

# Product Matrix

## Carrington Flexible Advantage Program

Program Codes: See the Program Codes section

Version 5.0 – 02/07/19



### Program Maximum LTVs – Primary Residence and Second Homes

		A			B		C	
Loan Amount	Reserves	FICO	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out
≤ \$750,000	3 Months	660	90%*	-	-	-	-	-
≤ \$1,000,000	3 Months	640	85%	80%	85%	75%	70%	65%
		620	85%	80%	80%	75%	70%	65%
		580	80%	80%	80%	70%	70%	65%
		500	75%	70%	70%	70%	70%	65%
> \$1,000,000 up to \$2,000,000	3 Months	640	85%	75%	75%	70%	-	-
		620	80%	75%	75%	70%	-	-
		580	80%	70%	75%	65%	-	-
		500	70%	65%	65%	65%	-	-
Most recent 12-months Mortgage/Rental History		0x60x12			0x120x12		0x30 since event	
FC/SS/DIL/Mod/1x120 Seasoning		24 Months			12 Months		Settled	
BK Seasoning (Chapter 7, 11)		24 Months			12 Months		No Seasoning	
BK Seasoning (Ch 13 Discharged)		No Seasoning			No Seasoning		No Seasoning	
BK Seasoning (Ch 13 Dismissed)		12 Months			12 Months		No Seasoning	
Standard DTI / Expanded DTI*		43% / 50% / 55%			43% / 50% / 55%		43%	

Program Requirements	
Minimum Loan Amount <sup>(1)</sup>	\$100,000
Maximum Loan Amount	\$2,000,000
Maximum Cash Out <sup>(2)</sup> LTV > 75%	\$500,000
Maximum Cash Out LTV ≤ 75%	\$750,000
Residual Income <sup>(3)</sup>	\$1,500
Tradelines <sup>(2)</sup>	Std/Ltd

(1)NY loans: Primary Residence and Second Homes ONLY require a minimum loan size of "Conforming Balance plus \$1".

(2)See Additional Program Requirements for details

(3)Does not apply to Investment Properties

#### Property Type Requirements

Property Type	Max LTV
Single Family/PUD	90%
Townhouse	90%
Condominium	90%
Non-Warrantable Condo	80%
2-4 Unit	80%
Modular Homes	80%

\* See 90% Expanded LTV Requirements for details

#### Additional Program Overlays—Primary Residence and Second Homes

Feature	LTV	FICO	Reserves
1st Time Home Buyers	Refer to Grid Above	580	6 Months
Second Homes	80%	580	6 Months
24 Months Bank Statements	Refer to Grid Above	580	6 Months
12 Months Bank Statements		620	6 Months
1 Year Documentation (W-2 or Tax Return)		620	6 Months
Limited Tradelines	LTV based on lesser of actual FICO or 580 FICO		6 Months
Alternative Documentation	<ul style="list-style-type: none"> <li>24 Months Business or Personal Bank Statements</li> <li>12 Months Business or Personal Bank Statements</li> <li>1 Year Documentation (W-2 or Tax Return)</li> </ul>		

1 Year Alt Doc
<ul style="list-style-type: none"> <li>1 Year Tax Return</li> <li>1 year W-2</li> <li>12 Months Bank Statements</li> <li>Minimum FICO = 620</li> <li>Maximum DTI = 50%</li> </ul>
50% DTI
<ul style="list-style-type: none"> <li>FICO ≥ 620</li> </ul>
55% DTI
<ul style="list-style-type: none"> <li>Full Doc</li> <li>FICO ≥ 680 / LTV ≤ 85%</li> <li>Primary Residence</li> <li>12 Months Reserves</li> <li>Residual Income ≥ \$3,500</li> </ul>

*90% Expanded LTV
Purchase & Rate/Term Only Owner Occupied / Primary Residence
Full Doc: FICO ≥ 660 24 Month Bank Statements: FICO ≥ 680 1 Year W-2 / Tax Return: FICO ≥ 680 12 Months Bank Statements are ineligible
Grade A Only Residual Income ≥ \$3,500/Mo Min Loan Amount = \$150,000 Max Loan Amount = \$750,000

Investment Overlays
Purch & R/T**: Matrix LTV less 5% ** Excludes 90% LTV Bucket Cash Out: Matrix LTV less 5%
Full Doc: FICO ≥ 580 Alt Doc: FICO ≥ 620 Loan Amt > \$1MM: FICO ≥ 620
Grade A Only Min 6 Mos reserves (see below) Standard Tradelines only No Subordinate Financing

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Carrington Flexible Advantage Program – Additional Program Requirements					
Debt Ratios (Primary Residence, Second Homes and Investment Properties)	<ul style="list-style-type: none"> <li>Standard DTI to 43% available for <b>Grade A, B and C</b></li> <li>Expanded DTI to 50% available for <b>Grade A and B</b> Min FICO = 620</li> <li>Expanded DTI to 55% available for <b>Grade A and B</b> with <b>ALL</b> of the following compensating factors present (Full Doc only):                             <ul style="list-style-type: none"> <li>FICO ≥ 680; Primary Residence; LTV ≤ 85%; Residual Income ≥ \$3,500; 12-months Reserves</li> </ul> </li> <li>DTI to 43% available for 12-Month Bank Statements and 1-Year Documentation (W-2 or Tax Return)</li> </ul>				
Full Documentation Income	Fully documented income requires 4506T forms and processed transcripts for the income used to qualify. <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. See Carrington Flexible Advantage Program Guidelines for details.				
Bank Statement Income	The bank statement income calculation will not require 4506T forms or transcripts. When a file has mixed income (W2 wage earner income) combined with the bank statement income option, CMS must obtain a 4506T and transcripts for the W2 wage earner income only. See Carrington Flexible Advantage Program Guidelines for details. <b>Please Note:</b> Underwriter may condition for 4506-T tax transcripts to be signed and processed on a case by case basis.				
Occupancy	Primary Residence, Second Homes, and Investment Properties				
Product Types	<ul style="list-style-type: none"> <li>5/1 ARM</li> <li>7/1 ARM</li> <li>10/1 ARM</li> <li>30 Yr Fixed</li> </ul>				
	<b>Primary Residence and Second Home ARM Features</b>				
	<b>Primary and Second Homes Grade</b>	<b>Product</b>	<b>Margin</b> (Floor Rate is the Start Rate)	<b>Caps</b>	<b>Index</b>
	<b>A, B, and C</b>	5/1	5.00%	2/2/5	1 Year LIBOR
		7/1 & 10/1	5.00%	5/2/5	1 Year LIBOR
	<b>Investment Property ARM Features</b>				
	<b>Investment Property Grade</b>	<b>Product</b>	<b>Margin</b> (Floor Rate is the Start Rate)	<b>Caps</b>	<b>Index</b>
	<b>A</b>	5/1	5.00%	2/2/5	1 Year LIBOR
		7/1 & 10/1	5.00%	5/2/5	1 Year LIBOR
	Qualifying: For all ARM loans, the greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA Amortization is based on 30 year loan term and is fully amortizing for the life of the loan.				
Residual Income	\$1,500 plus an additional \$150 per dependent is required for Primary Residence and Second Homes only. Residual Income not required on Investment Properties.				
Seller Concessions	Up to 9% towards closing for Primary Residence and Second Homes (LTV ≤ 75%), 6% towards closing for Primary Residence and Second Homes (LTV > 75%); Up to 2% toward closing for Investment Properties.				

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### Carrington Flexible Advantage Program – Guideline Requirements

#### COLLATERAL

General	Property must be in average or better condition. C4 and Q4. Deferred maintenance is allowed provided the neglected item is not structural in nature (as noted by the appraiser). Deferred items may be left “as is” if the aggregate cost to cure the deficiency does not exceed \$2,000 or impact the safety or habitability of the property.
Second Homes	Second homes are restricted to 1-unit dwellings. Second homes must be located a reasonable distance away from the borrower's primary residence and must be available for borrower's exclusive use. Borrower may not own any other second homes or investment properties in the same geographic market as the subject property. Second homes cannot be subject to rental pools or agreements requiring property to be rented and cannot be controlled by a management firm. Suitable for year-round occupancy.
Appraisal	1 Full appraisal required. Exterior and Interior inspection. Color photographs required.
Appraisal Review	Loans with a Fannie Mae Collateral Underwriter (CU) score of 2.5 or lower do not require a Clear Capital Collateral Desktop Analysis (CDA). If the CU score is greater than 2.5, a CDA required for all properties. See the Carrington Flexible Advantage Program Guidelines for full details on the available review products.
Appraisal Updates	Permitted. Follow guidelines and acceptable extension dates. The appraisal may be no older than 240 days at closing with an appraisal update.
Condo Warrantable and Non-Warrantable	All condominiums must have a valid project review along with a completed CMS Homeowners' Association Certification (InterIsland HOA Questionnaire). ATTACHED CONDOS: Appraisal must contain 2 comparable sales from subject's project in addition to the current comparable sale requirements. See the Carrington Flexible Advantage Program Guidelines for condominium specifications.
All Properties Square Footage	Minimum of 600 square feet of gross living area.
Eligible Property Types	One Unit Single Family Residences (Attached and Detached), PUDs (Attached and Detached), Condos (Low and High Rise), Site Condo, Non-Warrantable Condominiums, Townhouse, 2-4 Unit Properties, Modular Homes and Mixed-Use Properties.
Ineligible Property Types	Co-ops, Condotels, Manufactured, Unique Properties, Leaseholds, Rural Properties, Log Homes, Agriculturally Zoned, Properties that provide income to borrower, Farms or Hobby/Working Farms, Properties with oil, gas, or mineral rights, Builder Model Leaseback, Non-Conforming zoning regulations that prohibit rebuilding, Properties subject to Rent Control regulations.

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### COLLATERAL, continued

Mixed Use Properties	<p>CMS will allow for mortgages that are secured by 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.</p> <p>The following special eligibility criteria must be met:</p> <ul style="list-style-type: none"><li>• The property must be a one-unit dwelling that the borrower occupies as a principal residence.</li><li>• The borrower must be both the owner and the operator of the business.</li><li>• The property must be primarily residential in nature.</li><li>• The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property.</li></ul> <p>The appraisal requirements for mixed-use properties must:</p> <ul style="list-style-type: none"><li>• provide a detailed description of the mixed-use characteristics of the subject property;</li><li>• indicate that the mixed use of the property is a legal, permissible use of the property under the local zoning requirements;</li><li>• report any adverse impact on marketability and market resistance to the commercial use of the property; and</li><li>• 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.</li><li>• report that no modifications have been made that would adversely affect marketability;</li></ul> <p>A confirmation of the appraiser's review will be performed by a Due Diligence (DD) firm. If the DD firm disagrees with the appraiser, DD findings will take priority over appraiser findings.</p>
Property Flipping	<p>365 flip provisions apply and must comply with HPML flip rules, see the Carrington Flexible Advantage Program Guidelines for specifications.</p>
Resale/Deed Restrictions	<p>Communities where the minimum age requirement is 55 are permitted.</p>
Maximum Number of Financed Properties	<p>There is no limit on the number of other properties borrowers may currently have financed. Second homes and Investment Properties require 2 months additional reserves for each additional financed property. See Carrington Flexible Advantage Program Guidelines for additional requirements.</p>

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### TYPES OF FINANCING

General Refinance Requirements	<p>Rate/term refinance and cash-out refinance transactions are allowed.</p> <p>All investment property refinances require an appraisal review product. See Appraisal Review Process for detailed requirements.</p> <p><b>Determining Loan-to-Value</b></p> <p>If the subject property was acquired &gt; 12-months from application date, the appraised value must be used to determine loan-to-value.</p> <p>If the property was acquired ≤ 12-months from application date, 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.</p>
Rate & Term Refi / Limited Cash Out	<p>No seasoning of first mortgage.</p> <p>If owned less than 12 months (recorded transfer date to application date of the new loan), the LTV is based on lower of appraised value less any sales concessions or the original sales price.</p> <p>If owned more than 12 months, (recorded date to application date of new loan), the LTV is based on the current appraised value.</p> <p>If value has increased more than 15%, photos of improvements are required.</p> <p>Maximum cash in hand is the lessor of 2% of the principal of the new loan amount or \$2000.</p> <p>HUD-1 settlement statements required from any transaction within past 6 months.</p> <p>If previous transaction was cash-out or if it combined a first and non-purchase money subordinate into a new first, loan to be coded cash out.</p> <p>If new transaction combines a 1st and non-purchase money 2nd into a new 1st loan, it is considered cash out.</p> <p>Must demonstrate there is a Benefit to the borrower by utilizing the CMS benefit to borrower form currently in use through Encompass for refinance transactions.</p>
Listed For Sale or Purchase	<p>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 application date, provide a letter of explanation for the MLS listing and statement of intent to retain the property for 12 months after closing. For cash-out transactions, if the subject property was listed for sale in the 6 months prior to application date, a 10% LTV reduction from the maximum available for the specific transaction is required. <b>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.</b></p>
Cash-out Refinance	<p>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 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 6-months. There is no waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.</p>
Cash Out	<p>Maximum Amounts: LTV &gt; 75% = \$500,000; LTV ≤ 75% = \$750,000</p> <p>Cash Out can be used for reserve requirements and/or to pay off debt for qualifying.</p>
All Refinances	<p>All refinance transactions must have Net Tangible Benefit to Borrower and Continuity of Obligation.</p>
Construction-to-Perm	<p>Not permitted</p>
Texas 50(a)(6) Refinances	<p>Permitted. Refer to Carrington Flexible Advantage Program Guidelines and Texas Home Equity Matrix for full details.</p>
Secondary Financing/ Payoff	<p>Allowed for Primary Residence and Second Homes - Not permitted for Investment Properties</p>
Secondary Financing/ Subordination	<p>Allowed for Primary Residence and Second Homes - Not permitted for Investment Properties</p> <p>Maximum 90% CLTV (Institutional Seconds Only)</p>

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CREDIT	
Minimum Credit History - Primary Wage-earner Requirements	<p>Standard Credit: 3 tradelines reporting for 12+ months with activity in last 12 months OR 2 tradelines reporting for 24+ months with activity in last 12 months 0X60 for most recent 12 months</p> <p>Trade lines must meet the following: The credit line must be reflected on the borrower's credit report</p> <ul style="list-style-type: none"> <li>The account must have activity in the past 12-months and may be open or closed</li> <li>Tradelines used to qualify may not exceed 0x60 in the most recent 12 months</li> <li>An acceptable 12- or 24-month housing history not reporting on credit may also be used as a tradeline</li> </ul> <p>Credit lines on which the borrower is not obligated to make payments are not acceptable for establishing a minimum history. e.g., loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts.</p>
Limited Tradelines	<p>Primary Residence and Second Homes only. Not permitted on Investment Properties.</p> <p>No minimum tradeline requirements (Full Doc only)</p> <p>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. The following requirements apply when qualifying with Limited Tradelines:</p> <ul style="list-style-type: none"> <li>Primary residence and second homes only</li> <li>10% minimum borrower contribution</li> <li>Minimum 6-months reserves after closing</li> <li>Full documentation of income (Bank Statement Documentation not allowed)</li> <li>Not eligible for Investment Property Programs</li> </ul> <p>When qualifying with Limited Tradelines, the lower of either the Representative Loan Score or a 580 score is used to qualify the borrower on the Non-Prime Matrix. The loan may be priced using the actual Representative Loan Score.</p>
Disputed Tradelines	<p>Borrowers are not required to remove disputed tradelines from their credit report regardless of the number of accounts or the amounts.</p> <p>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.</p>
Non-Traditional Credit	Not permitted
Mortgage/Rental History	<p>See Grade Determination above.</p> <p>Mortgage and rental payments not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.</p> <p>If the borrower is making payments to an individual or interested party, 12 months of cancelled checks or bank statements must be obtained. A VOR/VOM is not required but may be requested for clarification.</p> <p>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.</p> <p>Borrowers with no housing history or less than 12 months housing history are permitted. Refer to Carrington Flexible Advantage Program Guidelines for full details.</p>
Forbearance Due to FEMA Disaster	<p>CMS will permit forbearance only in cases of a FEMA Disaster Declaration. Documentation from the servicer must be obtained and the cause outside the disaster (i.e. loss of work, damage, etc.) must be cured and documented (i.e. back to work and able to meet ability-to-repay (ATR) requirements).</p>
Late Payments	<p><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.</p> <p><b>Past Due Accounts:</b> 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. For mortgage late payment requirements refer to Mortgage/Rental History above.</p>

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### CREDIT, continued

Credit Grade C	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.
Bankruptcy	<p>For bankruptcy seasoning requirements, see Grade Determination above.</p> <p>A Chapter 13 bankruptcy may remain open after loan closing when all of the following requirements are met:</p> <ul style="list-style-type: none"> <li>• A minimum 12-month repayment period in the bankruptcy has elapsed</li> <li>• Bankruptcy plan payments for the last 12 months have been made on time</li> <li>• Borrower has received written permission from bankruptcy court to enter into the transaction</li> </ul> <p><b>Note: Open Chapter 13 bankruptcy will be graded per the mortgage rating.</b></p>
Short Sale/ Foreclosure/ Deed-in-Lieu/ Modification	See Grade Determination above.
Collections/ Charge Offs	<p>The following accounts may remain open:</p> <ul style="list-style-type: none"> <li>• Collections and charge-offs &lt; 24 months old with a maximum cumulative balance of \$2,000</li> <li>• Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence</li> <li>• Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required)</li> <li>• All medical collections</li> </ul> <p>Collection and charge-off account balances remaining after the exclusions listed above may remain open when one of the following is met:</p> <ul style="list-style-type: none"> <li>• Borrower has sufficient reserves to cover remaining collection and charge-off balances (in addition to the published reserve requirement); or</li> <li>• 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).</li> </ul> <p>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.</p>
Judgments/Liens	<p>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.</p> <p>Court-ordered judgments may remain open when all of the following requirements are met:</p> <ul style="list-style-type: none"> <li>• A copy of the repayment agreement is obtained;</li> <li>• A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; and</li> <li>• The maximum payment required under the plan is included in the debt-to-income ratio.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• A copy of the repayment agreement is obtained;</li> <li>• A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided;</li> <li>• The maximum payment required under the plan is included in the debt-to-income ratio; and</li> <li>• 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.</li> </ul>

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### CREDIT, continued

IRS Taxes Owed (No Lien)	For IRS taxes owed and no lien is present all of the following requirements must be met: <ul style="list-style-type: none"> <li>• A copy of the repayment agreement is obtained;</li> <li>• A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided;</li> <li>• The maximum payment required under the plan is included in the debt-to-income ratio.</li> </ul>
Minimum FICO	The primary wage-earner score is used as the Representative Credit Score for each loan. Primary wage-earner may be an occupying or non-occupying co-borrower. The primary wage-earner must have a valid score from at least 2 of the following 3 agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable. Additional co-borrowers on the loan must have at least one valid score of 500 or greater. To determine the Representative Credit Score for the primary wage-earner, select the middle score when 3 agency scores are provided and the lower score when only 2 agency scores are provided.
Rapid Rescore	Permitted. See Underwriting Guidelines for additional requirements.
Minimum Payment	Use the greater of \$10 or 5% of balance for revolving accounts if payment not reporting. Include all revolving payments regardless of the number of payments remaining. Revolving accounts are allowed to be paid off prior to or at closing in order to exclude the payment from the debt ratio. Revolving accounts do not have to be closed to exclude the payment from the debt ratio. For 30-day accounts/accounts paid in full on a monthly basis (i.e.: American Express), use 5% of the outstanding balance unless borrower has sufficient liquid assets verified to pay the full balance. Installment payments may be excluded with 10 or less payments remaining, except for car leases. Installment debts can be paid down to meet the 10 payments. If the excluded payment is 5% or more of the borrower's qualifying income, the underwriter must review the transaction for ability to repay.

### INCOME/ASSETS

Employment	All borrowers must have a 2-year employment history. 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. Borrowers newly employed are allowed with documentation showing the borrower was previously in school or a training program and borrower is now employed in that line of work.
Income	Paystub(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.
Self-employed	Two years personal and business tax returns with all schedules if borrower has 25% or greater ownership interest in the business. Personal and business tax returns must be validated through a 4506-T and 8821 when applicable. If tax transcripts are not available due to recent filing, a copy of the IRS notice showing "No record of return filed" is required in addition to the previous 2 years validated tax returns. Borrowers are qualified using the returns validated. A Liquidity Test is not required to qualify the borrower.
Non-Salaried	Two years documentation and evidence of at least 3 year continuance is required. Retirement Income requires a copy of the award letter and most recent 1099's OR 3-months consecutive bank statements showing receipt of the income. Social Security income can be taxed up 25% or an amount that is prudent based on federal tax levels but not to exceed 25%. Documentation is required to show the income is non-taxable. Alimony and child support must be received at least 6-months to be used for qualifying. Alimony and child support received less than 12-months may be used provided it does not exceed 30% of the borrower's qualifying income.



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### INCOME/ASSETS, continued

Rental Income	<p>Rental income from a 1-unit primary residence or second homes may not be used. Boarder income cannot be used.</p> <p><b>Note:</b> 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 and 216 for lender reporting purposes.</p> <p>All rental income must be accounted for in the cash flow even if not needed to qualify.</p> <p>Subject property (2 unit primary residence) - use the income approach section from the appraisal and a copy of the current lease is required. If the property has been owned for at least 1 year, borrower to provide tax returns with at least a 12 month rental history. If the property has been owned less than 1 year, rental income is calculated per the income approach from the appraisal.</p> <p>Rental Income from other real estate owned - 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 from Schedule E). Income should be averaged. Net rental losses should be included in ratios as a liability.</p> <p>For properties owned for less than 1 year, rental income should be calculated using the lesser of:</p> <ul style="list-style-type: none"> <li>• 75% of the current lease minus the full PITIA; or</li> <li>• Cash flow analysis of the Schedule E from the most recent year's federal income tax return (if applicable)</li> </ul> <p>Converting current residence into a rental: 75% of a lease minus the full PITIA may be used.</p>
Assets	<p>Must be sourced/seasoned for 60 days.</p> <p>Deposit verification and seasoning of assets must be documented by two months bank statements. Marketable securities require a copy of the stock certificate. Retirement accounts require documentation verifying the lending terms of the account. All sources of funds must be owned by the borrower. All large deposits must be sourced per guidelines. Asset documentation must be dated within 30 days of application and 120 days of closing. Evidence of liquidation is required for all securities used for closing and real estate. Evidence of transfer of funds is required for all cash accounts. Gifts are acceptable provided minimum borrower investment requirements are met.</p>
Eligible Sources of Assets	<p>Acceptable sources of funds are bank deposits (checking/savings), marketable public traded securities (70% of account value), loans secured by borrower's assets, sale of real estate, funds borrowed secured by real estate, trust funds (60% of borrower's undistributed share), cash value/surrender value of life insurance (60% of the cash value), retirement accounts using 60% of available/vested balance (SEP-IRA, 401K), business assets provided it is used for funds to close only, cannot be used as income and the business assets belong 100% to the borrower, depleting the assets from the business account will not have a negative impact on the viability and cash flow of the business.</p>
Ineligible Sources of Assets	<p>Cash-on-hand, Sweat equity, Gift or grant funds which must be repaid, Down payment assistance programs, Bridge loans, Unsecured loans or cash advances, and Section 8 Voucher Assistance.</p>
Borrower Investment/Contribution	<p>Primary Residence - 5% own funds                  Second Home - 10% own funds                  Investment Property - 100% own funds</p> <p>The minimum 5% requirement can be waived and gift funds used for the entire down payment when either of the following requirements is met:</p> <ul style="list-style-type: none"> <li>• LTV is <math>\geq</math> 5% below max; or</li> <li>• Borrower has an additional 3 months of reserves (non-gift funds).</li> </ul> <p>A minimum borrower contribution of 10% is required on the following transactions (above waiver does not apply):</p> <ul style="list-style-type: none"> <li>• Primary residence with unverifiable housing history</li> <li>• Loan amount over \$484,350</li> <li>• Second home</li> <li>• Limited tradelines</li> </ul>

# Product Matrix

## Carrington Flexible Advantage Program

Program Codes: See the Program Codes section

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### INCOME/ASSETS, continued

Gifts	Gift funds are acceptable on primary residence and second homes transactions once the borrower has met the minimum 5% investment (Primary Residence) or 10% (Second Home). Gift funds are not acceptable for reserves or for investment properties. The donor must be an immediate family member (spouse, child, dependent, parent, sibling, blood relative), future spouse, or domestic partner living with the borrower. The donor may not have any affiliation with a party to the transaction. A signed gift letter is required and must include the amount of the gift, the donor's name, address, telephone number and relationship to borrower. Proof of donor's ability to give and transfer of the gift funds/evidence of receipt is required.
Minimum Reserves	<p>Net proceeds from cash-out transactions <b>can</b> be used to meet the reserve requirement. Reserves must come from borrowers own funds.</p> <p>Subject property reserve requirement - refer to the above LTV, Additional Program overlays and requirements sections.</p> <p>Investment Properties and Second Homes Only: Minimum 6 months; 2 months of additional reserves required for each financed property; no limit on the number of properties borrowers may have financed.</p> <p>Multiple Financed Properties: 2 months for each additional property</p> <p>Use of Rental Income Without a Lease: 3 months in addition to standard requirement</p> <p>No Housing History or Less Than 12 months Verified: 6 months</p> <p>For files that have more than the required 3 month reserves (e.g. &gt;\$1MM - \$1.5MM loan amounts) the reserve requirement can be reduced to 3 months when all of the following requirements are met:</p> <ul style="list-style-type: none"> <li>• Primary occupancy; and</li> <li>• LTV ≥ 10% below the maximum available for the transaction; and</li> <li>• DTI ≤ 43%.</li> </ul> <p><b>Note:</b> at no time will a file have less than 3 months reserves.</p>
Qualifying Reserves on ARM Loans	Reserves on ARM loans must be determined based on the 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.
Ineligible Reserves	Cash-on-hand, Sweat equity, Gift or grant funds which must be repaid, Down payment assistance programs, Bridge loans, Unsecured loans or cash advances, and Section 8 Voucher Assistance
Debt Ratio	See Grade Determination Above
Retaining current Residence	If subject is an owner occupied purchase transaction and borrower's current residence is pending sale, both the current and proposed housing payments are used to qualify.
Non-Taxable Income	Must verify and document source of income is non-taxable. Documentation includes award letters, policy agreements, account statements or any other documents that address the non-taxable status of the income. All disclosed, non-taxable income must be grossed-up 125% even if not being used for qualification.
Manual Underwrite Only	Manual underwrite with CMS second signature required for all loans > \$625,500. AUS not permitted. Once an underwriter has been released from test cases a second signature will not be required.
<b>PURCHASE MONEY</b>	
Seller Contribution/ Sale Concessions	<p>Maximum seller contribution up to 6% for primary residence and second homes. Investment Property = maximum 2%.</p> <p>Sales concessions must be deducted from the sales price before calculating the LTV/CLTV. Financing concessions are not allowed.</p>

# Product Matrix

## Carrington Flexible Advantage Program

Program Codes: See the Program Codes section

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GENERAL	
Age of Documents	120 days
Loan Terms Available	30 year Fixed, 5/1 ARM, 7/1 ARM, 10/1 ARM
Qualifying Fixed Products	Qualify at Note Rate
Escrow Waivers	Not Permitted
Assumptions	Not Permitted
High-Cost HOEPA Section 32 (Fed/State)	Not permitted. States may impose different definitions of points and fees, rate, or APR 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. CMS does not originate loans defined as high-cost mortgages (or equivalent terms) under Federal or state law, regardless of the basis for the loan's treatment as such.
HPML/ Section 35 loans	<p>HPML loans (Section 35) are permitted. (HPML is not permitted in IL and VT)</p> <p>Federal Section 35 High Priced Test (allowed if all 4 items below are met):</p> <ol style="list-style-type: none"> <li>1. Loan is Impounded (escrows)</li> <li>2. No Pre Payment Penalty</li> <li>3. Ability to Repay has been verified – Full Doc</li> <li>4. Full Appraisal Done on the Property</li> </ol>
QM Fees	Limited to the Section 32 5% Limit
Ineligible States	Massachusetts; North Dakota
Illinois Anti-Predatory Lending Databases	Primary Residence: Completion of the Illinois Anti-Predatory Lending Databases is required for subject properties in Cook, Kane, Peoria, and Will counties. A Certificate of Exemption or Certificate of Compliance is required to record the loan.
Maryland HPML Attestation	In compliance with Maryland Mortgage Statute 09.03.06.20 – Duty of Care, Brokers must provide an executed HPML Attestation for HPML loans with a subject property in the state of Maryland.
New York Loans	<p>Primary Residence and Second Homes: Loans require a minimum loan size of "Conforming Balance plus \$1". NY CEMA Loans are permitted.</p> <p>Investment Properties: Minimum Loan Amount = \$100,000</p>
Ability to Repay (ATR)	<p>Fully Compliant (DTI&gt;43% program follows all other ATR requirements)</p> <ul style="list-style-type: none"> <li>• Fully Documented Income</li> <li>• Full Appraisal</li> <li>• Escrows required</li> <li>• No Prepayment Penalty</li> </ul>

# Product Matrix

## Carrington Flexible Advantage Program

Program Codes: See the Program Codes section

Version 5.0 – 02/07/19



### GENERAL, continued

Bank Statement Documentation	<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>Borrowers must be self-employed for at least 2 years.</li> <li>Business must be in existence for at least 2 years.</li> <li>Standard Tradelines and a 12-month housing history are required.</li> <li>Non-Permanent Resident Aliens and Foreign Nationals are ineligible.</li> <li>All parties listed on each bank account must be included as borrowers on the loan.</li> <li>Statements must be consecutive and reflect the most recent months available.</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><b>More than 3 NSF's or overdrafts within the most recent 12 months require explanation, supporting documentation, and underwriter analysis for acceptability. Refer to guidelines for additional details. Note:</b> Overdraft Protection Transfers are not considered an NSF.</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>PayPal business account statements are ineligible. PayPal earnings must be deposited into a business or personal bank account for consideration.</li> <li><b>W-2 Wages:</b> 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-T verifying the W-2 earnings only. W-2 transcripts may be used in lieu of paper W-2s.</li> <li><b>Rental Income:</b> 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>
Eligible Borrowers	<p>U.S. Citizens, Permanent Resident Aliens, and Non-Permanent Resident Aliens. Permanent Resident Aliens must provide proof of lawful residence, green card and permanent right to work in the U.S. Non-Permanent Resident Aliens must provide proof of lawful residency, work authorization, and an unexpired, valid visa with at least three years left to work in the U.S. All qualifying borrowers must have a documented 2 year consecutive work history in the U.S. <b>CMS limits the maximum number of borrowers on one loan to eight (8).</b></p>
Ineligible Borrowers	<p>Foreign Nationals, Deferred Action for Childhood Arrivals (DACA - EAD Category C33), Borrowers with Diplomatic Immunity, Non-Permanent Resident Aliens who do not have a green card or a valid visa, Borrowers without a credit score, Borrowers who are not natural persons (i.e.: Corporation and Partnership), Borrowers holding title in the name of a trust, Borrowers with more than 5 CMS financed properties, including the subject property.</p>
First Time Investors	<p>Not permitted.</p>
First Time Homebuyers	<p>Verification of 12 months' rent required via cancelled checks or bank statements. 6 months reserves from borrower's own funds required. Minimum FICO &gt;= 580</p>
Power of Attorney	<p>A Limited Power of Attorney (POA) is acceptable. Refer to Carrington Flexible Advantage Program Guidelines for requirements.</p>
Mortgage Insurance (MI)	<p>Not Required</p>
Rent Loss Insurance	<p>Not Required</p>
Prepayment Penalty	<p>Owner Occupied (Primary Residence and Second Homes): Not Permitted Non-Owner Occupied (Investment Properties): Permitted and may only be charged when permissible by State law. Note: A Business Purpose Affidavit must be executed at closing if a prepayment penalty is charged.</p>

# Product Matrix

## Carrington Flexible Advantage Program

Program Codes: See the Program Codes section

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Carrington Flexible Advantage Program - Program Codes							
Program Codes – Full Documentation							
30 Year Fixed		5/1 LIBOR ARM		7/1 LIBOR ARM		10/1 LIBOR ARM	
Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade
N30FA	A	N51AA	A	N71AA	A	N101AA	A
N30FB	B	N51AB	B	N71AB	B	N101AB	B
N30FC	C	N51AC	C	N71AC	C	N101AC	C
Program Codes – 24 Months Bank Statement Program							
30 Year Fixed		5/1 LIBOR ARM		7/1 LIBOR ARM		10/1 LIBOR ARM	
Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade
N30FBANK24A	A	N51ABANK24A	A	N71ABANK24A	A	N101ABANK24A	A
N30FBANK24B	B	N51ABANK24B	B	N71ABANK24B	B	N101ABANK24B	B
N30FBANK24C	C	N51ABANK24C	C	N71ABANK24C	C	N101ABANK24C	C
Program Codes – 1 Year Alt Doc Program							
30 Year Fixed		5/1 LIBOR ARM		7/1 LIBOR ARM		10/1 LIBOR ARM	
Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade
N30FALT1YRA	A	N51AALT1YRA	A	N71AALT1YRA	A	N101AALT1YRA	A
N30FALT1YRB	B	N51AALT1YRB	B	N71AALT1YRB	B	N101AALT1YRB	B
N30FALT1YRC	C	N51AALT1YRC	C	N71AALT1YRC	C	N101AALT1YRC	C
Program Codes – 12 Months Bank Statement Program							
30 Year Fixed		5/1 LIBOR ARM		7/1 LIBOR ARM		10/1 LIBOR ARM	
Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade
N30FBANK12A	A	N51ABANK12A	A	N71ABANK12A	A	N101ABANK12A	A
N30FBANK12B	B	N51ABANK12B	B	N71ABANK12B	B	N101ABANK12B	B
N30FBANK12C	C	N51ABANK12C	C	N71ABANK12C	C	N101ABANK12C	C