

Product Matrix

Carrington Flexible Advantage Program - Texas Home Equity

Program Codes: See the Program Codes section

Version 2.1 – 02/07/19



Program Maximum LTVs

Loan Amount	Reserves	FICO	A	B	C
			Cash Out	Cash Out	Cash Out
≤ \$1,000,000	3 Months	640	80%	75%	65%
		620	80%	75%	65%
		580	80%	70%	65%
		500	70%	70%	65%
> \$1,000,000 up to \$2,000,000	3 Months	640	75%	70%	-
		620	75%	70%	-
		580	70%	65%	-
		500	65%	65%	-
Most recent 12-months Mortgage/Rental History			0x60x12	0x120x12	0x30 since event
FC/SS/DIL/Modification/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%

* See Additional Program Requirements below for details

Program Requirements	
Minimum Loan Amount	\$100,000
Maximum Loan Amount	\$2,000,000
Maximum Cash Out > 75% LTV	\$500,000
Maximum Cash Out ≤ 75% LTV	\$750,000
Residual Income	1,500
Tradelines	Standard/ Limited
Property Type Requirements	
Property Type	Max LTV
Single Family/PUD	80%
Townhouse	80%
Condominium	80%
Non-Warrantable Condo	80%
Modular Homes	80%

Additional Program Overlays				1-Year Alt Doc	50% DTI
Feature	LTV	FICO	Reserves	<ul style="list-style-type: none"> 1 Year Tax Return 1 Year W-2 12 Mos Personal Bank Statements Min FICO = 620 Max DTI = 50% 	<ul style="list-style-type: none"> FICO ≥ 620
24 Months Personal Bank Statements	Refer to Grid Above	580	6 Months		55% DTI <ul style="list-style-type: none"> Full Doc FICO ≥ 680/LTV ≤ 85% Primary Residence 12 Months Reserves Residual Income ≥ \$3,500
12 Months Personal Bank Statements	Refer to Grid Above	620	6 Months		
Limited Tradelines	LTV based on lesser of actual FICO or 580 FICO		6 Months		

Additional Program Requirements

Debt Ratios	<ul style="list-style-type: none"> Standard DTI to 43% available for Grade A, B and C Expanded DTI to 50% available for Grade A and B Min FICO = 620 Expanded DTI to 55% available for Grade A and B with ALL of the following compensating factors present (Full Doc only): <ul style="list-style-type: none"> FICO ≥ 680; Primary Residence; LTV ≤ 80%; Residual Income ≥ \$3,500; 12 Months Reserves DTI to 43% available for 12-Month Personal Bank Statements
Full Documentation Income	Fully documented income requires 4506T forms and processed transcripts for the income used to qualify. Note: 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 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 Guidelines for details. Please Note: Underwriter may condition for 4506-T tax transcripts to be signed and processed on a case by case basis.

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Guideline Requirements

COLLATERAL

Property Characteristics	<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"> Property must be a principal residence constituting the borrower's homestead in state of Texas. The homestead property may not exceed the applicable acreage limit as determined by Texas law. All separate structures must be included in the homestead exemption. The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road. 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.
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.
Occupancy	<ul style="list-style-type: none"> Homesteaded Properties Only: All borrowers on the loan (other than a spouse) must be on title and occupy the subject property as their primary residence. Texas Home Equity loans are only allowed on the borrower's homestead. There is also a requirement that the borrower have a present intention to reside in the property as the borrower's principal residence for a period of at least one year after closing.
Appraisal	1 Full appraisal required. Exterior and Interior inspection. Color photographs required. 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.
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 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 Guidelines for condominium specifications.
All Properties Square Footage	Minimum of 600 square feet of gross living area.
Eligible Property Types	SFR, PUD, Townhome, Condominium, Modular, Mixed-Use Properties, Maximum 10 acres of land that is urban or 20 acres that is rural – nonagricultural. See Guidelines for specifics on Property location and services that are required.
Ineligible Property Types	2-4 Units, Second Homes, Investment Properties, Co-ops, Condotels, Manufactured, Unique Properties, Mixed Use 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.
Property Flipping	365 flip provisions apply and must comply with HPML flip rules, see Guidelines for specifications.

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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"> • 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. <p>The appraisal requirements for mixed-use properties must:</p> <ul style="list-style-type: none"> • 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; <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>
Resale/Deed Restrictions	Communities where the minimum age requirement is 55 are permitted.
Maximum Number of Financed Properties	There is no limit on the number of other properties borrowers may currently have financed. See Carrington Flexible Advantage Underwriting Guidelines for additional requirements.

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TEXAS HOME EQUITY REQUIREMENTS

Restrictions	<ul style="list-style-type: none"> • A copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50 (a)(6). • Can only be 1 outstanding Texas 50(a)(6) loan on the property at any time. • The borrower must pay-off an existing Texas 50(a)(6) second lien if they are getting cash-out from the first mortgage. • There is a 12-month seasoning requirement for any Texas Section 50(a)(6) loan (first or second). There is no seasoning requirement on first or second mortgages that are not Texas 50(a)(6) loans. • The 50(a)(6) loan may not be used to acquire the property or to finance construction.
Fees	<p>Total fees paid by the borrower (excluding prepaids, discount points used to buy down the interest rate, appraisal costs, survey costs, lenders title insurance premiums and title endorsements) cannot exceed 2% of the principal balance. The 2% cap includes fees paid to the lender, broker, or any third party which includes:</p> <ul style="list-style-type: none"> • Credit report fees, recording fees, origination fees, etc. • If closing costs are greater than 2%, fees must be reduced prior to closing. <p>If borrowers are paying discount points, the borrowers, owners-in-title and/or spouse must execute the TX Home Equity Discount Point Acknowledgment.</p>
Loan Parameters	<p>The following are considered Texas Section 50(a)(6) loans:</p> <ul style="list-style-type: none"> • 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 <p>The following are NOT considered Texas Section 50(a)(6) loans:</p> <ul style="list-style-type: none"> • 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) require that an acceptable owelty lien of partition is established. The owelty lien documents should be reviewed and approved by the company's Texas counsel before the loan can proceed to closing. <p>Note: Owelty liens are a type of lien that allows the owner of a home to use the existing equity in their home to assist in dividing property in the case of a divorce or inheritance. The Texas Constitution specifically designates an Owelty of partition as one of the permitted encumbrances on a Texas homestead.</p> <ul style="list-style-type: none"> • 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 • Rate/Term refinance loans that include the payment by the lender of reasonable closing costs in the loan amount are acceptable.

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TEXAS HOME EQUITY REQUIREMENTS, continued

Title	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>Loans must be closed in a Texas title company's office or attorney's office. No mobile notaries or eClosings are permitted.</p>
Survey	<p>Provide new property survey or submit copy of previously completed survey. If an old survey is used, a copy of the old survey must be sent to the title company for review and approval. CMS will rely upon the title insurer to provide direction regarding what is necessary to satisfy the survey requirement including but not limited to an affidavit and/or a new survey.</p>
Power of Attorney	<p>Not Permitted</p>
Closing Requirements	<p>Attorney Review required. All documents must be reviewed by Polunsky Beitel Green, LLP</p>
Payoff of Debt	<p>CMS may require the payoff of the existing first lien as part of the loan approval when the following requirements are met:</p> <ul style="list-style-type: none"> • CMS may not require any other CMS-owned debt be paid off as part of the transaction as a condition of loan approval. • If the payoff of debts to other 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. • 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.
Additional Texas 50(a)(6) Requirements	<p>The borrower(s) must be provided a complete and accurate copy of the Final 1003, no later than one (1) business day prior to loan closing. The borrower(s) must be provided a complete and accurate copy of the Final Closing Disclosure no later than one (1) business day prior to loan closing. The following Subsections of the Closing Disclosure: A. (Origination Charges), B. (Services Borrower Did Not Shop For), C. (Services Borrower Did Shop For), E. (Taxes and Other Government Fees), or H. (Other) cannot change, either up or down, from the Closing Disclosure the borrower(s) acknowledged at least one (1) business day prior to the closing. If a change occurs, a new Closing Disclosure must be provided and acknowledged by the borrower(s) at least one (1) business day prior to the closing.</p> <ul style="list-style-type: none"> • The borrower(s) must sign "Borrower's Certification of Receipt of Settlement Statement and Accuracy Thereof" (also called Acknowledgement of Itemization of Fees, Points, Interest, Costs and Charges for Texas Home Equity Loan or Line of Credit at closing. • Both spouses must execute the mortgage; however, both spouses are not required to be parties to the promissory note. All individuals on title and their spouses (including non-titled spouses) must sign the Security Instrument, TIL, Right of Rescission, if applicable and the Texas Notice Concerning Extensions of Credit. • Borrower(s) must be provided a copy of all documents at closing and sign the Acknowledgement of Receipt of Copies. The documents may not contain any blank spaces. • All loans must contain a Texas Attorney Representation letter • All borrowers must attend the closing and execute the documentation in person at the closing. • Texas Notice Concerning Extensions of Credit - 50(a)(6) 12 Day Notice • Texas Acknowledgement Regarding the Fair Market Value of Homestead Property - LO/Broker and Borrower must sign form • Texas Home Equity Affidavit Agreement - Borrower acknowledgement that copies of all documentation was provided • Discount Point Disclosure - Borrower signs if discount points were paid by the borrower

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TEXAS HOME EQUITY REQUIREMENTS, continued

12 Day Waiting Period Requirements	<p>Closing documents may NOT be signed before the later day of the following:</p> <ul style="list-style-type: none"> • Borrower submits loan application, or • Borrowers receive a copy of the required Texas Notice Concerning Extensions of Credit. <p>Proof of receipt is required for confirmation of the date the borrower receives a copy of the notice. Proof includes a borrower signed and dated the Notice or a date delivery receipt. The delivery receipt must show the borrower(s) name, address, and date delivered.</p> <p>If the borrower is married, a copy of the notice must be provided to the non-borrowing spouse and the 12 day waiting period applies. The non-borrowing spouse must sign the 12-Day Notice.</p>
Calculating the Texas 12 Day Waiting Period	<p>Count 12 calendar days after the borrower receives the Notice (do NOT count the day the borrower receives the Notice).</p> <p>If the 12th day falls on a Saturday, Sunday, or Holiday - Move to the next business day.</p>
Non-Borrowing Spouse and/or an Owner-In-Title	<p>A married borrower may not create a lien against the property unless his/her spouse consents to the lien by signing the appropriate documents. 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.</p>

TYPES OF FINANCING

General Refinance Requirements	<p>Cash-out refinance transactions are allowed.</p> <p>Determining Loan-to-Value</p> <p>If the subject property was acquired > 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>
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. 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.</p>
Rate/Term Refinance Requirements	<p>The loan is rate/term refinance if the first mortgage being paid off is a Texas 50 (a)(6) loan and the borrower is not getting any cash back.</p> <p>A second mortgage that is not a Texas 50 (a)(6) loan that was used in whole to acquire the subject property may be paid off.</p> <p>The loan amount may include:</p> <ul style="list-style-type: none"> • Payoff of the outstanding principal balance of existing first loan, plus any required per diem interest. • Closing costs, prepaid costs and discount points. • Delinquent taxes/escrow shortage and late fees cannot be included in the loan amount; borrower must pay using own funds. • No cash back to the borrower. The Final Closing Disclosure are required from any prior transaction <p>The subject loan is considered a cash-out refinance if:</p> <ul style="list-style-type: none"> • The previous transaction combined a first and non-purchase subordinate lien into a new first or subsequent refinance of that loan within the past 6 months. • The current transactions pays off a first mortgage and a subordinate lien not used to purchase the property.

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TYPES OF FINANCING, continued

Cash-Out Requirements	<p>One borrower must have held title to the subject property for at least 6 months (measured from previous note date to subject note date). Loan is considered a cash-out refinance if:</p> <ul style="list-style-type: none"> • Paying off a first and/or second mortgage that is not Texas 50(a)(6) and is getting cash-out. • Paying off a first mortgage that is a Texas 50(a)(6) loan, is not getting any cash out and is paying off a second lien that is not a Texas 50(a)(6) loan, which was not used in whole to acquire the subject property. • Paying off a first mortgage that is not a Texas 50(a)(6) loan and is paying off a second lien that is a Texas 50(a)(6) loan, and <ul style="list-style-type: none"> ○ The borrower is getting cash back from the refinance, or ○ The borrower is not getting cash out but is paying a second mortgage that was not used in whole to acquire the subject property.
Cash-out Refinance	<p>For all cash-out refinance transactions, 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 Cash Out > 75% LTV = \$500,000 Maximum Cash Out <= 75% LTV = \$750,000 Cash Out can be used for reserve requirements and/or to pay off debt for qualifying.</p>
All Refinances	All refinance transactions must have Net Tangible Benefit to Borrower and Continuity of Obligation.
Construction-to-Perm	Not permitted
Subordinate Financing	<p>Only one lien subject to Texas Section 50(a)(6) provisions may be secured by the subject property at any given time, regardless of lien position. New subordinate financing is not allowed, but existing subordinate financing may remain in place. Existing subordinate financing is subject to the following:</p> <ul style="list-style-type: none"> • Second lien must be re-subordinated • Maximum 80% CLTV • Second lien may not be a HELOC or a reverse mortgage

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 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"> • The account must have activity in the past 12 months and may be open or closed • Tradelines used to qualify may not exceed 0x60 in the most recent 12 months • An acceptable 12- or 24-month housing history not reporting on credit may also be used as a tradeline <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>
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CREDIT, continued

Limited Tradelines	<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"> • Primary residence • 10% minimum borrower contribution • Minimum 6 months reserves after closing • Full documentation of income (Bank Statement Documentation not allowed) <p>When qualifying with Limited Tradelines, the lower of either the Representative Loan Score or a 580 score is used to qualify the borrower. 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
Qualifying FICO	The FICO of the Primary Wage Earner which will be the score used for grading and pricing
Rapid Rescore	Permitted. See Underwriting Guidelines for additional requirements.
Mortgage/Rental History	<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 Guidelines for full details.</p>
Forbearance Due to FEMA Disaster	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).
Late Payments	<p>Rolling Late Payments: Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.</p> <p>Past Due Accounts: 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>
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"> • 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 <p>Note: Open Chapter 13 bankruptcy will be graded per the mortgage rating.</p>
Short Sale/ Foreclosure/ Deed-in-Lieu/ Modification	See Grade Determination above.

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CREDIT, continued

Collections/Charge Offs	<p>The following accounts may remain open:</p> <ul style="list-style-type: none"> • Collections and charge-offs < 24 months old with a maximum cumulative balance of \$2,000 • Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence • Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required) • All medical collections <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"> • 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). <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"> • 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. <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"> • 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)	<p>For IRS taxes owed and no lien is present all of the following requirements must be met:</p> <ul style="list-style-type: none"> • 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.
Minimum FICO	<p>The primary wage-earner score is used as the Representative Credit Score for each loan. 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 borrowers on the loan must have at least one valid score of 500 or greater.</p> <p>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.</p>
Minimum Payment	<p>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.</p> <p>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.</p>

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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.
Residual Income	\$2,500 plus an additional \$150 per dependent is required.
Self-employed	Two years personal & 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.
Rental Income	Rental income from a 1-unit primary residence or second homes may not be used. Boarder income cannot be used. 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 and 216 for lender reporting purposes. All rental income must be accounted for in the cash flow even if not needed to qualify. Rental Income from other than subject property - current tax returns showing at least 12 month rental history is required. If property has been owned less than 1 year, signed leases may be used with applying a 25% vacancy factor. Converting current residence to a rental - borrower must have 30% equity in the current residence documented with an appraisal. A 1007 or 1025 with market rents, a copy of the signed lease agreement, copy of the security deposit and a copy of the bank statement showing security funds deposited are required. A 25% vacancy factor is deducted from the income.
Assets	Must be sourced/seasoned for 60 days. 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 60 days of the date of the note. Evidence of liquidation is required for all securities and real estate. Evidence of transfer of funds is required for all cash accounts. Gifts are acceptable provided minimum borrower investment requirements are met.
Eligible Sources of Assets	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 CPA provides a letter verifying 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.
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, and Section 8 Voucher Assistance

Product Matrix

Carrington Flexible Advantage Program - Texas Home Equity

Program Codes: See the Program Codes section

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INCOME/ASSETS, continued

Borrower Investment/ Contribution	<p>Primary Residence - 5% 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"> LTV is \geq 5% below max; or Borrower has an additional 3 months of reserves (non-gift funds). <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"> Primary residence with unverifiable housing history Loan amount over \$484,350 Limited tradelines
Gifts	<p>Gift funds are acceptable once the borrower has met the minimum 5% investment.</p> <p>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.</p>
Gifts of Equity	<p>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 an immediate family member, Six months of reserves required of borrower's own funds, Non-arm's length criteria is met, Signed gift letter is provided, and Gift of equity is listed on the settlement statement.</p>
Minimum Reserves	<p>Net proceeds from cash-out transactions can 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>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. >\$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"> Primary occupancy; and LTV \geq 10% below the maximum available for the transaction; and DTI \leq 43%. <p>Note: at no time will a file have less than 3 months reserves.</p>
Ineligible Reserves	<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>
Debt Ratio	<p>See Grade Determination Above</p>
Retaining current Residence	<p>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.</p>

Product Matrix

Carrington Flexible Advantage Program - Texas Home Equity

Program Codes: See the Program Codes section

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INCOME/ASSETS, continued	
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. Once an underwriter has been released from test cases a second signature will not be required.
GENERAL	
Age of Documents	120 days
Loan Terms Available	30 year Fixed Rate
Qualifying Payment	Use Qualifying Rate for calculating PITIA
Escrow Waivers	Not Permitted
Assumptions	Not Permitted
Compliance	CMS complies with all applicable federal and state regulations
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.
QM Fees	Limited to the Section 32 5% Limit
Ability to Repay (ATR)	Fully Compliant (DTI>43% program follows all other ATR requirements) <ul style="list-style-type: none"> • Fully Documented Income • Full Appraisal • Escrows required • No Prepayment Penalty

Product Matrix

Carrington Flexible Advantage Program - Texas Home Equity

Program Codes: See the Program Codes section

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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"> • Borrowers must be self-employed for at least 2 years. • Business must be in existence for at least 2 years. • Standard Tradelines and a 12-month housing history are required. • Non-Permanent Resident Aliens and Foreign Nationals are ineligible. • All parties listed on each bank account must be included as borrowers on the loan. • Statements must be consecutive and reflect the most recent months available. • Statements must support stable and generally predictable deposits. Unusual deposits must be documented. • Evidence of a decline in earnings may result in disqualification. • 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: Overdraft Protection Transfers are not considered an NSF. If bank statements provided reflect payments being made on obligations not listed on the credit report, see Undisclosed Debts for additional guidance. • Paypal business account statements are ineligible. Paypal earnings must be deposited into a business or personal bank account for consideration.
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.</p>
Ineligible Borrowers	<p>Non-Occupant co-borrowers, co-signers, borrowers not on title, 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>
Mortgage Insurance (MI)	Not Required
Prepayment Penalty	Not Required

Product Matrix

Carrington Flexible Advantage Program - Texas Home Equity

Program Codes: See the Program Codes section

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Carrington Flexible Advantage Texas Home Equity Program Codes	
Program Code	Description
N30FTXA	30-Year Fixed Texas Home Equity Grade A
N30FTXB	30-Year Fixed Texas Home Equity Grade B
N30FTXC	30-Year Fixed Texas Home Equity Grade C
N30FTXALT1YRA	30-Year Fixed Texas Home Equity Grade A 1 Year Alternative Documentation
N30FTXALT1YRB	30-Year Fixed Texas Home Equity Grade B 1 Year Alternative Documentation
N30FTXALT1YRC	30-Year Fixed Texas Home Equity Grade C 1 Year Alternative Documentation
N30FTXBANK12A	30-Year Fixed Texas Home Equity Grade A 12 Month Bank Statements
N30FTXBANK12B	30-Year Fixed Texas Home Equity Grade B 12 Month Bank Statements
N30FTXBANK12C	30-Year Fixed Texas Home Equity Grade C 12 Month Bank Statements
N30FTXBANK24A	30-Year Fixed Texas Home Equity Grade A 24 Month Bank Statements
N30FTXBANK24B	30-Year Fixed Texas Home Equity Grade B 24 Month Bank Statements
N30FTXBANK24C	30-Year Fixed Texas Home Equity Grade C 24 Month Bank Statements
N30FTXCONVERTA	30-Year Fixed Texas Home Equity Conversion Grade A
N30FTXCONVERTB	30-Year Fixed Texas Home Equity Conversion Grade B
N30FTXCONVERTC	30-Year Fixed Texas Home Equity Conversion Grade C
N30FTXCONVERTALT1YRA	30-Year Fixed Texas Home Equity Conversion Grade A 1 Year Alternative Documentation
N30FTXCONVERTALT1YRB	30-Year Fixed Texas Home Equity Conversion Grade B 1 Year Alternative Documentation
N30FTXCONVERTALT1YRC	30-Year Fixed Texas Home Equity Conversion Grade C 1 Year Alternative Documentation
N30FTXCONVERTBANK12A	30-Year Fixed Texas Home Equity Conversion Grade A 12 Month Bank Statements
N30FTXCONVERTBANK12B	30-Year Fixed Texas Home Equity Conversion Grade B 12 Month Bank Statements
N30FTXCONVERTBANK12C	30-Year Fixed Texas Home Equity Conversion Grade C 12 Month Bank Statements
N30FTXCONVERTBANK24A	30-Year Fixed Texas Home Equity Conversion Grade A 24 Month Bank Statements
N30FTXCONVERTBANK24B	30-Year Fixed Texas Home Equity Conversion Grade B 24 Month Bank Statements
N30FTXCONVERTBANK24C	30-Year Fixed Texas Home Equity Conversion Grade C 24 Month Bank Statements