supplement for documentation.</li> <li>Revised <b>Business Bank Statements</b> to include additional requirements for calculating qualifying Income using Expense Factors and Expense Statements.</li> <li>Revised <b>Notes Receivable Income</b> to require 12 months history (formerly 2 years). Removed requirement to obtain copy of the note.</li> <li>Revised <b>Tips and Gratuities</b> documentation requirements.</li> <li>Revised Unemployment Compensation documentation requirements.</li> <li>Revised <b>Ineligible Property Types</b> to add Mobile Homes.</li> </ul>

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## Revision Summary (continued)

Date	Version	Description of Change
07/22/19	5.6	<ul style="list-style-type: none"> <li>Revised <b>Cash-Out Refinance &gt; Seasoning</b> to add 6 month requirements for vesting changes from a Trust or LLC.</li> <li>Revised <b>Vesting</b> to add Vesting in the name of an LLC is not permitted</li> <li>Revised Soft Pull Credit Report to clarify “calendar” days</li> <li>Revised <b>No Housing History or Less than 12 Months Verified</b> to add Alternative Income Documentation and Bank Statement Documentation are allowed for properties owned free and clear.</li> <li>Revised <b>Bank Statement Documentation</b> to clarify statements must be consecutive and reflect the most recent months available as of the “application” date ( previously was closing date)</li> <li>Added <b>Interest Only Payment Qualifying</b> requirements</li> </ul>
06/12/19	5.5	<ul style="list-style-type: none"> <li>Revised <b>Property Characteristics</b> to add “all property repairs must be completed prior to closing with no exceptions. Escrow holdbacks are not permitted.”</li> <li>Revised <b>Cash Flow Analysis</b> to add additional requirements.</li> <li>Revised <b>Appraisal Review Process</b> to add new appraisal requirements.</li> <li>Revised <b>Appraisal Review Tolerance</b> to add new appraisal requirements.</li> </ul>
06/10/19	5.4	<ul style="list-style-type: none"> <li>Revised <b>1-Year Alternative Income Documentation</b> to remove rental income as ineligible under Supplemental Income.</li> <li>Corrected <b>Adjustable Rate Qualifying</b> to state the floor is the start rate (not margin).</li> <li>Revised <b>Deferred Maintenance</b> to add requirements for roofs to be water tight.</li> </ul>
06/03/19	5.3	<ul style="list-style-type: none"> <li>Updated <b>Fraud Report and Background Check</b> section to add exclusionary lists.</li> <li>Revised <b>Consumer Credit Counseling Service (CCCS)</b> to clarify if the CCCS accounts are being paid off through our closing transaction, the 12 months seasoning is not required.</li> <li>Revised <b>Business Debt</b> to add a recently opened debt may replace a similar paid-off liability and both liabilities may be used to meet the 6 month requirement.</li> <li>Revised <b>Employment / Income Documentation</b> to separate the Confirmation of Employment requirements for self-employed borrowers and add CPA letter requirements.</li> <li>Revised <b>Self-Employed Income</b> to add requirements for using tax returns.</li> <li>Revised <b>Ineligible Property Types</b> to add Hawaiian properties in lava zones 1 and 2</li> <li>Revised <b>Property Considerations</b> to add requirements for Hawaiian Lava Zones</li> </ul>
05/20/19	5.2	<ul style="list-style-type: none"> <li>Revised <b>First Time Investors</b> to clarify they are not allowed for non-owner occupied properties.</li> <li>Updated <b>Verification of Assets</b> to add Real Estate Commission requirements.</li> </ul>

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## Revision Summary (continued)

Date	Version	Description of Change
04/25/19	5.1	<ul style="list-style-type: none"> <li>Added Texas Conversion (Refinance) Transactions section and reference to the Refinancing an Existing Home Equity Loan - Texas Conversion Transactions section</li> <li>Revised Cash-Out Refinance &gt; Seasoning to add requirements for removing properties from a Trust/LLC.</li> <li>Renamed Refinancing an Existing Home Equity Loan to Refinancing an Existing Home Equity Loan - Texas Conversion Transactions and added minor clarification for rate/term refinance.</li> <li>Revised Retirement Accounts</li> <li>Revised Ineligible Property Types to add Properties with active oil, gas, or mineral drilling, excavation, etc.</li> <li>Revised Deferred Maintenance to align with FNMA requirements.</li> </ul>
04/02/19	5.0	<ul style="list-style-type: none"> <li>Revised <b>General Refinance Requirements</b> to add requirements for <b>Refinances of Short Payoffs</b>.</li> <li>Revised <b>Ineligible Borrowers</b> to remove *Corporations, Partnerships, and LLCs permitted for Investment Properties only</li> <li>Added requirements for <b>Collections and Charge-Offs Paid through Closing Transaction</b></li> <li>Revised <b>Chapter 13 Bankruptcy</b> to clarify, "If the bankruptcy has late payments within the last 12 months, they must be paid off and the loan must be graded as Credit Grade C."</li> <li>Revised <b>Housing Events</b> to clarify Seasoning of a foreclosure is measured from the date of the Sheriff's sale or foreclosure auction. Seasoning of a deed-in-lieu or short sale is measured from the date of completed sale or final property transfer.</li> <li>Revised <b>Concessions and Contributions</b> to add requirements for Interested Parties.</li> <li>Added requirements for <b>Relocation and Employer Assistance</b></li> </ul>
03/26/19	4.9	<ul style="list-style-type: none"> <li>Added <b>Higher Priced Mortgage Loans (HPML)</b> section and requirements</li> <li>Revised <b>Flip Transactions</b> section to add timeframes and HPML requirements</li> <li>Revised <b>Vesting</b> section to add Vesting in the name of a Trust is not permitted.</li> <li>Removed <b>Vesting in the Name of a Business Entity</b>.</li> <li>Revised <b>Multiple Financed Properties</b> to add clarification that additional reserves are not required when the subject property is a primary residence.</li> <li>Revised <b>Mortgage and Rental Payment Verification</b> to clarify verification is required for all borrowers.</li> <li>Revised <b>Delinquent Credit Belonging to Ex-Spouse</b> to add note that CMS will follow State specific divorce laws for acceptable documentation.</li> <li>Revised <b>Housing Events</b> to clarify Foreclosure seasoning is measured from the date of the Sheriff's sale or foreclosure auction.</li> <li>Revised <b>Employment/ Income Documentation</b> to remove 4506T requirement for loans utilizing bank statement documentation</li> <li>Revised <b>Appraisal Review Process</b> to add HPML requirements</li> <li>Revised <b>Property Considerations</b> to add requirements for Additions without Permits</li> </ul>

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## Revision Summary (continued)

Date	Version	Description of Change
03/07/19	4.8	<ul style="list-style-type: none"> <li>Added <b>Documenting Business Bank Account Ownership</b> requirements</li> <li>Revised <b>Calculating Qualifying Income</b> to add "Qualifying income must be multiplied by the percentage of ownership the borrower is entitled to."</li> <li>Revised <b>Mixed Use Properties</b> to remove DD Firm appraisal requirements.</li> </ul>
02/19/19	4.7	<ul style="list-style-type: none"> <li>Added <b>Vesting in the Name of a Business Entity (Investment Properties Only)</b> requirements.</li> <li>Revised <b>Ineligible Borrowers</b> to add *Corporations, Partnerships, and LLCs permitted for Investment Properties only.</li> <li>Revised <b>Employment/Income Documentation</b> to remove requirement for obtaining 4506T at application.</li> <li>Revised <b>Appraisal Review Process</b> to clarify different Due Diligence product restrictions</li> </ul>
02/07/19	4.6	<ul style="list-style-type: none"> <li>Revised <b>Urban Homestead Definition</b> to remove Rural requirements</li> <li>Revised <b>Borrowers</b> to add CMS limits the maximum number of borrowers on one loan to eight (8).</li> <li>Revised <b>Bankruptcy</b> to add Note: Open Chapter 13 bankruptcy will be graded per the mortgage rating.</li> <li>Revised <b>1-Year Alternative Income Documentation</b> to add Business Bank Statements and remove DTI requirement</li> <li>Revised <b>Bank Statement Documentation</b> to add additional NSF requirements and reference to new NSF Check and Overdrafts section</li> <li>Revised <b>Personal Bank Statements</b> to remove DTI requirement</li> <li>Revised <b>Business Bank Statements</b> to clarify Verification of business existence required within 10 business days of closing ( was calendar days)</li> <li>Added new <b>NSF Checks and Overdrafts</b> section and requirements</li> <li>Revised <b>Appraisal Review Process</b> to remove AVM from bulleted list</li> </ul>
01/22/19	4.5	<ul style="list-style-type: none"> <li>Revised <b>Notes Receivable Income</b> to obtain tax returns for the most recent 12-month period (formerly 2 years)</li> <li>Revised <b>Rental Income from Other Real Estate Owned</b> to add "To calculate rental income from a departure residence when converting a current residence into a rental: 75% of a lease minus the full PITIA may be used."</li> <li>Revised <b>Properties Listed for Sale</b> to clarify requirements for LOE.</li> </ul>
01/17/19	4.4	<ul style="list-style-type: none"> <li>Updated <b>Prepayment Penalty</b> requirements.</li> </ul>

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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## Revision Summary (continued)

Date	Version	Description of Change
01/14/19	4.3	<ul style="list-style-type: none"> <li>Deleted <b>Continuity of Obligation</b> requirements.</li> <li>Added <b>Co-Signers</b> definition</li> <li>Removed Guarantors from <b>Borrower Types</b></li> <li>Revised <b>Vesting</b> to expand requirements</li> <li>Added <b>Vesting for Non-Borrowing / Non-Title Spouse</b> requirements</li> <li>Revised <b>Credit Score Requirements</b> to add requirements for co-borrowers who earn the exact same amount.</li> <li>Added <b>Rapid Rescore</b> requirements</li> <li>Revised <b>Bankruptcy</b> to clarify Chapter 13 dismissal seasoning requirements by Credit Grade.</li> <li>Revised <b>Housing Events for CFA Credit Grade C</b> to remove the LOE requirements</li> <li>Revised <b>Child Support, Alimony or Maintenance Obligations</b> to add repayment plan requirements.</li> <li>Revised <b>Undisclosed Debts</b> to remove pay history requirement and add 30 day requirement.</li> <li>Revised <b>Employment/ Income Documentation &gt; Pay Stubs and W-2s</b> to add W-2 transcripts may be used in lieu of paper W-2s.</li> <li>Revised <b>Employment/ Income Documentation &gt; Federal Income Tax Returns</b> to add 1040 transcripts may be used in lieu of paper 1040s when the breakdown of the individual schedules are not required for qualifying purposes.</li> <li>Revised <b>Bank Statement Documentation</b> to clarify NSF requirements and add Paypal account statement restriction</li> <li>Revised <b>Rental Income</b> to remove Operating Income Statement form (FNMA Form 216)</li> <li>Revised <b>Calculating Rental Income from the Subject Property and Rental Income from Other Real Estate Owned</b> to clarify the circumstances warrant utilizing 75% of the current lease agreement</li> <li>Revised <b>Unacceptable Income</b> to add income from marijuana sales (medical and recreational)</li> <li>Revised <b>Reserves</b> to add Bank Statement Income: 6 Months and All income types meeting the reduced parameters can receive the reduced reserves.</li> <li>Revised <b>Gifts of Equity</b> to clarify relatives and delete FHA definition of Family Member</li> <li>Revised <b>Retirement Accounts</b> to clarify the qualification requirements</li> <li>Revised <b>PACE, HERO and other Energy Efficiency Loans</b> to clarify the loans may not remain on title</li> <li>Revised <b>Uniform Residential Appraisal Report (URAR)</b> to remove Operating Income Statement form (FNMA Form 216)</li> <li>Revised <b>Age of Appraisal and Appraisal Updates</b> to 240 days (formerly 12 months) and remove interior photo.</li> <li>Revised <b>Minimum Property Standards</b></li> <li>Revised <b>New Construction</b> to add clarification for calculating property taxes</li> </ul>

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

Mortgage Lending Division

Version 8.3 – 09/15/23



## Revision Summary (continued)

Date	Version	Description of Change
12/03/18	4.2	<ul style="list-style-type: none"> <li>Revised <b>Occupancy &gt; Primary Residence</b> to add additional requirement that Borrower shall occupy the property as a principal residence within 60 days after closing and continue to occupy the property as a principal residence for at least one year after the date of occupancy,</li> <li>Revised <b>Non-Occupant Co-Borrowers/ Co-Signers/ Guarantors</b> to add <b>Note</b>: if a non-occupant co-borrower is the primary wage earner, their credit score will be used for qualifying purposes.</li> <li>Revised <b>Credit Score Requirements</b> to clarify the primary wage-earner may be an occupying or non-occupying co-borrower.</li> <li>Revised <b>Disputed Tradelines</b> to clarify disputed account may not be waived.</li> <li>Revised <b>Past Due Accounts</b> to clarify debts may be more than 30 past due as long as they will be paid off at closing.</li> <li>Added new <b>Qualifying Reserves on ARM Loans</b> requirements.</li> </ul>
11/20/18	4.1	<ul style="list-style-type: none"> <li>Added new <b>Payoff in Less than 12 Months</b> requirements.</li> <li>Revised <b>Properties Listed for Sale</b> to include submission date in addition to application date</li> <li>Revised <b>Cash-Out Refinance &gt; Seasoning</b> requirements and added reference to Continuity of Obligation.</li> <li>Revised <b>Flip Transactions</b> to clarify newly constructed properties require a second appraisal</li> <li>Revised <b>Asset Depletion</b> to clarify retirement assets may go up to 70% for borrowers of retirement age that do not have a 10% withdrawal penalty.</li> <li>Revised <b>Appraisal Review Process</b> to clarify newly constructed properties require a second appraisal.</li> <li>Revised <b>Gifts of Equity</b> to add definition of family member.</li> </ul>
11/09/18	4.0	<ul style="list-style-type: none"> <li>Revised <b>Bank Statement Documentation</b> to clarify Overdraft Protection Transfers are not considered an NSF.</li> <li>Revised <b>Bank Statement Documentation &gt; Rental Income</b> to "Obtain the most recent lease agreement(s) for rental properties and proof of receipt at the current lease rate using a cancelled check or bank statement. Calculate the qualifying rents by using 75% of the current lease minus the full PITIA."</li> </ul>



# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

Mortgage Lending Division

Version 8.3 – 09/15/23



## Revision Summary (continued)

Date	Version	Description of Change
11/09/18	4.0	<ul style="list-style-type: none"> <li>Revised <b>1099 Miscellaneous Income</b> to add "When a borrower is qualified solely on W-2 wages and secondary 1099 income is discovered during the underwriting process, tax returns are not required unless the borrower requests the secondary business income to be considered."</li> <li>Revised <b>Ineligible Property Types</b> to remove Agriculturally zoned and Properties that provide income to borrower</li> <li>Revised <b>Minimum Hazard Insurance Coverage Amount</b> to align with standard CMS Hazard Insurance requirements and removed Deephaven overlay.</li> <li>Revised <b>Evidence of Hazard Insurance</b> to require that "policy must be effective for at least 30 days (previously was 60 days) after the date of funding."</li> </ul>
11/02/18	3.9	<ul style="list-style-type: none"> <li>Revised <b>Cash-Out Refinance Transactions</b> to clarify Cash-Out LOE requirements and Seasoning requirements.</li> <li>Added requirements for <b>Forbearance Due to a Disaster</b>.</li> <li>Revised <b>Bank Statement Documentation</b> to add self-employment can be verified by two (2) years of business licenses or a CPA letter.</li> <li>Revised <b>Personal Bank Statements</b> to clarify Investment Program allows for 12 or 24 months of bank statements.</li> <li>Revised <b>Ineligible Property Types</b> to remove Mixed Use Properties.</li> <li>Renamed <b>Mixed Use Defined</b> to <b>Mixed Use Properties</b> and added mixed use requirements.</li> <li>Revised Non-Warrantable Condos to increase <b>Single Entity Ownership</b> from 20% to 30%.</li> </ul>
10/18/18	3.8	<ul style="list-style-type: none"> <li>Revised <b>OPTION 2: THIRD-PARTY PREPARED EXPENSE STATEMENT</b> to remove to remove the Borrower P&amp;L option.</li> <li>Revised <b>Rental Income from Other Real Estate Owned</b> seasoning to 1 year for properties owned for less than 1 year (formerly 2 years) to calculate rental income.</li> <li>Revised <b>Gift Funds</b> to add: Gift funds must be from a relative: defined as the borrower's spouse, child, or other dependent; or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner.</li> <li>Revised <b>Appraisal Review Process</b> to add Desk Review as an option.</li> <li>Revised <b>Private Roads</b> to add Maintenance agreements are not required for private roads in Homeowners Associations (HOAs).</li> <li>Revised <b>Non-Warrantable Condominiums</b> to state All Non-Warrantable condominiums must have a valid project review along with a completed CMS Mortgage HOA Certification (previously only allowed on exception basis).</li> </ul>



# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

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Version 8.3 – 09/15/23



## Revision Summary (continued)

Date	Version	Description of Change
09/27/18	3.7	<ul style="list-style-type: none"> <li>Revised <b>Business Bank Statements</b> to clarify Option for either 12 or 24 month complete business bank statements. Added note: If borrower elects 12 months, additional LLPA's apply</li> <li>Deleted <b>Written Explanations for Derogatory Credit</b> requirements.</li> <li>Revised <b>Multiple Financed Properties</b> to add no limit on financed properties.</li> <li>Revised <b>Limited Tradelines</b> to clarify FICO requirements to calculate LTV</li> <li>Deleted <b>Payment Shock</b> requirements.</li> <li>Revised <b>Bank Statement Documentation</b> to clarify Overdraft coverage is not considered an NSF.</li> <li>Revised <b>Non-Occupant Co-Borrowers/ Co-Signers/ Guarantors</b> to be Allowed</li> <li>Revised <b>Bank Statement Documentation</b> to remove the Borrower P&amp;L option. Bank Statement Documentation is now either: Option 1: 50% Expense Factor OR Option 2: Third-Party Prepared Expense Statement.</li> <li>Revised <b>Rental Income</b> to add Boarder Income may not be used.</li> </ul>
09/13/18	3.6	<ul style="list-style-type: none"> <li>Added <b>Anti-Steering</b> requirements to General Program Information</li> <li>Revised <b>Cash-out Refinance</b> to remove Cash out is not allowed for Investment Properties in Texas restrictions.</li> <li>Revised <b>Texas Home Equity Loans &gt; Occupancy</b> to remove "Cash-out transactions are not permitted on 2nd homes and investment properties in Texas under any programs."</li> <li>Revised <b>Subject Property and Rental Income from Other Real Estate Owned &gt; Calculating Rental Income</b> to 12-months (formerly 24-months) requirements</li> <li>Revised <b>Appraisal Review</b> to add Fannie Mae Collateral Underwriter (CU) score requirements</li> </ul>
08/27/18	3.5	<ul style="list-style-type: none"> <li>Revised <b>Non-Permanent Resident Alien</b> to remove ineligible program types</li> <li>Revised <b>Personal Bank Statement Documentation &gt; Calculating Qualifying Income</b> to remove Income indicated on the initial signed 1003</li> <li>Revised <b>Business Bank Statement Documentation &gt; Calculating Qualifying Income</b> to remove Income indicated on the initial signed 1003</li> </ul>
08/16/18	3.4	<ul style="list-style-type: none"> <li>Added <b>First Time Investors</b> are not allowed.</li> <li>Deleted overlay in <b>Rental Income</b> with requirements for converting a current residence to a rental unit.</li> <li>Revised <b>Assets Analysis &gt; Secondary/Subordinate Financing</b> to add requirements for PACE, HERO and other Energy Efficiency Loans.</li> <li>Revised the <b>Appraisal Review Section</b> with new CDA requirements effective 8/16/18.</li> </ul>

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

Mortgage Lending Division

Version 8.3 – 09/15/23



## Revision Summary (continued)

Date	Version	Description of Change
07/12/18	3.3	<ul style="list-style-type: none"> <li>Deleted <b>Loan Age</b> section and requirements</li> <li>Revised <b>Full Documentation</b> to clarify Income documentation requirements.</li> <li>Revised <b>Rental Income</b> to add requirements for converting a current residence to a rental unit.</li> <li>Revised <b>Alternative Income Documentation</b> to add transcript requirements.</li> </ul>
07/03/18	3.2	<ul style="list-style-type: none"> <li>Added Texas Refinance Requirements</li> <li>Updated Cash-out Limits</li> <li>Revised Appraisal Review Process to \$2.0M</li> </ul>
06/29/18	3.1	<ul style="list-style-type: none"> <li>Rebranded Guidelines to Carrington Flexible Advantage Program (formerly Non-Prime) and Carrington Flexible Advantage Plus Program (formerly Near Prime)</li> <li>Removed Near-Prime 95% LTV requirements.</li> </ul>
06/21/18	3.0	Revised <b>OPTION 1: BORROWER PREPARED P&amp;L STATEMENT</b> to add Bank Statement average income per Bank Statement Calculator and remove Net income using the Bank Statements and Income indicated on the initial signed 1003.
06/19/18	2.5	<ul style="list-style-type: none"> <li>Revised <b>OPTION 1: BORROWER PREPARED P&amp;L STATEMENT</b> to add Net income using the Bank Statements.</li> <li>Updated Investment Property requirements throughout.</li> <li>Deleted Investor Advantage requirements throughout.</li> </ul>
05/17/18	2.4	<ul style="list-style-type: none"> <li>Revised <b>Cash-Out Refinance &gt; Seasoning</b> section to remove property acquired through inheritance</li> <li>Revised <b>Inherited Properties and Property Buyouts</b> section to add "For inherited properties, a minimum of six (6) months must have elapsed since the most recent mortgage transaction on the subject property (either the original purchase transaction or subsequent refinance). Note date to note date is used to calculate the six (6) months."</li> <li>Updated <b>Tradeline Requirements</b> to add Disputed Tradelines requirements</li> <li>Added <b>Temporary/Contract Income</b> requirements.</li> <li>Revised <b>Asset Depletion</b> to add restricted stock and margined accounts are not considered qualified assets and are not eligible.</li> </ul>
05/03/18	2.3	<ul style="list-style-type: none"> <li>Added Near-Prime Program requirements throughout.</li> <li>Added <b>1-Year Alternative Income Documentation</b> requirements.</li> <li>Added <b>Asset Depletion</b> requirements to the <b>Sources of Income</b> section.</li> </ul>

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

Mortgage Lending Division

Version 8.3 – 09/15/23



## Revision Summary (continued)

Date	Version	Description of Change
04/24/18	2.2	<ul style="list-style-type: none"> <li>Revised <b>Employment/ Income Documentation</b> to add requirements when no tax transcripts are available.</li> <li>Revised <b>Verbal Verification of Employment (VVOE)</b> to reflect 10 business days (previously 10 calendar days).</li> <li>Updated <b>Ineligible Property Types</b> to align with published matrix. Added Leaseholds, Agriculturally Zoned, Properties that provide income to borrower, Working Farms, Properties with oil, gas, or mineral rights, Builder Model Leaseback and Non-Conforming zoning regulations that prohibit rebuilding.</li> </ul>
04/10/18	2.1	Added Limited Power of Attorney requirements.
04/02/18	2.0	<p>New version 2.0 for applications taken on and after 4/2/18.</p> <ul style="list-style-type: none"> <li>Revised <b>Programs</b> with new Non-Prime program codes of A, B and C</li> <li>Revised <b>Cash-out Limits</b> for Non-Prime program to \$500,000 and removed 10% LTV Reduction column from table.</li> <li>Corrected <b>Flip Transactions</b> to reflect “seller” not underwriter.</li> <li>Revised <b>First Time Home Buyers</b> to increase required FICO to 580 (previously 560)</li> <li>Revised <b>Mortgage and Rental Payment Verification &gt; Non-Prime Housing Verification</b> to reflect Credit Grade C (previously RHE) and changed Recent Housing Event to Housing Event throughout</li> <li>Revised <b>Bankruptcy &gt; Non-Prime Program &gt; Chapter 7 or 11 Bankruptcy</b> to refer to the non-prime matrix</li> <li>Revised <b>Housing Events</b> to remove definition of Recent Housing Event.</li> <li>Revised <b>Housing Events &gt; Non-Prime Program</b> to reflect new Credit Grades and seasoning requirements. A = 24 months, B = 12 months and Credit Grade C (previously RHE) = no seasoning.</li> <li>Revised <b>Employment/Income Analysis &gt; Bank Statement Documentation &gt; Calculating Qualifying Income &gt; Option 1</b> to reflect Borrower Prepared P&amp;L Statement (previously Third Party Prepared P&amp;L Statement). Additionally, revised Total monthly average deposits per bank statements (minus any disallowed deposits) must be within 10% (previously 5%) of gross revenue reflected on P&amp;L.</li> <li>Revised <b>Ratios and Qualifying &gt; Ratios</b> to remove Housing Ratio requirements. Updated Expanded Ratios to reflect new A and B Credit Grades. For <b>50% Debt Ratio</b> added 620 Credit score requirement and removed Full Doc or 24-Month Personal Bank Statement Program only requirement.</li> <li>Revised <b>Depository Accounts</b> to add Payable on death (POD) depository account requirements.</li> </ul>

# Carrington Flexible Advantage/Flexible Advantage Plus Underwriting Guidelines

Mortgage Lending Division

Version 8.3 – 09/15/23



## Revision Summary (continued)

Date	Version	Description of Change
03/27/18	1.5	<ul style="list-style-type: none"> <li>Revised <b>Borrowers &gt; Non- Permanent Resident Aliens &gt; Verification of Residency Status</b> section to add Non-Permanent Resident Aliens who do not have a green card or a valid visa or if they only have an employment authorization document (EAD) are ineligible.</li> <li>Revised <b>Rolling Late Payments</b> and <b>Past Due Accounts</b> sections to add Investor Advantage requirements.</li> <li>Revised <b>Investor Advantage Credit Grade &gt; Forms</b> section to add 2 copies of Business Purpose &amp; Occupancy Affidavit form is required.</li> </ul>
03/13/18	1.4	<ul style="list-style-type: none"> <li>Added requirements for <b>IRS Taxes Owed (No Lien)</b>.</li> <li>Revised <b>Non-Arm's Length Transactions</b> to remove Property seller foreclosure bailouts</li> <li>Revised <b>Limited Power of Attorney</b> – not permitted</li> <li>Added Seasoning Requirements for <b>Vesting and Ownership</b></li> <li>Revised <b>Ineligible Borrowers</b> to add DACA</li> <li>Added <b>Document Images</b> requirements</li> <li>Revised <b>Pay Stubs and W-2s</b> to add handwritten paystub requirements</li> <li>Revised <b>Self-Employed Income</b> to add Liquidity Test is not required</li> <li>Revised <b>Verification of Assets &gt; Borrowed Funds Secured by an Asset</b> to add Real Estate as eligible</li> <li>Revised <b>Verification of Assets &gt; Unacceptable Funds</b> to add cryptocurrency</li> <li>Revised <b>Property Considerations</b> to add Mixed Use definition</li> </ul>
02/12/18	1.3	<ul style="list-style-type: none"> <li>Revised <b>Appraisal Review</b> section.</li> <li>Revised <b>Transferred Appraisal</b> requirements.</li> <li>Added <b>24 Months Bank Statement</b> requirements.</li> <li>Revised <b>Reserve Requirements</b>.</li> </ul>
01/31/18	1.2	<ul style="list-style-type: none"> <li>Added <b>Continuity of Obligation</b> requirements.</li> <li>Revised <b>Employment History -Gaps in Employment</b> section requirements.</li> <li>Added <b>Like-Kind Exchanges</b> requirements.</li> </ul>

**Revision  
Summary  
(continued)**

Date	Version	Description of Change
01/29/18	1.1	<ul style="list-style-type: none"> <li>Revised <b>Documentation</b> section to reflect Full Documentation is required.</li> <li>Revised <b>Prepayment Penalties, Points, and Fees</b> section to reflect Prepayment Penalties are not required.</li> <li>Revised <b>Fraud Alerts</b> section.</li> <li>Revised <b>Credit Report</b> section to add "Soft Pull".</li> <li>Revised <b>Residual Income</b> section.</li> <li>Revised <b>First Time Investor</b> to make them ineligible for Investor Advantage credit grade.</li> <li>Revised <b>Student Loans</b> to add Income Based Repayment (IBR) requirements.</li> <li>Revised <b>Log Homes</b> and <b>Rural Properties</b> to be ineligible property types.</li> <li>Removed references to Expanded Prime and Near Prime products.</li> <li>Updated urls throughout the document.</li> </ul>
01/12/18	1.0	New document.

Exhibit A – Tier 3 Markets by Zip Code

EXHIBIT A

Use **Control+F** to search for zip codes

Alaska	99553	99571	99583	99612	99661	99546	99547	99692	99638	99591	99660	99685	99551	99552	99557	99559	99561	99575	99578	99589
	99607	99609	99614	99545	99621	99622	99626	99630	99634	99690	99641	99651	99655	99656	99668	99637	99679	99680	99681	99613
	99633	99670	99744	99729	99704	99755	99743	99555	99569	99576	99580	99628	99636	99678	99827	99821	99824	99801	99802	99803
	99811	99812	99850	99556	99568	99572	99603	99605	99610	99611	99631	99635	99639	99663	99664	99669	99672	99682	99901	99950
	99928	99608	99615	99619	99697	99624	99643	99644	99550	99564	99565	99548	99579	99606	99625	99640	99647	99648	99649	99653
	99549	99629	99785	99739	99742	99753	99762	99659	99769	99771	99772	99671	99778	99684	99783	99784	99721	99791	99723	99747
	99789	99766	99759	99734	99782	99786	99727	99736	99749	99750	99751	99752	99761	99763	99770	99773	99918	99921	99922	99923
	99925	99926	99903	99927	99919	99835	99820	99825	99826	99829	99832	99840	99841	99732	99737	99738	99731	99764	99776	99780
	99566	99573	99574	99586	99588	99677	99686	99693	99554	99563	99581	99604	99620	99585	99632	99666	99650	99657	99658	99662
	99830	99833	99836	99929	99689	99720	99558	99722	99724	99726	99730	99788	99733	99740	99741	99590	99602	99745	99746	99748
	99754	99757	99756	99627	99758	99760	99691	99765	99767	99768	99665	99774	99675	99777	99781	99779	99584			
Alabama																		36507	36511	36526
	36530	36532	36533	36535	36536	36542	36547	36549	36550	36551	36555	36559	36561	36562	36564	36567	36574	36576	36527	36577
	36578	36579	36580	36016	36017	36027	36072	36048	36029	36053	36061	36089	36015	36030	36033	36037	36456	36855	36862	36863
	36854	35959	35960	35973	35983	36275	36904	36908	36910	36912	36913	36915	36916	36919	36921	36922	36501	36727	36515	36524
	36436	36446	36540	36451	36545	36762	36784	36482	36251	36255	36258	35082	36266	36267	36261	36262	36264	36269	36273	36323
	36330	36331	36346	36453	36351	36429	36432	36401	36454	36473	36475	36026	35072	35089	35136	35183	36420	36421	36442	36038
	36455	36467	36474	36476	36483	36009	36028	36034	36041	36042	36049	36062	36071	35019	35033	35053	35055	35056	35057	35058
	35070	35077	35083	35087	35098	35179	36311	36322	36362	36350	36352	36360	36361	36371	36374	36759	36761	36767	36758	36773
	36775	36701	36702	36703	35961	35962	35963	35967	35968	35971	35974	35975	35978	35981	35984	35986	35988	35989	36502	36503
	36504	36426	36427	36441	36543	35956	35542	35545	35546	35555	35559	35571	35581	35582	35653	35654	35585	35593	36317	35740
	35958	35744	35745	35746	35966	35979	35751	35752	35755	35764	35765	35766	35768	35769	35771	35772	35774	35776	35544	35552
	35574	35576	35586	35592	36852	36785	36031	36039	36866	36075	36083	36087	36088	36732	36736	36738	36745	36748	36754	36763
	36764	36782	36783	35543	35548	35563	35564	35570	35594	35950	35951	35016	35957	35964	35747	35976	35980	35175	36425	36439
	36444	36445	36449	36457	36458	36460	36461	36462	36470	36471	36480	36481	36756	36786	35442	35447	35461	35466	35471	35481
	36005	36010	36035	36079	36081	36082	36263	36274	36276	36278	36280	36901	36907	35459	35460	35464	35470	35477	36925	35014
	35032	35044	35096	36268	35149	35150	35151	35160	35161	35010	35011	36850	36853	36256	36023	36861	36513	36518	36529	36538
	36539	36548	36556	36553	36558	36569	36581	36583	36584	36585	36720	36721	36722	36723	36726	36728	36435	36741	36751	36753
	36766	36768	36769	35540	35541	35551	35553	35565	35572	35575	35577	36906	36570	36586	36431	36779	36270	36778		
Arkansas																			72003	72026
	72038	72042	72048	72055	72140	72160	72166	71635	71642	71646	71658	71661	71663	71676	72617	72623	72626	72537	72635	72544
	72642	72651	72653	72654	72658	72659	72611	72615	72630	72633	72601	72602	72644	72662	72682	71631	71647	71651	71671	71744
	71745	71766	72613	72616	72631	72632	72638	72660	71638	71640	71653	71920	71921	71923	71998	71999	71721	71728	71743	71962
	71772	72422	72424	72430	72435	72441	72453	72454	72456	72461	72464	72470	72523	72530	72044	72543	72545	72067	72546	72130
	72131	72581	72179	71740	71753	71754	71752	71861	71770	72027	72030	72063	72080	72107	72110	72127	72156	72157	72324	72347
	72373	72387	72396	71725	71742	71748	71763	71630	71639	71654	71666	71662	72379	71670	71674	71655	71656	71657	71675	71677
	72515	72520	72531	72538	72539	72554	72576	72578	72583	72412	72425	72436	72439	72443	72450	72451	72474	71825	71831	71838
	71801	71802	71847	71855	71862	71929	71933	71941	71942	72105	72104	71833	71851	71852	71859	71971	72501	72503	72522	72524
	72526	72527	72534	72550	72553	72562	72564	72568	72571	72575	72579	72165	72517	72519	72528	72536	72540	72512	72556	72561
	72565	72566	72573	72584	72585	72587	72005	72014	72043	72431	72075	72112	72471	72473	72169	72073	72830	72832	72839	72840
	72845	72846	72852	72854	71826	71827	71845	71860	72410	72415	72433	72434	72440	72445	72457	72458	72459	72572	72465	72466
	72469	72476	72311	72320	72341	72352	72360	72368	71820	71822	71836	71853	71865	71866	72826	72927	72835	72943	72851	72855
	72951	72863	72865	72619	72634	72661	72668	72672	72677	72687	71839	72310	72313	72315	72316	72321	72426	72329	72330	72428
	72338	72319	72350	72351	72438	72358	72442	72370	72391	72395	72021	72029	72069	72108	72134	71935	71957	71960	71961	71966
	71965	71969	71970	71722	71828	71835	71857	71858	71864	72624	72628	72640	72641	72648	72655	72666	72856	72670	72683	72685
	71720	71701	71711	71726	71751	71764	72312	72328	72333	72342	72353	72355	72366	72367	72369	72374	72383	72389	72390	71922
	71940	71943	71950	71952	71958	71959	71932	71937	71944	71945	71953	71972	71973	72823	72837	72843	72847	72858	72801	72802
	72811	72812	72679	72017	72041	72040	72064	72066	72170	72413	72444	72449	72455	72460	72462	72478	72322	72326	72335	72336
	72340	72346	72348	72359	72372	72392	72394	72926	72841	72944	72950	72958	72636	72639	72645	72650	72669	72675	72686	71823
	71832	71841	71842	71846	72513	72521	72525	72529	72532	72542	72569	72577	72482	72533	72051	72555	72560	72663	72567	72657
	72680	71724	71730	71731	71747	71749	71750	71758	71759	71762	71765	71768	72013	72028	72031	72629	72088	72141	72153	72010
	72012	72020	72045	72052	72060	72068	72081	72082	72085	72102	72121	72136	72137	72139	72143	72145	72149	72178	72006	72036
	72059																			

### Exhibit A – Tier 3 Markets by Zip Code

California				95646	96120	95601	95699	95629	95640	95642	95644	95654	95665	95666	95669	95675	95685	95689	95221	95222	
	95223	95224	95225	95226	95228	95229	95232	95233	95245	95246	95247	95248	95249	95250	95251	95252	95254	95255	95257	95912	
	95932	95950	95955	95970	95979	95987	95531	95532	95538	95543	95548	95567	95913	95920	95939	95943	95951	95963	95988	95511	
	95518	95521	95524	95514	95525	95526	95528	95534	95501	95502	95503	95536	95537	95540	95542	95545	95546	95547	95549	95550	
	95551	95519	95553	95554	95555	95556	95558	95559	95569	95560	95562	95564	95565	95570	95571	95589	95573	93513	93514	93515	
	93522	92328	93526	93530	93542	93545	93549	92384	92389	95422	95423	95424	95426	95435	95443	95467	95451	95453	95457	95458	
	95461	95464	95485	95493	96009	96109	96113	96114	96117	96119	96121	96068	96123	96128	96127	96130	96132	96136	96137	95306	
	95311	95318	93623	95325	95338	95345	95389	95410	95415	95417	95418	95420	95427	95428	95429	95432	95437	95445	95449	95454	
	95585	95456	95459	95460	95463	95466	95587	95468	95469	95470	95481	95482	95488	95490	95494	96006	96101	96015	96104	96108	
	96110	96112	96115	96116	96054	93512	93517	96107	93529	93541	93546	96133	95924	95712	96111	95945	95949	95959	95724	95960	
	95946	95975	95728	96160	96161	96162	95986	96129	95915	96103	95923	96020	96105	96106	95934	95947	95956	96122	95971	95980	
	95983	95984	96135	95910	96124	95936	95944	96118	96125	96126	96014	96023	96025	96027	96031	96032	96034	96037	96038	96039	
	96044	96050	96058	96057	96064	96067	96085	96086	95568	96134	96094	96097	96021	96029	96035	96055	96059	96061	96063	96074	
	96075	96078	96080	96090	96092	96010	95527	96024	96041	96046	96048	96052	95552	95563	96091	96093	95595	95305	95309	95310	
	95314	95321	95327	95335	95346	95347	95364	95370	95372	95373	95375	95379	95383	95931							
Colorado																81101	81102	81136	81146	81121	81127
	81128	81147	81157	81029	81064	81073	81084	81087	81090	81038	81044	81054	81057	81211	81228	81227	81236	81242	81201	80802	
	80810	80825	80862	81120	81124	81129	81140	81141	81148	81151	81123	81126	81133	81138	81152	81033	81034	81062	81063	81076	
	81252	81253	81410	81413	81414	81415	81416	81418	81419	81420	81428	81320	81324	81332	81620	81621	80423	80426	81631	81632	
	81637	80463	81645	81649	81657	81658	81655	81212	81215	81221	81222	81223	81226	81290	81232	81233	81240	81244	81636	81623	
	81601	81602	81647	81635	81650	81652	80442	80446	80447	80451	80459	80468	80478	80482	81210	81224	81225	81230	81231	81247	
	81237	81239	81241	81243	81434	81235	81040	81055	81089	80430	80434	80473	80480	81021	81036	81045	81071	80805	80807	80815	
	80834	80836	80861	80429	80461	81251	81122	81301	81302	81303	81326	81137	81329	81020	81024	81027	81046	81049	81059	81081	
	81082	81091	80804	80818	80821	80823	80826	80828	80722	80726	80728	80736	80741	80745	80747	80751	81130	81625	81626	81610	
	81633	81638	81640	81653	81321	81323	81327	81328	81330	81331	81334	81335	81411	81220	81401	81402	81403	81422	81424	81425	
	81429	81431	80723	80701	80733	80705	80649	80750	80653	80654	81030	81039	81050	81058	81067	81077	81427	81432	80721	80731	
	80734	80746	81611	81612	81642	81654	81615	81656	81041	81043	81047	81052	81092	81641	81648	81125	81132	81135	81144	81154	
	80428	81639	80467	80469	80477	80487	80488	80479	80483	81131	81143	81149	81248	81155	81433	81325	81423	81426	81430	81435	
	80737	80744	80749	80424	80435	80443	80497	80498	80720	80801	80812	80740	80743	80757	80727	80735	80822	80824	80755	80758	
	80759	81134	81153	81421	81246	81066	81042	81074													
Connecticut									06750	06063	06751	06752	06018	06021	06753	06754	06024	06031	06755	06756	
	06791	06757	06758	06039	06759	06763	06057	06776	06777	06058	06778	06779	06781	06061	06782	06065	06783	06068	06069	06785	
	06079	06786	06787	06790	06792	06793	06794	06795	06796	06094	06098	06798	06230	06278	06233	06234	06331	06332	06235	06239	
	06241	06243	06244	06242	06245	06246	06247	06354	06255	06256	06373	06374	06258	06259	06260	06262	06263	06264	06266	06267	
	06377	06277	06387	06226	06280	06281	06282														
Delaware							19930		19931	19933	19939	19940	19971	19941	19944	19945	19947	19950	19951	19956	
	19958	19960	19963	19966	19967	19968	19969	19970	19973	19975											
Florida											32622	32042	32044	32058	32091	32421	32424	32430	32449	34464	
	34465	34423	34428	34429	34433	34434	34436	34442	34445	34446	34448	34487	34447	34450	34451	34452	34453	34460	34461	32038	
	32024	32025	32055	32056	32061	34265	34266	34269	34267	34268	32628	32648	32680	32692	32320	32329	32322	32328	32323	33471	
	33944	32456	32457	32465	32052	32053	32096	33834	33865	33873	33890	33440	33930	33935	33975	33825	33826	33852	33862	33857	
	33870	33871	33872	33875	33876	33960	32425	32452	32464	32420	32423	32426	32431	32432	32440	32442	32443	32445	32446	32447	
	32448	32460	32013	32066	32621	32625	32626	32644	32639	34449	32668	32683	32696	34498	32321	32334	32335	32360	32331	32059	
	32340	32341	32350	33043	33036	33051	33037	33040	33041	33045	33001	33050	33052	33042	33070	34972	34973	34974	32007	32112	
	32131	32149	32140	32139	32138	32147	32148	32157	32666	32177	32178	32181	32185	32187	32189	32193	33513	33514	33521	33538	
	34484	33585	32162	32163	33597	34785	32008	32060	32064	32062	32071	32094	32347	32348	32356	32357	32359	32054	32026	32083	
	32697	32422	32433	32435	32439	32434	32538	32455	32459	32427	32428	32437	32462	32463	33044	32454					
Georgia																	31513	31515	31563	31624	
	31642	31650	31510	31034	31059	31061	31062	30511	30530	30547	30558	31750	31622	31749	31639	31645	31014	30415	30450	30452	
	30458	30459	30460	30461	39813	39846	39862	39866	31547	31548	31558	31565	31568	31569	30439	30451	31537	31562	30730	30731	
	30747	30753	39824	39851	31623	31630	31631	31634	31512	31519	31533	31534	31535	31554	31567	31722	31744	31747	31753	31756	
	31768	31776	31788	31771	31620	31627	31637	31647	31712	31010	31015	39815	39817	39818	39819	39825	39834	39852	31011	31012	
	31023	31060	31077	31007	31051	31070	31091	31092	39823	39832	39841	39861	30624	30634	30635	31002	30425	30447	30448	30464	
	30401	30471	30414	30417	30423	30429	30513	30541	30555	30559	30560	30520	30521	30639	30553	30662	30522	30539	30536	30540	
	30810	30820	30701	30703	30139	30732	30733	30734	30735	30746	39827	39828	39829	39897	30642	30665	30669	30678	30510	30523	
	30531	30535	30544	30563	30580	31087	30516	30643	31760	31769	31774	31798	30517	30529	30599	30548	30549	30565	30567	30575	
	31532	31539	30803	30413	30434	30818	30823	30477	30833	30442	30822	31049	31096	31009	31019	31021	31040	31022	31027	31065	
	31075	30454	30817	30533	30597	31041	31057	31063	31068	31058	39837	31716	31730	31739	31779	31784	30410	30412	30445	30470	
	30473	30623	30625	30645	30650	30663	31008	31030	31516	31518	31551	31556	31557	30104	30125	30138	30153	31036	31024	31026	
	39854	39867	30525	30537	30552	30562	30568	30573	30576	30581	39836	39840	39886	31806	30424	30446	30449	30455	30467	39845	
	39859	30538	30557	30577	30598	31814	31815	31821	31825	31709	31719	31711	31735	31743	31764	31780	31801	31810	31812	31827	
	31836	30631	30664	30420	30421	30427	30438	30453	30499	31006	31039	31076	31081	31037	31544	31549	31055	31083	31626	31738	
	31765	31773	31778	31757	31758	31792	31799	31727	31733	31775	31793	31794	31795	30436	30474	30475	30546	30582	30457	30230	
	30240	30241	30261	31833	31714	31783	31790	30512													



Exhibit A – Tier 3 Markets by Zip Code

Hawaii																		
	96755	96749	96750	96739	96760	96764	96771	96704	96710	96718	96719	96720	96721	96725	96726	96727	96728	96740
	96705	96714	96715	96716	96741	96746	96747	96751	96752	96754	96756	96765	96766	96769	96722	96796	96708	96713
	96733	96742	96748	96753	96757	96790	96761	96767	96763	96768	96770	96779	96788	96784	96793	96775		96745
Iowa	50858	50839	50841	50857	50859	52140	52146	52151	52160	52162	52170	52172	52544	52549	52555	52571	50002	50837
	52594	50025	50042	50076	50110	50117	51543	50031	50036	50037	50099	50040	50152	50156	50212	50223	50607	52210
	50644	50648	50650	52326	52329	50671	50682	50510	51002	51033	50565	50568	50576	50585	50588	50592	50602	50604
	50611	50619	50625	50636	50649	50660	50665	50670	50538	50551	50552	51449	51453	50561	50563	50575	50579	50586
	51401	50058	51440	51443	51444	51451	51452	51455	51459	51463	50020	50022	50843	51535	51544	51552	50853	50274
	52747	52255	52306	52337	52772	52358	50428	50433	50401	50402	50457	50464	50467	50469	50477	50479	50482	51005
	51029	51035	51037	51049	51061	50603	50630	50645	52154	50658	50659	50661	50174	50213	50275	51333	51338	51340
	51047	51357	51301	51366	52042	52043	52044	52047	52048	52049	52052	52156	52158	52157	52159	52066	52072	52076
	52727	52729	52730	52731	52732	52733	52734	52736	52742	52037	52750	52751	52254	52757	52771	52777	51520	51432
	51442	51528	51448	51454	51460	51461	51465	51467	52537	52552	52560	52584	50065	50067	50103	50108	50140	50144
	52035	52036	52223	52038	52041	52050	52237	52057	50654	52330	52601	52623	52637	52638	52650	52655	52660	51331
	51355	51360	51363	51364	50514	50531	51334	50578	51365	50606	52135	52141	52142	52147	50655	50662	50664	52164
	52171	52175	50681	50616	50620	50435	50653	50458	50468	50471	50240	50041	50427	50431	50633	50441	50452	50277
	51640	51645	51648	51649	51650	51652	51653	51654	50050	50059	50064	50107	50129	50217	50235	51462	50034	50075
	50231	50246	50249	50595	50271	50423	50430	50432	50438	50439	50447	50449	50484	50601	50006	50043	50627	50102
	50126	50206	50230	50672	50258	50269	52630	52641	52644	52645	52647	52642	52649	52652	52654	52659	52134	52136
	52163	50466	50519	50520	50529	50541	50545	50548	50558	50570	50577	50582	50591	51431	51006	51020	51025	51445
	52220	52236	52251	52301	52307	52308	52316	52325	52334	52347	52361	52030	52207	52031	52054	52060	52064	52309
	52071	52074	52075	50028	50054	50127	50135	50137	50153	50168	50170	50208	50228	50232	50251	52533	52556	52557
	52580	52550	50104	52231	52562	52563	52248	50136	52568	52576	52585	52591	52335	50255	52355	50268	50511	50517
	50451	50556	50559	50560	50590	50480	50483	50598	52619	52624	52625	52627	52631	52632	52639	52648	52657	52656
	52738	52752	52754	52640	52646	52653	50049	50068	50151	50238	50272	51230	51235	51237	51240	51241	51242	51243
	52534	52543	52561	50143	50207	52577	52586	52595	50044	50057	50062	50116	50119	50138	50163	50214	50219	50225
	50005	50051	50078	50106	50120	50141	50142	50148	50158	50162	50234	50239	50247	50426	50454	50455	50460	50461
	50481	51523	51010	51034	51558	51040	51051	51572	51060	51063	52531	50150	52569	51532	50847	51566	51591	51573
	52739	52749	52759	52760	52761	52766	52769	52774	52776	52778	51231	51009	51346	51046	51245	51248	51201	51058
	51350	51354	51249	51630	51631	51632	51636	51637	51638	51647	51651	51601	51602	51603	51656	50515	50527	50528
	50562	51358	50597	51001	51008	51024	51028	51031	51038	51045	51050	51062	50540	50546	50554	50571	50573	50574
	52211	52222	50112	52221	52232	50157	50171	50242	50835	50845	50074	50133	50854	50860	50863	51433	50535	51450
	50583	51053	51466	51527	51530	51531	51537	51446	51447	51562	51565	51578	51003	51234	51011	51022	51023	51238
	51244	51036	51041	51247	51250	50612	52215	52217	52224	52225	50632	50635	50652	50173	52339	52342	50675	52348
	50840	50848	50851	51646	50862	50830	50831	50801	50842	50149	50861	50254	52535	52620	52542	52551	52626	52565
	52588	52651	52530	52536	52548	52553	52554	52566	52501	50008	50052	50060	50123	50147	50165	52583	52590	50516
	50523	50524	50530	50532	50501	50543	50544	50557	50566	50569	50594	50424	50436	50450	50453	50465	50473	50478
	52101	52144	52149	52161	52165	52168	50434	50440	50444	50446	50448	50456	50459	50421	50525	50526	50071	50533
	50470	50599	52055	52226	52538	51344	50197	50198	51059	51330	51349	51017	50177	51574	52131			
Idaho																		
	83223	83233	83287	83238	83239	83254	83261	83272	83824	83830	83851	83861	83866	83870	83210	83215	83218	83221
	83256	83262	83274	83277	83313	83320	83333	83340	83348	83353	83354	83804	83809	83811	83813	83865	83821	83825
	83841	83848	83822	83852	83856	83860	83864	83805	83826	83845	83847	83853	83213	83244	83255	83322	83327	83337
	83241	83276	83285	83311	83312	83318	83323	83342	83346	83423	83446	83520	83827	83541	83544	83546	83553	83226
	83251	83278	83601	83623	83627	83633	83647	83648	83420	83421	83429	83433	83436	83438	83445	83451	83314	83330
	83522	83525	83531	83526	83530	83533	83539	83542	83547	83549	83552	83671	83554	83325	83335	83338	83806	83823
	83535	83537	83843	83844	83855	83857	83871	83872	83462	83229	83463	83464	83465	83253	83466	83467	83469	83468
	83543	83548	83555	83324	83349	83352	83440	83441	83460	83448	83336	83343	83347	83350	83243	83252	83619	83655
	83808	83812	83837	83839	83846	83874	83849	83850	83867	83868	83873	83422	83424	83452	83455	83316	83321	83328
	83344	83302	83301	83303	83611	83615	83635	83638	83677	83610	83645	83672	83620	83862	83888	83447		

Exhibit A – Tier 3 Markets by Zip Code

Illinois	62339	62346	62347	62348	62349	62351	62359	62360	62365	62301	62305	62306	62376	62353	62375	62378	62320	62324	62325	62338
	61320	61322	61323	61328	61330	61329	61337	61338	61344	61345	61346	61349	61356	61359	61361	61362	61368	61374	61376	61379
	61014	61046	61051	61053	61074	61078	61285	62611	62612	62618	62622	62627	62691	62510	62517	62531	62540	62546	62547	62550
	62555	62556	62557	62083	62567	62568	62570	62420	62423	62441	62442	62477	62474	62824	62839	62434	62858	62879	62899	61912
	61920	61931	62440	61938	61943	62469	62413	62427	62433	62449	62451	62454	62464	62478	62428	62435	62436	62447	62468	61727
	61735	61842	61749	61750	61777	61778	61882	61910	61911	61913	61919	61930	61941	61942	61953	61956	61917	61924	61932	61933
	61940	61944	61949	61955	62806	62815	62818	62833	62476	62411	62414	62424	62426	62401	62443	62445	62461	62467	62473	62011
	62418	62838	62247	62857	62080	62458	62880	62885	62471	62805	62812	62819	62822	62825	62836	62840	62856	62865	62874	62983
	62884	62890	62891	62896	62897	62999	61501	61415	61519	61520	61427	61524	61431	61432	61531	61433	61441	61542	61543	61544
	61459	61553	61563	61477	61482	61484	62934	62954	62867	62871	62979	62984	62016	62027	62044	62050	62054	62078	62081	62082
	62092	62098	62817	62828	62829	62860	62859	62311	62313	62316	62321	62329	62330	62334	62336	62341	61450	62354	62358	62367
	62373	62379	62380	62919	62931	62955	62982	61418	61425	61437	61454	61460	61469	61471	61480	60911	60912	60918	60922	60924
	60926	60927	60928	60930	60931	60938	60939	60945	60948	60951	60953	60955	60956	60966	60967	60968	60970	60973	60974	62907
	62916	62901	62902	62903	62924	62927	62932	62940	62942	62950	62958	62966	62971	62975	62994	62432	62448	62459	62475	62479
	62480	62481	62810	62814	62816	62830	62846	62864	62866	62872	62883	62889	62894	62898	61001	61025	61028	61036	61041	61059
	61075	61085	61087	62908	62909	62912	62923	62939	62943	62967	62972	62985	62995	61410	61414	61428	61430	61401	61402	61436
	61439	61448	61458	61467	61472	61474	61485	61488	61489	61572	61316	61321	60518	61325	61301	60531	61332	61334	61341	61342
	61348	61350	61354	60470	61358	61360	60549	60551	61364	61370	61371	61372	61373	60557	62417	62439	62460	62466	61310	61006
	61318	61021	61324	61031	61042	60530	61331	61057	61353	60553	61367	61378	61311	61313	60920	60921	61319	60929	60420	60934
	61739	61740	61741	61743	61333	60460	61764	61769	61775	61723	62512	62518	62519	62634	62635	62643	62541	62543	61751	62656
	62666	62548	62671	61411	61416	61420	61422	62326	61438	61440	61455	61470	61475	62374	62807	62801	62849	62853	62854	62870
	62875	62881	62882	62892	62893	62617	62633	61532	62644	62655	61546	62664	62682	61567	62910	62953	62960	62015	62017	62533
	62032	62538	62049	62051	62056	62075	62076	62077	62560	62089	62572	62091	62094	62601	62628	62631	62638	62650	62651	62660
	62665	62668	62692	62695	61914	61925	61928	61937	61951	61007	61010	61015	60113	61020	61030	61043	61047	61049	61052	61054
	61061	61064	61068	61084	61091	62238	62832	62274	62888	62997	62312	62314	62323	62340	62343	62345	62352	62355	62356	62357
	62361	62362	62363	62366	62370	62928	62938	62947	62941	62956	62963	62964	62970	62973	62976	62992	62996	61326	61327	61336
	61340	61335	61560	61363	62217	62233	62237	62241	62242	62259	62261	62272	62277	62278	62280	62286	62288	62292	62297	62419
	62421	62425	62868	62450	62452	62917	62930	62935	62946	62965	62977	62987	62624	62319	62639	62344	61452	62681	62610	62621
	62663	62694	62422	62534	62431	62438	62444	62553	62565	62462	62463	62465	62571	61957	61013	61018	61019	61027	61032	61039
	61044	61048	61050	61060	61062	61067	61070	61089	62905	62906	62920	62926	62952	62961	62998	62410	62811	62852	62855	62863
	61417	61423	61435	61447	61453	61462	61473	61478	62214	62808	62831	62803	62848	62263	62268	62271	62876	62877	62809	62823
	62837	62842	62843	62850	62851	62446	62878	62886	62895	62820	62821	62827	62834	62835	62844	62861	62862	62869	62887	61230
	61243	61250	61251	61252	61037	61261	61270	61277	61071	61081	61283	62915	62918	62921	62922	62933	62841	62948	62949	62951
	62959	62974	62913	62847	62310	62318	62991	62415	61058	62944	61076	62845								
Indiana	47348	47359	46932	46942	46947	46950	46961	46967	46978	46988	46994	46998	46711	46733	46740	46769	46772	46780	46782	46788
	47116	47118	47123	47137	47140	47145	47174	47175	47519	47529	47558	47562	47568	47501	47225	47240	47261	47263	47272	47283
	46705	46706	46721	46730	46738	46785	46793	47513	47521	47527	47532	47541	47542	47545	47546	47547	47549	47575	47580	47322
	47331	46133	47918	47932	47949	47952	47958	47969	47987	47988	46910	46912	46922	46931	46935	46939	46945	46975	46928	46930
	46933	46938	46952	46953	46957	46986	46987	46989	46991	47337	47344	47351	46148	47352	47356	47360	47361	47362	47366	47384
	47385	47386	47387	47388	46702	46713	46750	46783	46792	47220	47228	47229	47235	47249	47260	47264	47274	47281	47326	47336
	47369	47371	47373	47381	47224	47230	47231	47243	47250	47223	47227	47245	47265	47270	47273	47282	47512	47516	47524	47528
	47535	47557	47561	47573	47578	47591	47596	47597	46502	46508	46510	46524	46538	46539	46542	46555	46562	46982	46567	46580
	46581	46582	46590	46746	46761	46771	46565	46786	46789	46571	46795	47420	47421	47436	47437	47446	47451	47462	47467	47470
	46501	46504	46506	46511	46513	46537	46563	46570	46572	47522	47553	47581	46911	46914	46919	46921	46926	46971	46951	46958
	46959	46970	47916	47933	47934	47935	47936	47937	47938	47939	47940	47954	47955	47965	47967	47968	47989	47990	47994	46701
	46710	46732	46755	46760	46763	46767	46784	46794	46796	47432	47452	47454	47469	47830	47832	47836	47859	47860	47862	47872
	47874	47514	47515	47520	47525	47551	47574	47576	47586	47564	47567	47584	47585	47590	47598	47946	47957	46960	46985	46996
	47340	47354	47355	47358	47368	47380	47382	47390	47394	47006	47017	47021	47023	47031	47033	47034	47037	47039	47041	47042
	46104	46115	46127	46146	46150	46155	46156	46173	47102	47138	47170	47611	47523	47531	47536	47537	47615	47617	47550	47552
	47556	47634	47635	47577	47579	47588	46531	46532	46534	46366	46968	46374	46703	46737	46742	46747	46776	46779	47011	47019
	47020	47038	47043	47325	47353	47003	46940	46941	46943	46946	46962	46974	46980	46984	46990	46992	47975	47982	47991	47993
	47324	47327	47330	47335	47339	47341	47345	47346	47357	47370	47374	47375	47392	47393	46770	47923	47925	47926	47929	47950
	47959	47960	47980	47995	46046	47262	46566	47430	46720	47856										

## Kansas

## Kentucky

## CMS Policies & Procedures

Exhibit A – Tier 3 Markets by Zip Code

Louisiana	70525	70526	70527	70531	70534	70537	70543	70556	70559	70578	70638	70644	70648	70651	70654	71463	70655	70658	70341	70516
	70390	70391	70339	70393	71320	71322	71323	71327	71329	71331	71333	71339	71341	71350	71351	71355	71362	71369	70634	70372
	70652	70653	70657	70660	70662	71001	71008	71016	71028	71045	71068	71070	71080	71415	71418	71435	71441	71401	71425	71340
	71343	71363	71368	71003	71038	71040	71048	71079	71316	71326	71334	71354	71373	71377	71254	71276	71286	70515	70524	70554
	70576	70580	71367	70585	70586	71219	71324	71230	71243	71336	71249	71295	71378	70513	70544	70552	70569	70560	70562	70563
	71226	71247	71251	71268	70532	70640	70546	70650	70549	70581	70591	71342	71465	71371	71479	71480	71227	71235	71245	71270
	71272	71273	71275	71233	71282	71284	71220	71221	71223	71229	71250	71261	71264	71002	71411	71414	71416	71428	71031	71434
	71450	71452	71456	71457	71458	71497	71066	71468	71469	71238	71455	71019	71034	71218	71232	71259	71269	71279	71406	71419
	71426	71429	71449	71460	71462	71065	71486	70723	70052	70743	70071	70763	70086	70792	70090	70512	70535	70541	70750	70550
	71345	70551	71353	71356	70570	70571	71358	70577	70584	70589	70340	70514	70342	70522	70523	70538	70540	70380	70381	70392
	70421	70422	70436	70401	70402	70403	70404	70442	70443	70444	70446	70451	70454	70455	70456	70465	70466	71357	71366	71375
	71222	71234	71241	71256	71260	71277	70510	70511	70528	70533	70542	70548	70555	70575	71403	70639	71459	71439	71443	71446
	71496	70656	70659	71474	71475	70426	70427	70429	70438	70450	70467	71018	71021	71023	71024	71039	71055	71058	71071	71072
	71073	71075	71237	71242	71253	71263	71266	71404	71410	71422	71440	71471	71473	71483	71025	71036	70642	71444		
Massachusetts	02535	02713	02539	02552	02557	02568	02573	02575	02554	02584	02564									
Maryland																				
	21613	21622	21626	21627	21631	21634	21643	21835	21648	21659	21664	21669	21672	21869	21675	21677	21520	21522	21523	21531
	21536	21538	21541	21550	21561	21610	21620	21635	21645	21650	21651	21661	21667	21678	20606	20609	20618	20619	20620	20621
	20622	20624	20626	20627	20628	20630	20634	20635	20636	20650	20653	20656	20659	20660	20667	20670	20674	20680	20684	20686
	20687	20690	20692	21612	21624	21625	21601	21647	21652	21653	21654	21662	21663	21665	21671	21673	21676	21679	21811	21813
21822	21829	21841	21842	21843	21851	21862	21863	21864	21872	21681	21682	21683	21684	21685	21686	21687	21688	21606		
Maine																				04732
	04733	04734	04735	04736	04737	04738	04739	04740	04741	04742	04743	04744	04745	04746	04730	04747	04750	04751	04756	04757
	04758	04760	04761	04762	04763	04471	04764	04766	04768	04769	04772	04773	04774	04775	04776	04779	04780	04783	04785	04781
	04786	04787	04497	04225	04227	04234	04936	04938	04940	04239	04947	04955	04956	04262	04964	04966	04970	04982	04983	04984
	04285	04992	04294	04408	04609	04653	04612	04613	04614	04616	04617	04416	04420	04421	04624	04625	04627	04629	04431	04605
	04634	04635	04607	04640	04642	04644	04646	04650	04660	04662	04472	04476	04669	04672	04673	04674	04675	04676	04677	04679
	04681	04664	04683	04684	04685	04693	04910	04330	04332	04333	04336	04338	04917	04918	04926	04927	04935	04343	04344	04345
	04347	04349	04350	04351	04259	04352	04265	04962	04963	04346	04355	04358	04359	04989	04360	04901	04903	04284	04363	04364
	04843	04563	04547	04846	04847	04645	04851	04853	04854	04855	04841	04856	04858	04859	04860	04861	04862	04863	04864	04574
	04865	04535	04537	04538	04551	04539	04541	04341	04543	04342	04544	04556	04549	04348	04852	04554	04553	04555	04558	04564
	04568	04576	04570	04571	04572	04573	04575	04353	04578	04216	04217	04010	04219	04220	04221	04016	04022	04224	04226	04037
	04255	04237	04238	04041	04051	04257	04261	04267	04268	04270	04271	04290	04068	04275	04276	04281	04231	04292	04088	04286
	04289	04406	04414	04415	04426	04441	04442	04443	04463	04464	04479	04481	04485	04911	04912	04920	04923	04924	04925	04929
	04937	04942	04943	04944	04945	04950	04954	04961	04957	04958	04965	04967	04478	04971	04975	04976	04978	04979	04985	04915
	04921	04922	04438	04941	04848	04949	04849	04850	04951	04952	04354	04972	04973	04974	04981	04986	04987	04988	04496	04606
	04694	04611	04413	04619	04622	04623	04626	04424	04628	04630	04631	04637	04643	04648	04649	04454	04652	04654	04655	04657
	04658	04666	04667	04668	04671	04680	04490	04491	04492	04686	04691	04759	04770	04788	04615	04656	04665	04690	04857	04536
	04552	04081	04278																	
Michigan				48705	48721	48728	48737	48738	48740	48742	48745	48762	49806	49816	49822	49825	49839	49862	49826	49884
	49891	49895	49010	49311	49314	49323	49406	49408	49416	49419	49328	49070	49335	49078	49080	49450	49453	49344	49348	49707
	49744	49747	49753	49766	49611	49612	49615	49622	49627	49629	49729	49648	49659	48610	48703	48749	48658	48659	48765	48766
	49908	49919	49946	49962	49970	49616	49617	49628	49635	49640	49650	49683	49028	49036	49255	49082	49089	49094	49711	49782
	49712	49713	49720	49727	49796	49705	49717	49721	49749	49701	49761	49791	49792	49799	49710	49715	49724	49725	49726	49728
	49736	49748	49784	49785	49786	49788	49752	49768	49774	49780	49783	49793	48617	48622	48625	48632	48633	49733	49738	49739
	49807	49818	49829	49835	49837	49864	49872	49878	49880	49894	49815	49831	49834	49801	49802	49852	49870	49876	49877	49881
	49892	49706	49716	49718	49722	49723	49737	49740	49755	49764	49769	49770	48612	48624	48652	49911	49938	49947	49959	49968
	49969	49610	49637	49643	49649	49666	49673	49684	49685	49686	49696	49690	48801	48802	48806	48807	48615	48830	48832	48847
	48856	48862	48871	48874	48877	48880	48889	48662	49227	49232	49239	49242	49249	49250	49252	49257	49258	49262	49266	49271
	49274	49281	49282	49288	49905	49913	49916	49917	49921	49922	49930	49931	49934	49942	49945	49952	49955	49958	49961	49963
	49965	48413	48720	48725	48731	48432	48441	48445	48754	48755	48467	48468	48470	48759	48475	48730	48739	48743	48748	48750
	48763	48764																		

Exhibit A – Tier 3 Markets by Zip Code

Minnesota			56431	55748	56350	55760	56469	55787	56511	56521	56501	56502	56544	56554	56569	56570	56575	56577	56578	56589
	56591	56593	56601	56619	56630	56647	56650	56663	56666	56667	56670	56671	56678	56683	56685	56687	56210	56211	56225	56227
	56240	56276	56278	56019	56030	56041	56073	56084	56085	56087	56430	56435	56626	56633	56641	56452	56655	56662	56473	56474
	56672	55785	56484	56222	56260	56262	56265	56295	56621	56634	56644	56652	56676	55604	55605	55606	55612	55613	55615	56118
	56145	56159	56174	56183	56101	56425	56401	56441	56442	56444	56447	56448	56449	56450	56455	56456	56459	56465	56468	56472
	56308	56315	56319	56326	56327	56332	56341	56343	56354	56355	56360	56013	56014	56023	56025	56027	56033	56047	56051	56068
	56097	56098	55922	55923	55935	55939	55949	55954	55961	55962	55965	55971	55975	55990	56007	56009	56016	56020	56029	56032
	56035	56036	56042	56043	56045	56089	55009	55018	55026	55027	55946	55963	55066	55983	55089	55992	56309	56311	56531	56248
	56339	56274	56590	56433	56436	56458	56461	56467	56470	56628	55709	56631	55716	55721	55722	56636	56639	55742	55730	55744
	55745	55752	55753	55764	56657	56659	55769	55775	56680	56681	55784	55786	56637	55793	56688	56111	56137	56143	56150	56161
	55051	56358	56209	56216	56251	56253	56273	56279	56281	56282	56288	56289	56201	56720	56728	56729	56731	56732	56733	56734
	56735	56740	56755	56627	56629	56649	56669	56653	56654	56658	56660	56661	56668	56679	56212	56218	56232	56256	56257	55601
	55603	55607	55609	55614	55616	56711	56623	56741	56686	56017	56028	56050	56057	56058	56069	56096	56113	56136	56142	56149
	56178	56115	56229	56132	56239	56157	56258	56264	56169	56291	56175	55312	55336	55350	55354	55370	55381	55385	55395	56516
	56557	56566	56710	56713	56724	56727	56737	56738	56744	56757	56758	56760	56762	56121	56127	56031	56039	56075	56162	56171
	56176	56088	56181	56228	55324	55325	55329	56243	55355	55389	56313	56330	56342	56353	56359	56363	55371	56386	56314	56317
	56443	56328	56338	56344	56345	56466	56364	56475	56373	56382	56384	55909	55912	55918	55926	55933	55936	55950	55951	55953
	55967	55970	55973	55977	55982	56114	56122	56123	56125	56131	56141	56151	56172	56110	56117	56119	56129	56146	56153	56155
	56165	56167	56168	56185	56187	56510	56519	56541	56545	56548	56550	56574	56581	56584	56515	56518	56524	56324	56527	56528
	56533	56534	56537	56538	56551	56567	56571	56361	56572	56573	56576	56586	56587	56588	56725	56754	56701	55704	55007	55712
	55735	55030	55036	55037	55756	55063	55067	55072	55783	55795	56128	56139	56140	56164	56170	56177	56186	56323	56334	56349
	56381	56385	56715	56742	56748	56750	56214	56224	56152	56255	56263	56266	56283	56166	56083	56287	56292	56293	56180	56294
	55310	55314	56230	55332	55333	55342	56270	56277	56284	56285	55019	55021	56052	55046	55052	55053	55057	55087	55088	56116
	56134	56138	56144	56147	56156	56158	56173	56714	56726	56673	56751	56756	56759	56682	56761	56763	56071	55307	55334	55335
	55338	56044	55366	55396	55917	56026	56046	55049	55060	56207	56221	56235	56244	56267	56208	56215	56226	56231	56249	56252
	56271	56437	56438	56318	56440	56446	56336	56453	56347	56479	56389	56219	56236	56583	56296	56434	56464	56478	56477	56481
	56482	56048	56072	56091	56093	56120	56022	56056	56060	56062	56160	56081	56520	56522	56293	56553	56565	56579	56594	55910
	55925	55942	55952	55959	55969	55972	55988	55979	55987	56220	56223	56237	56241	56245	56280	56297	56064	56076	56246	
Missouri																				63533
	63540	63546	63501	63559	64446	64482	64491	64496	64498	65232	63345	63352	65264	65265	65280	65285	63382	65623	65625	65641
	65647	65658	65708	65734	65745	65747	65772	64874	64748	64759	64762	64766	64769	65325	65326	65335	65338	65355	63932	63938
	63940	63945	63954	63901	63902	63961	63962	65020	65324	65049	65052	65786	65591	65065	65787	65079	63732	64622	64623	64633
	64639	64643	64668	64680	64682	63937	63941	63943	63965	65607	64744	64756	65785	65236	65246	65261	64660	64676	65281	64681
	65286	63430	63445	63453	63465	63466	63472	63474	65322	65233	65237	65348	65276	65068	65287	65603	65635	65646	65661	65682
	65752	64620	64636	64640	64647	64648	64654	64670	64689	65440	65501	65532	65541	65560	65608	65638	65701	65755	65768	63821
	63933	63829	63837	63847	63852	63855	63857	63863	63875	63876	63880	65014	65036	65041	65061	65062	65066	63091	64402	64438
	64453	64463	64657	64489	64641	64652	64679	64683	64424	64426	64632	64442	64642	64458	64467	64471	64481	64726	65323	64735
	64740	64770	64788	65360	65634	65668	65724	65732	65735	65774	65779	64437	64451	64466	64470	64473	65688	65626	65777	65548
	65788	65789	65790	65776	65775	65793	63620	63621	63623	65439	63636	63650	63656	63663	65566	63675	64019	64733	64040	64061
	65336	64761	64093	65305	63531	63537	63547	63446	63458	63460	63464	65632	65463	65470	65536	65543	65722	65567	65605	65654
	65664	65705	65707	65712	65723	65756	65769	63435	63438	63440	63447	63448	63452	63457	63473	64628	64630	64631	64651	64653
	64658	64659	63557	64674	64601	64635	64638	64656	64664	64686	64688	63431	63530	63532	63534	63538	63539	65247	63549	63552
	63558	63645	63655	65013	65443	65580	65582	63401	63454	63461	63463	63471	64661	64673	65017	65026	65486	65047	65064	65075
	65082	65083	63820	63823	63834	63845	63881	63882	65258	65263	63456	65275	65282	65283	63333	63350	63351	63359	63361	63363
	65069	63384	65011	65329	65037	65038	65072	65078	65354	65084	63828	63833	63848	63860	63862	63866	63867	63868	63869	63870
	63873	63874	63878	64423	64428	64431	64432	64433	64434	64445	64455	64457	64461	64468	64475	64476	64479	64487	65606	65690
	65692	65778	65791	65609	65618	65637	65655	65666	65676	65715	65729	65741	65760	65761	65762	65766	65773	65784	63827	63826
	63830	63839	63840	63849	63851	63853	63877	63879	63737	63746	63748	63776	63775	63783	65332	65333	65334	65337	65345	65301
	65302	65350	65436	65461	65462	65529	65550	65401	65402	65409	65559	63330	63433	63334	63336	63339	63344	63441	63353	65452
	65457	65459	65473	65534	65556	65584	65583	63551	64655	64672	63565	63567	63436	63459	63462	63467	65239	65243	65244	65257
	65259	65260	65270	65278	63625	63629	63633	63638	63654	63665	63666	63931	63935	63939	63942	63953	63955	64724	64738	64763
	64776	64781	63627	63673	63670	63624	63626	63628	63637	63640	63036	63651	63653	63601	63087	65320	65321			

Exhibit A – Tier 3 Markets by Zip Code

Mississippi	39645	39664	39067	39090	39107	39108	39160	38603	38633	38647	38720	38725	38726	38730	38732	38733	38740	38746	38759	38762	39638	
	38764	38769	38772	38773	38774	38781	38913	38914	38915	38916	38839	38951	38955	38878	38917	38923	38943	38947	38954	39176		
	38850	38851	38860	38875	38877	39776	39735	39745	39772	39086	39144	39150	39330	39347	39355	39360	39363	39741	39754	39755		
	39773	38614	38617	38739	38630	38631	38639	38644	38645	38767	38669	39428	39119	39479	39630	39647	39653	39661	39451	39456		
	39461	39362	38926	38929	38901	38902	38940	38960	38924	39063	39079	39095	39146	39169	39192	39038	38754	39097	39115	39166		
	38745	39113	39177	38843	38855	38858	38876	39422	39439	39338	39460	39348	39356	39481	39366	39069	39081	39096	39668	39421		
	39427	39474	39436	39437	39440	39441	39442	39443	39459	39477	39480	39328	39352	39354	39358	38601	38655	38949	38673	38874		
	38675	38677	39320	39325	39326	39335	39342	39301	39302	39303	39304	39305	39307	39309	39364	39641	39654	39140	39656	39663		
	39665	39051	39094	39109	39171	39189	38824	38826	38849	38857	38862	38866	38868	38801	38802	38803	38804	38879	38930	38935		
	38941	38944	38945	38946	38952	38959	39629	39601	39602	39603	39662	39736	39701	39702	39703	39704	39705	39710	39743	39753		
	39766	39429	39483	39643	39478	38685	39730	38821	38825	39740	38844	38848	39746	39756	38870	38925	39747	39767	38967	39350		
	39365	39323	39057	39327	39332	39336	39337	39345	39739	39341	39361	39762	39759	39760	39769	38606	38619	38620	38621	38658		
	38665	38666	39426	39457	39463	39466	39470	39632	39635	39652	39648	39649	39657	39666	38820	38841	38863	38864	38869	38871		
	38829	38856	38859	38880	38609	38622	38623	38628	38643	38646	38964	39074	39080	39087	39092	39098	39117	39152	39359	38721		
	39054	39061	38765	39159	39116	39153	39168	38736	38737	38749	38751	38753	38761	38738	38768	38771	38778	38920	38921	38927		
	38928	38950	38957	38958	38962	38963	38966	38610	38625	38629	38663	38674	38683	38827	38833	38838	38847	38852	38873	38828		
	38627	38650	38652	39667	39156	39180	39181	39182	39183	38722	38723	38731	38744	38701	38702	38703	38704	38748	38756	38760		
	38776	38780	38782	39322	39324	39367	39737	39744	39750	39751	39752	39771	39631	39669	39339	39346	38922	38948	38953	38961		
	38965	39039	39040	39088	39162	39173	39179	39194	38912	38854	38758	38763										
	Montana															59724	59725	59732	59736	59739	59746	59761
59016		59022	59025	59031	59034	59050	59066	59075	59089	59035	59523	59526	59527	59529	59535	59542	59547	59641	59643	59644		
59647		59311	59316	59319	59324	59332	59520	59420	59440	59442	59446	59450	59460	59336	59338	59301	59351	59222	59253	59263		
59276		59315	59330	59339	59259	59711	59756	59313	59344	59354	59418	59424	59430	59441	59032	59451	59457	59464	59471	59489		
59911		59912	59913	59916	59919	59901	59903	59904	59920	59921	59922	59925	59926	59927	59928	59932	59936	59937	59714	59716		
59715		59717	59718	59719	59771	59772	59730	59741	59752	59758	59760	59318	59322	59337	59058	59077	59411	59417	59427	59434		
59046		59074	59832	59837	59858	59521	59525	59501	59528	59530	59532	59540	59631	59632	59721	59634	59638	59759	59447	59452		
59462		59469	59479	59821	59910	59824	59914	59915	59855	59860	59929	59863	59931	59864	59865	59410	59633	59635	59636	59601		
59602		59604	59620	59623	59624	59625	59626	59639	59640	59648	59522	59531	59461	59545	59917	59918	59923	59930	59933	59934		
59935		59214	59215	59218	59710	59720	59729	59735	59740	59745	59747	59749	59751	59754	59755	59053	59642	59645	59820	59830		
59842		59866	59867	59872	59054	59059	59072	59073	59018	59020	59027	59030	59047	59065	59081	59082	59086	59084	59087	59524		
59537		59538	59261	59544	59546	59416	59425	59432	59448	59456	59486	59314	59317	59343	59062	59345	59713	59722	59728	59731		
59733		59843	59854	59326	59341	59349	59827	59828	59829	59833	59835	59840	59841	59870	59871	59875	59217	59221	59243	59262		
59270		59212	59213	59218	59226	59255	59201	59312	59003	59004	59012	59323	59327	59333	59039	59043	59347	59083	59831	59844		
59845		59848	59853	59856	59859	59873	59874	59211	59219	59242	59247	59252	59254	59256	59257	59258	59275	59701	59702	59703		
59707		59750	59727	59743	59748	59001	59019	59028	59061	59063	59067	59069	59011	59033	59052	59055	59419	59422	59433	59436		
59467		59468	59435	59444	59454	59466	59474	59482	59484	59010	59038	59076	59223	59225	59230	59240	59241	59244	59248	59250		
59260		59231	59273	59036	59453	59078	59085	59353	59057	59445	59902	59773	59473	59348	59245							
North Carolina																28623	28627	28644	28663	28668		
	28675	28615	28617	28626	28629	28631	28640	28643	28672	28684	28693	28694	28604	28616	28622	28646	28652	28653	28657	28662		
	28664	27806	27808	27810	27814	27817	27821	27860	27865	27889	27805	27924	27847	27849	27957	27967	27872	27983	28320	28433		
	28434	28332	28337	28448	28392	28399	27921	27974	27976	28511	28512	28516	28520	28524	28594	28528	28531	28553	28557	28570		
	28575	28577	28579	28581	28582	28589	27212	27291	27305	27311	27314	27315	27379	28901	28903	28905	28906	28781	27932	27980		
	28902	28904	28909	28017	28020	28038	28042	28073	28086	28089	28090	28114	28136	28150	28151	28152	28169	28423	28424	28430		
	28431	28432	28436	28438	28439	28442	28450	28455	28456	28463	28472	28519	28533	28523	28526	28527	28532	28560	28561	28562		
	28563	28564	28586	27915	27920	27936	27943	27948	27949	27953	27954	27959	27968	27972	27978	27981	27982	27239	27292	27293		
	27294	27295	27299	27351	27360	27361	27373	27374	28508	28518	28325	28521	28341	28349	28453	28458	28464	28466	28398	27926		
	27935	27937	27938	27946	27969	27979	28733	28771	27507	27509	27522	27564	27565	27581	27582	27823	27839	27843	27844	27850		
	27870	27874	27887	27890	27501	27506	28323	28326	27521	28334	28335	28339	27543	27546	27552	28368	27910	27922	27818	27942		
	27855	27986	27824	27826	27960	27875	27885	28010	28634	28115	28117	28123	28660	28699	28625	28677	28687	28166	28688	28689		
	28707	28717	28723	28725	28736	28779	28783	28788	28789	28522	28555	28573	28585	27505	27237	28355	27330	27331	27332	28525		
	28501	28502	28503	28504	28551	28572	28033	28037	28080	28092	28093	28168	28737									

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North Dakota			58639	58649	58429	58031	58049	58461	58062	58063	58065	58479	58480	58481	58072	58492	58332	58335	58343	58346
	58348	58351	58357	58370	58379	58381	58386	58627	58645	58711	58318	58748	58750	58760	58762	58783	58793	58384	58623	58651
	58653	58721	58727	58737	58752	58772	58773	58311	58323	58239	58249	58255	58260	58352	58355	58269	58372	58281	58436	58439
	58441	58474	58833	58730	58844	58765	58625	58626	58636	58640	58642	58644	58356	58374	58524	58542	58544	58549	58552	58573
	58421	58443	58445	58464	58621	58632	58654	58529	58533	58562	58564	58569	58416	58425	58448	58452	58484	58646	58647	58650
	58428	58475	58478	58482	58487	58488	58415	58431	58433	58454	58456	58458	58466	58490	58440	58442	58561	58710	58712	58713
	58731	58736	58741	58744	58768	58788	58789	58790	58792	58413	58460	58495	58581	58831	58835	58838	58634	58847	58757	58854
	58716	58723	58531	58540	58759	58559	58565	58775	58778	58575	58576	58577	58579	58523	58541	58545	58571	58580	58763	58769
	58770	58771	58776	58784	58794	58212	58224	58344	58254	58259	58361	58272	58380	58530	58216	58220	58222	58225	58236	58238
	58241	58262	58265	58271	58276	58282	58313	58368	58385	58321	58325	58327	58301	58330	58338	58345	58362	58377	58382	58027
	58033	58054	58068	58740	58761	58782	58787	58001	58008	58015	58018	58030	58041	58053	58058	58057	58061	58074	58075	58076
	58077	58081	58310	58316	58329	58353	58366	58367	58369	58013	58017	58032	58040	58043	58060	58067	58069	58430	58444	58758
	58463	58528	58538	58568	58570	58620	58643	58622	58601	58602	58630	58641	58652	58655	58656	58230	58046	58056	58277	58420
	58424	58426	58401	58402	58405	58455	58467	58472	58476	58483	58496	58497	58317	58324	58331	58339	58363	58365	58009	58218
	58219	58016	58223	58035	58240	58045	58257	58274	58210	58227	58229	58231	58233	58237	58243	58250	58261	58270	58273	58718
	58722	58725	58733	58734	58735	58746	58756	58701	58702	58703	58707	58704	58705	58779	58781	58785	58418	58422	58423	58438
	58341	58451	58486	58830	58843	58845	58755	58849	58852	58853	58795	58801	58802	58856	58432	58320	58747	58489	58359	58039
	58213	58319	58337																	
Nebraska				68925	68901	68902	68950	68955	68956	68973	68720	68726	68636	68756	68761	68764	68773	69121	69345	68821
	68833	69157	68620	68623	68627	68652	68655	68660	69301	69348	68719	68722	68746	68755	68777	69210	69214	69217	68812	68836
	68840	68845	68847	68848	68849	68858	68861	68866	68869	68870	68876	68019	68020	68038	68045	68061	68001	68624	68626	68014
	68632	68635	68036	68658	68667	68669	68717	68727	68736	68739	68745	68749	68771	68774	68792	69023	69027	69033	69045	69211
	69212	69135	69216	69218	69219	69220	69201	69221	69131	69141	69149	69156	69160	69162	68933	68934	68935	68938	68941	68944
	68954	68452	68975	68979	68980	68629	68641	68643	68659	68661	68004	68716	68788	68791	68813	68814	69120	68822	68825	68828
	68855	68856	68860	68874	68881	69337	69339	69354	69367	69130	68834	69029	69138	68850	68863	68878	69171	69122	69129	68621
	68633	68025	68026	68031	68044	68649	68057	68664	68063	68072	69021	69030	69037	69041	68351	68354	68361	68365	68406	68416
	68436	68444	68929	68932	68939	68947	68960	68972	68981	69025	69028	69038	69039	69042	68922	68926	69022	68936	68946	68948
	68967	69046	68301	68309	68310	68318	68328	68331	68357	68381	68415	68422	68458	68466	69147	69148	69154	69190	68823	68937
	68976	69333	69350	69366	68842	68875	68665	68882	68810	68824	68832	68801	68802	68803	68883	68818	68841	68843	68846	68854
	68865	68920	68966	68969	68971	68977	69032	69024	69040	69043	69044	68711	68713	68725	68734	68735	68742	68763	68766	68780
	69152	68820	68831	68835	68838	68872	68873	68338	68342	68350	68352	68377	68424	68440	68329	68332	68348	68443	68450	68924
	68945	68959	68982	69127	69144	69146	69153	69155	68753	68759	68778	69128	69133	69145	68718	68724	68729	68730	68760	68783
	68786	68789	69123	69132	69143	69151	69101	69103	69165	69169	69170	69163	68879	69167	68715	68748	68752	68758	68701	68702
	68781	68816	68826	68827	68628	68864	68663	69331	69334	69336	69125	68638	68640	68305	68320	68321	68378	68379	68414	68421
	68943	68957	68961	68964	68974	68978	68324	68344	68346	68382	68410	68417	68418	68446	68448	68454	68323	68345	68380	68420
	68441	68447	69134	69140	69150	69168	68923	68927	68940	68949	68958	68738	68747	68765	68767	68769	68601	68602	68631	68634
	68642	68644	68647	68653	68651	68654	68662	68666	69020	69026	69034	69036	69001	68337	68355	68376	68431	68433	68437	68442
	68457	68714	68333	68341	68343	68359	68445	68453	68464	68465	69341	69352	69353	69355	69356	69357	69358	69361	69363	69335
	69340	69343	69347	69351	69360	69365	68817	68844	68852	68853	68871	69346	68768	68779	68303	68315	68322	68325	68326	68327
	68335	68340	68362	68370	68375	68429	69142	69161	69166	68039	68047	68055	68062	68067	68071	68815	68837	68859	68862	68723
	68740	68787	68790	68928	68930	68942	68952	68970	68622	68637	68316	68319	68367	68371	68401	68460	68467	68819	68880	68374
	69031	68963	68737	68772	69349															
New Hampshire						03809	03810	03218	03220	03225	03226	03249	03237	03837	03246	03247	03252	03253	03256	03269
	03276	03298	03299	03289	03812	03813	03814	03227	03816	03817	03818	03830	03832	03882	03836	03838	03845	03846	03847	03849
	03850	03853	03254	03860	03259	03864	03872	03875	03883	03886	03890	03894	03896	03897	03602	03441	03443	03604	03444	03447
	03448	03450	03451	03452	03431	03435	03455	03456	03457	03609	03461	03462	03464	03445	03446	03465	03608	03466	03469	03467
	03470	03570	03575	03576	03579	03581	03582	03583	03584	03588	03589	03590	03592	03593	03595	03597	03598	03217	03740	03574
	03222	03223	03741	03748	03749	03750	03580	03238	03240	03755	03765	03241	03245	03756	03766	03251	03585	03561	03768	03769
	03771	03774	03262	03777	03779	03780	03264	03266	03274	03586	03285	03279	03215	03282	03784	03293	03785	03216	03304	03221
	03224	03258	03301	03302	03303	03305	03229	03230	03046	03231	03233	03234	03235	03242	03243	03106	03307	03257	03255	03260
	03263	03268	03272	03273	03275	03278	03287	03601	03603	03743	03745	03746	03751	03752	03753	03754	03605	03770	03773	03781
	036																			



Exhibit A – Tier 3 Markets by Zip Code

Nevada						89406	89407	89496	89705	89410	89460	89411	89413	89423	89449	89448	89822	89823	89801	
	89802	89803	89824	89825	89826	89828	89830	89831	89832	89833	89815	89834	89835	89883	89010	89013	89047	89821	89316	89404
	89414	89421	89425	89426	89438	89445	89446	89310	89820	89001	89008	89017	89042	89043	89403	89408	89428	89429	89430	89444
	89447	89415	89420	89422	89427	89020	89003	89409	89022	89023	89041	89048	89060	89061	89045	89049	89418	89419	89311	89314
	89301	89315	89317	89318	89319															
New York						14802	14803	14707	14708	14804	14806	14709	14711	14813	14714	14715	14822	14717	14029	14721
	14727	14735	14739	14744	14745	14754	14774	14777	14880	14884	14895	14786	14897	14706	14719	14726	14041	14042	14729	14730
	14731	14060	14737	14065	14070	14741	14743	14748	14751	14753	14755	14101	14760	14766	14129	14770	14772	14778	14779	14133
	14138	14783	14168	14171	14788	14173	13021	13022	13024	13026	13033	13034	13071	13081	13092	13111	13113	13117	13118	13139
	13140	13147	13156	13160	13166	14710	14712	14716	14718	14720	14722	14723	14724	14728	14048	14732	14733	14736	14062	14063
	14738	14740	14742	14081	14701	14702	14747	14750	14752	14756	14757	14758	14767	14769	14775	14135	14781	14136	14782	14784
	14785	14166	14787	13730	13733	13332	13758	13778	13780	13801	13809	13411	13814	13124	13815	13830	13136	13832	13460	13841
	13464	13843	13155	13844	12910	12912	12918	12919	12921	12923	12929	12933	12934	12935	12911	12924	12944	12952	12955	12958
	12959	12962	12972	12901	12903	12978	12979	12981	12985	12992	12502	12503	12017	12029	12037	12513	12050	12516	12517	12521
	12060	12523	12526	12075	12529	12530	12534	12106	12541	12115	12544	12125	12130	12132	12136	12565	12165	12172	12173	12174
	12184	12593	12195	13738	13040	13045	13056	13784	13077	13087	13803	13101	13141	13158	13863	13731	12406	13739	13740	13750
	13751	13752	13753	12421	13755	13756	13757	13774	12430	13775	12434	12438	13782	13783	13786	13788	12455	13804	13806	12459
	12474	13837	13838	13839	13842	12167	13846	13847	13856	13860	12913	12928	12932	12936	12941	12942	12943	12946	12950	12851
	12956	12960	12961	12964	12852	12879	12855	12857	12858	12974	12975	12977	12870	12872	12883	12987	12993	12996	12997	12998
	12914	12915	12916	12917	12920	12926	12930	12937	12939	13655	12945	12953	12957	12966	12969	12970	12976	12980	12983	12986
	12989	12995	12025	12032	12078	12095	12117	12134	13470	14005	14013	14020	14021	14416	14422	14036	14040	14054	14056	14058
	14482	14486	14125	14525	14557	14143	12405	12407	12015	12413	12414	12042	12418	12051	12422	12058	12423	12424	12427	12431
	12083	12436	12087	12439	12442	12444	12450	12451	12452	12454	12124	12460	12463	12468	12470	12473	12482	12176	12485	12192
	12492	12496	12812	13353	12842	13360	12108	12847	12139	13436	12864	12164	12190	13605	13606	13607	13608	13611	13612	13615
	13616	13618	13619	13622	13624	13628	13632	13634	13636	13637	13638	13641	13602	13643	13650	13651	13656	13657	13659	13661
	13665	13671	13673	13674	13675	13679	13682	13685	13691	13692	13693	13601	13603	13640	13305	13312	13620	13325	13626	13327
	13627	13631	13343	13345	13648	13367	13368	13404	13433	13473	13489	13485	12010	12016	13317	12066	12068	12069	12070	13339
	12072	12086	13410	13428	13452	12166	12177	13315	13320	13747	13326	13333	12064	13335	13337	13342	13776	13348	13796	12116
	13807	13808	13810	13415	13820	13825	13834	13439	13450	12155	13457	13468	13849	13859	13482	13861	13488	12197	13613	13614
	13617	13621	12922	13623	13625	12927	13630	13633	13635	13639	13642	13645	13646	13647	13649	13652	13654	12949	13658	13660
	13662	13664	13666	12965	13667	12967	13668	13669	13670	13672	12973	13676	13699	13677	13678	13680	13681	13683	13684	13687
	13690	13694	13695	13696	13697	14805	14812	14815	14818	14824	14841	14863	14865	14869	14876	14878	14887	14891	14893	13065
	14847	14860	14521	14541	13148	13165	14588	14801	14807	14808	14809	14810	14819	14820	14821	14823	14826	14827	14830	14831
	14839	14840	14843	14855	14856	14858	14870	14529	14873	14874	14877	14879	14885	14572	14898	12719	12720	12721	12722	12723
	12724	12725	12726	12727	12732	12733	12734	12777	12736	12737	12738	12740	12741	12742	12743	12745	12747	12748	12749	12750
	12751	12752	12754	12758	12759	12760	12762	12701	12763	12764	12765	12766	12767	12768	12769	12770	12775	12776	12778	12779
	12781	12783	12784	12785	12786	12787	12788	12789	12790	12791	12792	14009	14011	14024	14427	14037	14039	14066	14082	14083
	14113	14530	14130	14536	14549	14550	14145	14167	14569	14591	14415	14418	14441	14837	14842	14478	14857	14507	14527	14544
	14703	14704	13129	14003	13688															
Ohio						45105	45616	45618	45650	45144	45660	45679	45684	45693	45697	44805	44838	44840	44842	44848
	44859	44864	44866	44874	44880	44003	44004	44005	44010	44030	44032	44041	44047	44048	44068	44076	44082	44084	44085	44088
	44093	44099	45710	45711	45701	45716	45717	45719	45723	45732	45735	45739	45740	45761	45764	45766	45776	45777	45778	45780
	45782	45819	45806	45865	45869	45870	45871	45884	45885	45888	45895	45896	43009	45389	43044	43047	43060	43070	43072	43078
	43083	43084	45107	45113	45114	45138	45146	45148	45159	45164	45166	45169	45177	44408	43920	44413	44625	44415	44423	44634
	44427	44431	44432	44441	44445	44665	44455	44460	43945	43962	44490	43968	44492	44493	43803	43805	43811	43812	43824	43828
	43836	43843	43844	43845	44820	44825	44827	44833	44854	44856	44860	44881	44887	45303	45304	45328	45331	45332	45346	45348
	45350	45351	45352	45358	45362	45390	45380	45388	43512	43519	43520	43526	43530	43536	43549	43556	43106	43128	43142	43160
	45614	45620	45623	45631	45643	45658	45674	45685	45686	43722	43723	43725	43732	43733	43736	43749	43750	43755	43768	43772
	43773	43778	43780	44804	45814	45816	45839	45840	45841	45858	45867	45868	45881	45889	45890	45897	45810	45812	45835	45836
	45843	43326	45859	43340	43345	43346	44695	43907	44693	43973	43974	43976	43986	43981	43984	43988	44699	43510	43516	43523
	43524	43527	43532	43535	43534	43545	43548	43550	43555	45110	45123	45132	45133	45135	45142	45155	45172	43111	43127	43135
	43138	43144	43149	43152	43158	44610	44611	44617	44628	44633	44637	44638	44654	44660	44661	44687	44690	44811	44826	44837
	44847	44850	44851	44855	44857	44889	44888	44890	45621	45640	45656	45692	43005	43006	43011	43014	43019	43022	43028	43037
	43048	43050	43310	43311	43318	43319	43324	43331	43333	43336	43343	43347	43348	43357	43358	43360	43314	43322	43332	43301
	4330																			

Exhibit A – Tier 3 Markets by Zip Code

Oklahoma	74533	74540	74555	74569	73931		74931	74457	74960	74964	74965	73716	73719	73722	73726	73728	73739	73741	73749	74525	
	73763	73770	73772	74720	74721	74723	74726	74729	73950	73627	73644	73648	73645	73662	73668	73724	73040	73043	73744	73755	
	73009	73015	73017	73029	73033	73038	73042	73047	73048	73053	73401	73402	73403	73435	73436	73437	73438	73444	73443	73481	
	73458	73487	73488	73463	74427	74441	74444	74451	74452	74464	74465	74471	74727	74735	74738	74743	74756	74759	74760	74761	
	73933	73937	73946	73947	74534	74535	74538	74556	74572	73531	73562	73568	73572	74332	74301	74369	73620	73625	73601	73639	
	73669	73096	74338	74342	74344	74345	74346	74347	74359	74368	73835	73646	73654	73658	73659	73663	73667	73859	73832	73840	
	73843	73858	73720	73727	73730	73733	73735	73701	73702	73703	73705	73706	73736	73738	73743	74640	73753	73754	73773	73433	
	73052	73057	73074	73075	74872	73098	74636	74643	73758	73759	73761	73766	73771	73547	73554	73673	73544	73550	73571	73834	
	73848	73851	73855	74440	74941	74552	74943	74944	74462	74472	74827	74531	74839	74848	74850	74570	74883	73521	73522	73523	
	73526	73532	73537	73539	73549	73556	73560	73520	73548	73561	73456	73565	73569	73573	74530	73432	74836	74748	73447	73450	
	74856	73455	73460	73461	74631	74632	74641	74646	74647	74601	74602	74604	74653	73016	73734	73742	73750	73756	73762	73764	
	73041	73651	73655	73559	73062	73564	73566	74545	74559	74563	74578	73430	73441	73448	73453	73459	74722	74724	74728	74734	
	74736	74737	74740	74745	74750	74752	74754	74755	74957	74764	74963	74766	74426	74432	74845	74438	74459	74461	73718	73838	
	73729	73737	73747	73760	73768	73439	73440	73446	74330	74337	74340	74349	74350	74352	74361	74362	74364	74365	74366	74367	
	73030	73039	73032	73086	74422	74423	74439	74428	74434	74436	74401	74402	74403	74450	74455	74463	74468	74469	74470	74630	
	73757	74644	73061	73077	74651	74027	74042	74048	74072	74083	74829	74833	74859	74860	74880	74331	74333	74335	74339	74343	
	74354	74355	74358	74360	74363	74370	74023	74032	74059	74062	74074	74075	74076	74077	74078	74085	74522	74528	74529	74425	
	74430	74546	74547	74442	74553	74554	74501	74502	74560	74561	74565	74576	74820	74821	74825	74842	74843	74844	74865	74871	
	74826	74840	74852	74854	74851	74866	74801	74802	74804	74873	74878	74521	74523	74536	74543	74557	74558	74562	74567	74574	
	73628	73638	73642	73650	73660	73666	74830	74837	74849	74867	74818	74868	74884	73529	73425	73533	73534	73536	73434	73442	
	73055	73491	73901	73939	73942	73944	73945	73949	73951	73530	73542	73546	73551	73553	73555	73570	74070	74003	74004	74005	
	74006	74022	74029	74051	74061	74082	73622	73624	73626	73021	73632	73024	73641	73647	73661	73664	73717	73731	73842	73746	
	73860	73841	73852	73853	73857	73801	73802	74542	73847	73094	73476	74603	73575								
Oregon	97840	97870	97877	97884	97102	97103	97110	97121	97138	97145	97146	97407	97411	97414	97814	97819	97905	97833	97834	97837	97907
	97751	97752	97753	97754	97406	97415	97444	97450	97464	97465	97476	97491	97410	97416		97420	97423	97449	97458	97459	97466
	97442	97443	97447	97457	97462	97467	97469	97470	97471	97473	97479	97481	97484	97486	97494	97495	97496	97499	97812	97823	
	97861	97817	97820	97825	97845	97848	97856	97864	97865	97869	97873	97720	97732	97722	97904	97710	97736	97738	97721	97758	
	97014	97031	97041	97044	97711	97730	97734	97741	97761	97523	97526	97527	97528	97531	97532	97533	97534	97538	97543	97544	
	97497	97621	97622	97623	97731	97624	97604	97733	97625	97626	97737	97627	97601	97602	97603	97632	97633	97634	97639	97620	
	97641	97735	97630	97635	97636	97637	97638	97640	97341	97343	97388	97367	97357	97364	97365	97368	97369	97376	97380	97366	
	97390	97391	97394	97498	97321	97322	97327	97329	97335	97336	97345	97348	97446	97355	97358	97360	97374	97377	97386	97389	
	97901	97902	97903	97906	97908	97909	97910	97911	97913	97914	97917	97918	97920	97818	97836	97843	97844	97839	97029	97033	
	97039	97050	97065	97107	97108	97112	97118	97122	97130	97131	97149	97143	97134	97135	97136	97141	97147	97810	97813	97826	
	97835	97838	97859	97862	97801	97868	97875	97880	97882	97886	97824	97827	97841	97850	97867	97876	97883	97828	97842	97846	
	97857	97885	97001	97021	97037	97040	97057	97058	97063	97830	97750	97874	97460	97428	97831	97872	97740	97425	97372	97821	
Pennsylvania	17301	17303	17304	17306	17307	17310	17316	17320	17324	17325	17337	17340	17343	17344	17350	17353	17375	17372	15521	17211	
	15522	15533	15534	15535	16633	15537	15539	16650	15545	16655	16659	15550	16664	15554	16667	16670	16672	16678	15559	16679	
	16695	16910	18810	18814	18815	17724	16914	18817	16925	16926	17735	18829	18831	18832	18833	18837	18840	18845	18846	16945	
	18848	16947	18850	18851	18853	18854	15832	15834	15861	16213	16214	16220	16221	16028	16224	16225	16036	16326	16230	16232	
	16331	16375	16233	16332	16234	16235	16334	16240	16242	16248	16054	16254	16255	16257	16258	16058	16361	16260	16821	16616	
	16825	16620	15721	16830	16627	16833	16834	15801	16836	16645	16837	16838	16839	16840	16651	16698	16843	16656	16845	16847	
	15753	16849	16850	15848	16661	15757	16855	16663	16858	16860	16861	16863	16666	15849	16871	16671	15856	16873	16680	16681	
	15866	16876	16878	16692	16879	16881	17721	16822	17726	17738	16848	17745	17747	17750	17748	17751	17760	17764	17767	17778	
	17779	17920	17814	18603	17815	17820	17839	18631	17846	17858	17859	17878	17888	16110	16111	16403	16404	16314	16316	16406	
	16327	16422	16131	16328	16424	16335	16388	16432	16433	16434	16435	16354	16360	16440	15821	15822	15823	15827	15831	16728	
	15841	16734	15845	15846	15853	15857	15868	15870	15828	16217	16321	16322	16239	16353	16370	17210	17214	17201	17202	17217	
	17219	17220	17221	17222	17224	17225	17231	17232	17235	17236	17237	17244	17246	17247	17250	17251	17252	17254	17256	17261	
	17262	17263	17265	17268	17270	17271	17272	17212	17215	15536	17223	17228	17229	17233	17238	17267	16689</				

Exhibit A – Tier 3 Markets by Zip Code

South Carolina											29620	29628	29638	29639	29659	29810	29827	29836	29846	29849	29003
	29042	29081	29843	29812	29817	29826	29813	29853	29901	29902	29903	29904	29905	29906	29910	29914	29915	29925	29926	29928	
	29938	29907	29931	29909	29935	29920	29940	29941	29702	29340	29341	29342	29014	29706	29712	29714	29055	29724	29729	29520	
	29709	29718	29101	29727	29728	29584	29741	29001	29041	29051	29102	29111	29143	29148	29162	29433	29435	29438	29446	29929	
	29452	29082	29474	29475	29481	29488	29493	29536	29543	29547	29563	29565	29567	29573	29510	29440	29442	29585	29819	29646	
	29647	29648	29649	29653	29695	29666	29848	29692	29911	29913	29916	29918	29921	29922	29923	29924	29932	29933	29939	29944	
	29945	29576	29912	29927	29934	29936	29943	29058	29067	29720	29721	29722	29744	29010	29046	29080	29821	29835	29899	29838	
	29840	29844	29845	29519	29546	29571	29574	29589	29592	29512	29516	29525	29570	29594	29596	29037	29355	29075	29108	29122	
	29126	29127	29145	29178	29643	29658	29664	29665	29675	29676	29672	29678	29679	29686	29691	29696	29693	29018	29432	29038	
	29039	29047	29048	29059	29107	29112	29113	29115	29116	29117	29118	29133	29142	29146	29163	29321	29031	29353	29395	29364	
	29379	29518	29056	29554	29556	29564	29580	29590	29542												
South Dakota											57368	57375	57383	57324	57348	57350	57399	57379	57381	57384	57386
	57714	57551	57574	57315	57059	57062	57063	57066	57002	57006	57007	57220	57026	57061	57071	57276	57401	57402	57426	57427	
	57432	57433	57439	57441	57445	57446	57449	57460	57474	57479	57481	57325	57326	57355	57370	57339	57341	57717	57760	57762	
	57788	57632	57646	57648	57329	57342	57356	57361	57367	57369	57380	57217	57322	57225	57236	57258	57271	57278	57010	57037	
	57069	57073	57235	57243	57245	57263	57272	57201	57621	57634	57639	57641	57642	57645	57657	57658	57659	57660	57722	57730	
	57738	57744	57773	57334	57301	57363	57422	57219	57239	57468	57261	57273	57274	57213	57218	57226	57237	57238	57268	57625	
	57630	57633	57636	57652	57656	57661	57313	57328	57330	57344	57364	57428	57448	57451	57471	57735	57747	57763	57766	57782	
	57435	57438	57466	57470	57473	57216	57246	57251	57252	57253	57259	57264	57265	57269	57317	57523	57529	57335	57533	57538	
	57571	57552	57553	57567	57221	57223	57234	57241	57242	57248	57362	57467	57371	57373	57311	57332	57340	57720	57724	57755	
	57650	57776	57651	57522	57536	57501	57331	57029	57354	57045	57052	57366	57376	57345	57540	57346	57521	57750	57543	57547	
	57577	57312	57358	57382	57531	57559	57562	57212	57214	57231	57233	57353	57249	57051	57016	57042	57050	57054	57057	57075	
	57076	57732	57754	57759	57779	57783	57799	57793	57544	57548	57365	57568	57569	57576	57437	57456	57457	57421	57430	57232	
	57247	57454	57270	57560	57579	57585	57321	57323	57337	57349	57017	57024	57028	57065	57620	57638	57640	57644	57649	57442	
	57450	57455	57475	57224	57227	57255	57256	57257	57260	57262	57266	57279	57314	57359	57385	57716	57752	57756	57764	57770	
	57772	57794	57424	57429	57434	57436	57440	57461	57465	57469	57476	57477	57532	57537	57520	57564	57555	57563	57566	57570	
	57572	57528	57534	57541	57580	57584	57420	57631	57452	57601	57472	57031	57040	57046	57067	57072	57078	57622	57623	57742	
	57357	57044	57202	57643	57628	57647	57462	57774	57244	57542	57653	57557	57526	57578	57079	57629					
Tennessee																		37020	37360	37160	37161
	37162	37180	37183	38221	38320	38333	38341	37367	37714	37729	37757	37762	37766	37819	37847	38220	38317	38318	38321	38324	
	38342	38344	38348	38201	38235	38258	38387	38390	37707	37715	37724	37730	37752	37773	37824	37825	37851	37867	37870	37879	
	38551	38575	37713	37722	37727	37753	37821	37822	37843	37389	37018	37342	37349	37355	37382	37388	38001	38006	38021	38034	
	38336	38337	38050	37723	38555	38557	38558	38571	38572	38578	38311	38329	38363	38374	38380	37012	37059	37095	37166	38007	
	38024	38025	38030	38047	38059	38070	38259	38504	38553	38565	38556	38577	37306	37318	37324	37330	37345	37375	37383	37376	
	37398	38316	38330	38331	38338	38343	38346	38233	38355	38358	38369	38382	38389	38449	38455	38460	38472	38473	38477	38478	
	37616	37641	37743	37744	37745	37809	37810	37818	37301	37305	37313	37339	37356	37365	37366	37387	37765	37869	38008	38039	
	38042	38044	38052	38061	38067	38377	38381	38075	38326	38327	38361	38475	38365	38370	38372	38376	38012	38069	38328	38345	
	38351	38368	38371	38388	38222	38223	38224	38231	38236	38242	38251	38256	37061	37175	37178	37078	37101	37134	37185	38562	
	38564	38588	37640	37680	37683	37688	37691	38080	38079	38077	38037	38040	38041	38063	38456	38457	38463	38464	38468	38469	
	38481	38483	38486	38462	38453	37328	37334	37335	38459	37348	37359	37144	38488	37303	37371	37309	37329	37331	37826	37370	
	38310	38315	38393	38334	38339	38357	38359	38367	38375	38379	37019	37034	37047	37091	38401	38402	38451	38461	38474	38482	
	37174	38487	37322	37336	37880	37314	37354	37874	37385	37885	37352	37719	37726	37770	37829	37845	37733	37872	37887	38232	
	38240	38253	38254	38257	38260	38261	38281	38271	38541	38542	38543	38554	38568	38570	38573	38580	38589	37096	37097	38549	
	38544	38545	38548	38501	38502	38503	38505	38506	38574	38582	37321	37332	37337	37338	37381	37748	37763	37840	37854	37732	
	37755	37756	37841	37852	37892	37738	37764	37863	37868	37862	37864	37876	37865	38585	38550	37110	37111	37357	38581	37378	
	37394	38425	38450	38452	38471	38485	38225	38226	38229	38230	38237	38238	38241	38255	38559	38579	38583	38587	37842	38056	
	37372	38074	37395	37893																	
Texas					75832	75839	75763	75853	75779	75801	75802	75803	75882	75861	75880	75884	75886	79714	75941	75949	
	75901	75902	75903	75904	75915	75969	75980	79324	79344	79347	76380	78102	78104	78125	78142	78145	78146	78389	78162	78391	
	78606	78635	78636	78663	79738	76634	76637	76649	76												

Exhibit A – Tier 3 Markets by Zip Code

Texas (continued)

76858	76872	76887	78007	78072	77864	75852	77872	75657	75564	79713	79749	79782	79783	76820	76842	76856	76869	77404	77414
77419	77415	77428	77440	77456	77457	77458	77465	77468	77482	77483	78852	78853	78860	78877	76841	76848	76859	76518	76519
76520	76523	77857	76556	76567	76577	76844	76864	76870	76880	79512	79532	79565	76230	76239	76251	76255	76261	76265	76270
79013	79029	79058	79086	75636	75638	75668	75568	75571	79234	79244	79256	75937	75760	75943	75944	75946	75958	75961	75962
75963	75964	75965	75788	75978	75102	76626	75105	75109	75110	75151	76639	76641	75144	75153	76679	76681	75928	75932	75933
77614	75966	75977	79506	79535	79537	79545	79556	79033	79070	79093	79001	79010	79092	79098	76453	76449	76067	76068	76463
76484	76472	76475	75631	75633	75637	75639	75643	75669	75685	79009	79325	79035	79053	79730	79735	79740	79743	79744	79781
77326	75934	75939	77332	77335	77350	77351	77399	75960	77360	79843	79845	79846	79854	75440	75472	76932	78833	78873	78879
75550	75554	75412	75417	75426	75436	79718	79770	79772	79780	79785	79786	77950	78340	78377	77990	78393	79059	76821	76861
76865	76875	79566	79567	75930	75948	75959	75968	75929	75972	76832	76871	76877	76936	79516	79517	79526	79527	79549	79550
76430	76464	77935	75954	75973	75974	75975	79084	76043	76070	76077	78536	78545	78547	78548	78582	78584	78585	78588	78591
76424	76429	76951	79502	79540	76950	79042	79052	79088	78851	79848	79316	79345	79378	76483	76491	75558	75455	75456	75493
75926	75834	75845	75856	75862	75865	75936	75938	75942	77616	77624	77660	77664	75979	75990	79752	79755	79778	78838	78870
78881	78884	78801	78802	78837	78840	78841	78842	78847	78871	78843	75754	75103	75117	75127	75140	75790	75169	77334	77320
77340	77341	77342	77343	77344	77348	77349	77358	77367	79719	79742	79756	79777	79788	77833	77834	77835	77426	77880	77420
77432	77435	77436	77437	77443	77448	77453	77454	77455	77467	77488	79003	79011	79061	79079	79096	76364	79247	76373	76384
76385	78561	78569	78598	78580	78590	78594	78665	79745	79789	75410	75444	75765	75773	75783	75494	75497	79323	79355	79376
76450	76460	76372	76374	76481	78564	78067	78076	78829	78839	78872	79320	79222	79238	79224	76675	76677	78603	79232	77985
76867	76555	79850	75947	79779	77462														

Utah

						84713	84731	84751	84752	84301	84302	84306	84307	84309	84311	84312	84313	84314	84316
84324	84329	84330	84331	84334	84336	84337	84340	84520	84526	84529	84501	84539	84542	84023	84046	84001	84002	84007	84021
84027	84031	84051	84052	84053	84066	84072	84073	84513	84516	84518	84521	84522	84523	84525	84528	84537	84712	84716	84764
84718	84726	84735	84736	84759	84776	84515	84532	84540	84714	84719	84720	84721	84742	84753	84756	84760	84761	84772	84710
84762	84729	84741	84755	84758	84624	84631	84728	84635	84636	84637	84638	84640	84644	84649	84656	84723	84732	84740	84743
84750	84028	84038	84064	84086	84510	84511	84512	84530	84533	84531	84534	84535	84536	84621	84622	84623	84627	84629	84630
84632	84634	84642	84643	84646	84647	84662	84665	84667	84711	84620	84724	84730	84739	84744	84754	84652	84701	84654	84766
84657	84008	84026	84035	84039	84063	84076	84078	84079	84085	84032	84049	84082	84715	84734	84747	84749	84773	84775	84527
84717	84650	84030																	

Virginia

			23301	23302	23303	23306	23308	23336	23341	23345	23356	23357	23358	23359	23389	23395	23399	23401	23404
23407	23409	23410	23412	23414	23415	23396	23416	23417	23418	23420	23421	23422	23423	23426	23427	23440	23441	23442	23480
23337	23483	23488	24422	24448	24457	24474	24411	24421	24430	24431	24432	22939	24437	24440	22952	24459	24463	24467	22843
24469	24476	24477	24479	24482	24485	24486	24412	24445	24460	24484	24487	24314	24315	24318	24366	23821	23920	23843	23845
23856	23857	23868	23873	23876	23887	23889	23893	24603	24239	24614	24620	24624	24627	24628	24631	24634	24639	24646	24647
24656	24657	24658	23004	23921	23936	23123	24317	24325	24328	24343	24351	24352	24381	23923	23934	23937	23947	23959	23962
23963	23964	23967	23976	20106	22713	22714	22701	22718	22724	22726	22729	22733	22736	22737	22741	22746	24217	24220	24607
24226	24228	24256	24269	24272	22436	22437	22438	22454	22476	22504	22509	23115	22560	24072	24079	24091	24105	24380	24326
24330	24348	24363	24378	24292	23847	23870	23879	24520	24534	24535	24539	24558	24577	24589	24592	24597	24598	24054	24055
24078	24089	24148	24165	24168	24413	24433	24442	24458	24465	24468	22448	22451	22481	22485	22526	22544	22547	22480	22482
22503	22507	22513	22517	22523	22528	22576	22578	24218	24221	24243	24248	24263	24265	24277	24281	24282	23938	23941	23944
23952	23974	22709	22711	22715	22719	22721	22722	22723	22725	22948	22727	22730	22731	22732	22735	22738	22743	22748	22989
23915	23917	23919	24529	23924	23927	23950	24580	23968	23970	23031	23032	23043	23070	23071	23079	23092	23149	23169	23175
23176	23180	23307	23307	23313	23316	23347	23350	23354	23398	23405	23408	23413	23419	23429	23443	23482	23486	22432	22435
22456	22473	22511	22530	22539	22579	23824	23922	23930	23955	22923	22433	22942	22508	22957	22960	22542	22972	22567	22835
22650	22849	22851	24053	24076	24082	24120	24133	24171	24177	24185	23901	23909	23942	23943	23954	23960	23966	22716	22623
22627	22640	22740	22747	22749	22460	22472	22548	22570	22572	24415	24435	24555	24439	24578	24579	24472	24473	24483	24224
24225	24237	24260	24266	24280	24649	22810	22824	22626	22652	22644	22842	22844	22845	22847	22641	22657	22660	22664	24311
24319	24354	24370	24375	23827	23828	23829	23837	23844	23866	23874	23878	24601	24602	24604	24605	24606	24316	24608	24609
24612	24613	24619	24622	24630	24635	24637	24640	24641	24377	24651	22442	22443	22469	22488	22520	22524	22529	22577	22558
22581	24215	24216	24219	24230	24246	24279	24283	24293	24312	24313	24322	24323	24350	24360	24368	24374	24382	24416	24426
23851	24333	24450	24112	24113	24114	24115	24273	24401	24402	22980	24407	24618	24289	24379	24585	22953	22002	24373	24285

Vermont

05734	05443	05740	05456	05747	05748	05753	05469	05472	05473	05760	05766	05669	05769	05770	05487	05491	05778	05250	05201
05340	05251	05252	05253	05254	05255	05257	05260	05152	05261	05350	05768	05262	05352	05776	05821	05828	05832	05836	05042
05838	05046	05843	05848	05849	05850	05851	05050	05861	05862	05819	05863	05866	05069	05867	05871	05873	05444	05901	05902
05903	05824	05837	05904	05840	05905	05846	05906	05858	05907	05442	05652	05653	05655	05464	05656	05657	05661	05662	05665
05672	05492	05680	05033	05036	05038	05039	05040	05041	05043	05045	05051	05054	05058	05060	05061	05070	05072	05074	05075
05076	05077	05079	05675	05081	05083	05085	05086	05679	05820	05822	05823	05825	05826	05827	05829	05830	05833	05839	05841
05842	05845	05847	05853	05855	05857	05859	05860	05868	05872	05875	05874	05730	05731	05732	05733	05735	05736	05737	05738
05739	05741	05742	05743	05744	05745	05750	05751	05757	05758	05759	05761	05762	05763	05764	05765	05701	05702	05773	05774
05775	05777	05640	05641	05647	05648	05649	05650	05651	05654	05658	05601	05602	05603	05604	05609	05620	05633	05660	05666
05663	05664	05667	05670	05673	05674	05671	05676	05677	05678	05681	05682	05101	05301	05302	05303	05304	05141	05341	05146
05342	05343	05148	05344	05345	05346	05154	05155	05351	05353	05354	05355	05356	05357	05358	05359	05360	05158	05159	05361
05362	05363	05030	05031	05032	05034	05035	05037	05142	05143	05144	05746	05047	05048	05049	05149	05052	05058	05150	05055
05151	05056	05153	05059	05062	05767	05065	05067	05068	05071	05156	05772	05073	05084	05161	05001	05009	05088	05089	05091

Exhibit A – Tier 3 Markets by Zip Code

Washington	99105	99341	99344	99169	99371	98305	98324	98326	98331	98343	98350	98357	98362	98363	98381	98382	99328	99359	99107	99118		
	99121	99138	99140	99146	99150	99160	99166	99347	99321	99115	99123	98823	98824	99133	99135	98832	99349	98837	98848	99357		
	98851	98853	98857	98860	98520	98526	98535	98536	98537	98541	98547	98550	98552	98559	98557	98562	98563	98566	98568	98569		
	98571	98575	98583	98587	98595	98282	98236	98239	98249	98253	98260	98277	98278	98320	98325	98358	98339	98365	98368	98376		
	98922	98925	98926	98934	98940	98941	98943	98946	98950	98602	99322	98605	98613	98617	98619	98620	98623	98628	98635	99356		
	98650	98670	98672	98673	98522	98531	98532	98533	98538	98539	98542	98544	98336	98355	98356	98564	98565	98570	98361	98572		
	98377	98582	98585	98591	98593	98596	99103	99117	99122	99008	99134	99144	99147	99154	99159	99029	99032	99185	98524	98528		
	98546	98548	98555	98560	98584	98588	98592	98812	98814	98819	99116	99124	98827	98829	98833	98834	99155	98840	98841	98844		
	98846	98849	98855	98856	98859	98862	98527	98614	98624	98554	98631	98561	98637	98638	98640	98641	98577	98644	98586	98590		
	99119	99139	99152	99153	99156	99180	98222	98243	98245	98250	98261	98279	98280	98286	98297	99101	99109	99110	99114	99126		
	99013	99129	99131	99137	99141	99148	99151	99157	99167	99173	99034	99181	99040	98612	98621	98643	98647	99323	99324	99329		
	99348	99360	99361	99362	99363	99102	99104	99111	99113	99125	99128	99130	99136	99333	99143	99017	99149	99158	99161	99163		
	99164	99170	99171	99174	99033	99176	99179	99327	99332	99127	99165											
Wisconsin												53910	54613	53927	53934	53936	54806	54514	54517	54527		
	54846	54850	54855	54546	54861	54805	54812	54813	54818	54822	54728	54826	54829	54733	54841	54857	54762	54868	54889	54814		
	54816	54821	54827	54832	54839	54844	54847	54856	54865	54891	54610	54622	54629	54743	54755	54756	54830	54840	54845	54872		
	54893	54405	54420	54421	54422	54425	54436	54437	54746	54446	54456	54460	54771	54493	54498	54626	54628	54631	54640	54645		
	53821	54654	54655	54657	53826	53003	53916	53006	53922	53016	53933	53032	53034	53035	53039	53047	53048	53557	53050	53059		
	53956	53579	53078	53091	53098	53963	53099	54202	54204	54209	54210	54211	54212	54213	54226	54234	54235	54246	54725	54730		
	54734	54735	54737	54739	54749	54751	54763	54764	54765	54772	54120	54121	54542	54511	54103	54520	54541	54566	53801	53802		
	53804	53518	53805	53806	53807	53808	53809	53810	53811	53812	53813	53554	53569	53816	53573	53817	53818	53820	53824	53825		
	53827	53502	53520	53521	53522	53550	53566	53570	53574	54923	53926	54941	53939	53946	53947	54968	54525	54534	54536	54547		
	54550	54559	54565	54611	54615	54635	54642	54754	54643	54659	53538	53137	53036	53549	53038	53551	53156	53178	53594	53094		
	54618	53929	54637	53944	54641	53948	54646	53950	53962	53968	53504	53510	53803	53516	53530	53541	53586	53587	53599	54409		
	54418	54424	54428	54430	54462	54464	54465	54485	54491	54435	54532	54442	54452	54487	53015	54207	54214	54215	53042	54220		
	54221	54227	54228	53063	54230	54232	54240	54241	54245	54247	54102	54104	54112	54114	54119	54125	54143	54151	54156	54157		
	54159	54161	54177	53920	53930	53949	54960	53952	53953	53964	54135	54150	54619	54620	54638	54648	54649	54656	54660	54662		
	54666	54670	54529	54531	54539	54543	54548	54463	54501	54562	54564	54568	54721	54736	54759	54769	54001	54810	54824	54004		
	54005	54006	54009	54837	54853	54858	54020	54024	54026	54909	54406	54407	54921	54423	54443	54458	54467	54473	54481	54482		
	54492	54513	54515	54524	54537	54459	54552	54555	54556	53924	53540	53556	53581	53584	54664	54819	54731	54526	54530	54848		
	54766	54563	54895	53913	53937	53941	53940	53942	53943	53561	53951	53577	53578	53958	53959	53961	53583	53588	54828	54834		
	54835	54843	54862	54867	54876	54896	54414	54107	54416	54928	54111	54127	54128	54137	54948	54450	54166	54486	54978	54499		
	54182	54433	54439	54434	54447	54451	54470	54480	54490	54612	54616	54625	54738	54627	54630	54747	54758	54760	54770	54661		
	54773	54621	54623	54624	54632	54634	54639	54651	54652	54658	54665	54667	54512	54519	54521	54538	54540	54545	54554	54557		
	54558	54560	54561	53114	53115	53120	53121	53125	53128	53138	53147	53148	53157	53585	53176	53184	53190	53191	53195	54817		
	54859	54870	54871	54801	54875	54888	54926	54929	54933	54940	54945	54990	54946	54949	54950	54961	54962	54969	54977	54981		
	54983	54930	54943	54965	54966	54967	54970	54976	54982	54984	54410	54412	54413	54415	54441	54404	54449	54472	54454	54457		
	54466	54469	54475	54489	54494	54495	54744	53917	54444	54203	54851	54975										
West Virginia															26250	26349	26275	26405	26416	26238	25180	26335
	26615	26619	26621	26623	26624	26627	26629	26631	26601	25234	26136	26137	25235	26147	25261	26151	25268	26339	26411	26436		
	26456	25002	25812	25031	25036	25040	25831	25057	25833	25837	25840	25085	25090	25846	25854	25855	25115	25118	25119	25862		
	25864	25866	25868	25976	25879	25136	25139	25880	25185	26680	25901	25152	25904	25161	25907	25173	25917	25186	25986	25936		
	25938	25942	26611	26342	26351	26384	25267	26636	26430	26638	26443	26707	26855	26720	26731	26833	26739	26847	24916	24925		
	25958	24931	24902	24938	24943	25972	24901	24957	25981	25962	24966	24970	25984	24977	24986	24991	26801	26818	26810	26812		
	26838	26836	26845	26851	26323	26330	26301	26302	26306	26568	26361	26366	26369	26385	26386	26404	26408	26422	26426	26431		
	26438	26448	26451	26463	25231	25239	25241	25244	25245	25248	25252	25262	26164	25271	25275	26321	26338	26343	26372	26376		
	26378	26412	26447	26452	25606	25607	25505	25022	25611	25508	25612	25047	25614	25617	25076	25624	25625	25628	25121	25601		
	25630	25632	25634	25635	25637	25638	25639	25547	25644	25183	25646	25647	25649	25652	25653	25654	24808	24811	24813	24815		
	24816	24817	24826	24828	24829	24830	24831	24836	24843	24844	24846	24848	24850	24853	24855	24861	24862	24866	24868	24871		
	24872	24873	24878	24879	24881	24884	24887	24888	24892	24894	24801	24895	26559	26560	26563	26566	26554	26555	26570	26571		
	26572	26574	26576	26578	26582	26585	26586	26587	26588	26591	25502	25503	25515	2555								

Exhibit A – Tier 3 Markets by Zip Code

Wyoming	82058	82063	82070	82071	82072	82073	82083	82084	82410	82411	82412	82420	82421	82422	82426	82428	82431	82051	82052	82055
	82716	82717	82718	82725	82727	82731	82732	82321	82323	82324	82325	82327	82329	82301	82331	82332	82615	82432	82434	82441
	82637	82224	82229	82710	82711	82712	82714	82720	82721	82729	82510	82512	82513	82514	82515	82310	82516	82520	82642	82523
	82501	82524	82649	82212	82217	82218	82219	82221	82223	82240	82243	82244	82430	82443	82834	82639	82640	82840	83110	83128
	83111	83112	83114	83116	83118	83119	83120	83121	83122	83101	83123	83124	83126	83127	82222	82225	82227	82242	82414	82423
	82433	82435	82440	82450	82190	82210	82213	82214	82215	82201	82831	82832	82833	82835	82836	82837	82838	82839	82801	82842
	82844	82845	83113	82922	82923	82925	83115	82941	82322	82932	82934	82935	82929	82938	82942	82943	82901	82902	82945	82336
	83414	83001	83002	83011	83012	83013	83025	83014	82930	82931	82933	82936	82937	82939	82944	82442	82401	82715	82701	82723
	82730	82631	82713	82427																